



## COUNCIL REPORT

To: Paul Gipps, CAO

Date: February 9, 2021

From: Lisa Siavashi, Financial Services Manager

Subject: **Water Rates Bylaw No. 0028.69, 2021**

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### RECOMMENDATION

**THAT** Council give first, second and third reading to “City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.69, 2021” (Schedule 8).

### STRATEGIC AREA(S) OF FOCUS

Financial well-being of the City of West Kelowna’s water system – operating and infrastructure funding.

### BACKGROUND

In 2017 Council adopted a revised water rates schedule, with staged increase over a four year period. 2021 marks the fourth year of this adopted schedule. Rates were based on the needs of both the Powers Creek Treatment Plant and the soon to be Rose Valley Water Treatment Plant, as determined at that time. For 2021 that means an average rate increase of 11% (\$17.29 per quarter) for Rose Valley water customers and 8% (\$12.74 per quarter) for Powers Creek water users.

The 2021 rate schedule also sees the return of the 1% per month interest on overdue accounts. Council removed the interest penalty for 2020 as a relief measure for residents due to financial hardships due to COVID-19; however, staff noted that as of December 31<sup>st</sup>, 2020 the amount of outstanding accounts was similar to past years. The cost of removing the interest penalty for 2020 was approximately \$85,000.

2020 also saw a re-structuring of the agricultural billing methodology to implement a quarterly flat-rate and consumption-based model for all agricultural customers. Consumption charges were billed on the fourth quarter bill for 2020 (September – December, due February 15, 2021). This change has been well received by most agricultural customers, with the exception of a small number who were not able to meet the farm class qualification in order to receive agricultural rates.

## **FINANCIAL IMPLICATIONS**

The proposed water rates are designed to meet the financial needs of the City in 2021 and will continue to be reviewed as part of our annual budget process each year and amended as required. During the current review of the 10-year Capital Plan, it was noted that the reserve balances and funding levels were not sufficient to cover the plan.

If Council were to delay water rates increases for 2021 this would create a loss of approximately \$500,000 in water revenue, or \$125,000 per quarter. Such a loss without equivalent reduction in expenses would cause a deficit for 2021, hamper the ability to transfer funds to reserves for much needed infrastructure and ultimately trigger larger increases to water rates in the future.

Staff will continue to review the timing of capital requests and operating needs year over year as well as prepare a new rate schedule for Council to review in 2022.

### **Alternate Motion:**

**That** Council direct staff to amend the bylaw under consideration.

## **REVIEWED BY**

Warren Everton, Director of Finance/CFO

Shelley Schnitzler, Legislative Services Manager/Corporate Officer

## **APPROVED FOR THE AGENDA BY**

Paul Gipps, CAO

PowerPoint: Yes ☐ No ☒

Attachments: Bylaw No. 0028.69 (Schedule 8 – Water Rates)