

City of Kelowna

Regular Council Meeting

AGENDA



Monday, May 17, 2021

9:00 am

Council Chamber

City Hall, 1435 Water Street

Pages

1. **Call to Order**

2. **Confirmation of Minutes**

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Regular AM Meeting - May 10, 2021

3. **Resolution Closing the Meeting to the Public**

THAT this meeting be closed to the public pursuant to Section 90(1) (f) of the Community Charter for Council to deal with matters relating to the following:

- Law Enforcement

4. **Adjourn to Closed Session**

5. **Reconvene to Open Session**

6. **Reports**

6.1. **South East Kelowna Large Property - Potable Water Supply**

15 m

4 - 17

To update Council on completed work and planned efforts to engage this customer group.

7. **Issues Arising from Correspondence & Community Concerns**

7.1. **Mayor Basran, re: Issues Arising from Correspondence**

15 m

8. **Termination**



**City of Kelowna
Regular Council Meeting
Minutes**

Date: Monday, May 10, 2021
 Location: Council Chamber
 City Hall, 1435 Water Street

Members Present Mayor Colin Basran, Councillors Maxine DeHart, Ryan Donn, Gail Given, Brad Sieben* and Loyal Wooldridge

Members participating remotely Councillors Charlie Hodge, Mohini Singh and Luke Stack

Staff Present City Manager, Doug Gilchrist; City Clerk, Stephen Fleming; Infrastructure Engineering Manager, Joel Shaw*; Divisional Director, Financial Services, Genelle Davidson*

Staff participating remotely Legislative Coordinator (Confidential), Arlene McClelland*

Guests participating remotely Martin Bell*, CEO Urban Systems

(* Denotes partial attendance)

1. Call to Order

Mayor Basran called the meeting to order at 9:04 a.m.

2. Confirmation of Minutes

Moved By Councillor Wooldridge/Seconded By Councillor Hodge

R0470/21/05/10 THAT the Minutes of the Regular AM Meeting of April 26, 2021 be confirmed as circulated.

Carried

3. Reports

3.1 Council Engagement in the Capital Planning Process

Staff:

- Provided opening remarks and provided a brief history of the Capital Planning Process.

Councillor Sieben joined the meeting at 9:08 a.m.

Martin Bell, CEO Urban Systems

- Displayed a PowerPoint Presentation.
- Provided a session overview.
- Conducted an "appreciative inquiry" with Council, with comments from individual Council members.
- Conducted an "exploring our governance responsibilities" exercise with Council, with comments from individual Council members.
- Conducted an "exploring dynamic tension" exercise with Council, with comments from individual Council members.
- Made comments on "building our capital planning story" for future discussion.

Guest, Martin Bell disconnected from the meeting at 10:39 a.m.

Moved By Councillor Donn/Seconded By Councillor Sieben

R0471/21/05/10 THAT Council receives, for information, the report from the Infrastructure Department dated May 10th, 2021, with respect to Council's engagement in the Capital Planning Process.

Carried

The meeting recessed at 10:39 a.m.

The meeting reconvened at 10:50 a.m.

4. Resolution Closing the Meeting to the Public

Moved By Councillor Wooldridge/Seconded By Councillor Given

R0472/21/05/10 THAT this meeting be closed to the public pursuant to Section 90(1)(c),(e), (f),(l) and 90(2)(b) of the Community Charter for Council to deal with matters relating to the following

- Labour Relations
- Property Disposition
- Law Enforcement
- Municipal Objectives, Measures and Progress
- Confidential Information from the Province

Carried

5. Adjourn to Closed Session

The meeting adjourned to a closed session at 10:50 a.m.

6. Reconvene to Open Session

The meeting reconvened to an open session at 12:13 p.m.

7. Issues Arising from Correspondence & Community Concerns

There were no issues arising.

8. Termination

The meeting was declared terminated at 12:14 p.m.

Mayor Basran

City Clerk

sf/acm

Report to Council



Date: May 17, 2021

To: Council

From: City Manager

Subject: South East Kelowna Large Lot Properties - Potable Water Supply

Department: Utility Services

Recommendation:

THAT Council receives for information the report from Utility Services dated May 17th, 2021, pertaining to Large Lot Water Supply servicing.

Purpose:

To update Council on completed work and planned efforts to engage this customer group.

Background:

On March 22nd, 2021 a report was presented to Council for amendments to Water Regulation Bylaw 10480 regarding:

1. Farm Properties outside Southeast Kelowna that have alternate sources of water for irrigation
2. Large residential properties in Southeast Kelowna that only have access to potable water
3. Properties pursuing developing farm status.

This report provides an update and reference information regarding properties in southeast Kelowna that are greater in size than one acre and are only serviced with the potable water supply. These properties are using City potable water for both indoor and outdoor use. This report focuses on implementing water rates for large residential properties that only have access to potable water. Any changes to the rate structure and its application would be applied to all City customers.

Council directed staff to ensure direct engagement occurs for those large residential properties that only have access to potable water supply with the anticipated largest impacts. As some properties may see substantive increases in their cost of water in 2021 it is important to ensure impacts are understood, even for a relatively small number of property owners.

The City water utility has roughly 20,000 customers. Over 14,500 are in the Single-Family Residential rate class. There are currently 105 properties in Southeast Kelowna that are over one acre in size and do not have access to non-potable (inexpensive) water for irrigation. This is not unique, however, as there are roughly 200 properties over one acre in other areas of the City that have always been on Residential Class tiered water rates.

Discussion:

Water Integration Project:

The Kelowna Integrated Water project separated agricultural and domestic water systems in most of Southeast Kelowna and now delivers sustainable, clean drinking water to approximately 2,000 households; meeting Interior Health's 2025 clean water mandate earlier than planned in Southeast Kelowna.

Throughout the implementation of the project significant public engagement related to water rate structure and values in water pricing took place. In 2017, an online survey for input was available and continued with stakeholder and public input in 2018 and 2019. Public engagement was a key part of the project and developing a water rate structure to meet long term agricultural needs.

Council Policy:

Based on the Water Integration project objectives and stakeholder input, Council passed Water Supply Policy 383 on October 28, 2019 that established its support for agriculture and providing the non-potable water system based on the best overall value to the utility. Policy 383 lists the following ranked priorities for water supply:

1. Safe water for human health and sanitation;
2. Fire suppression, emergency response and risk mitigation;
3. Commercial, Industrial and Agricultural use;
4. Irrigation and aesthetics.

On March 22, 2021 Council amended the Water Regulation Bylaw to assist large residential lots (over 1 acre) in the former SEKID service area to adjust to paying tiered water rates. Tier 4 rates were set equal to Tier 3 water rates for 2021. Staff were directed to adjust Tier 4 rates annually for this group such that by 2024 the tiered water rates would again be consistent across the City water utility.

The reduction of the Tier 4 domestic water rate for these properties allows time for customers to implement landscaping changes and alter water use habits. Permanent changes to the rate structure are not being considered as this would create an inequity with other existing customers in the utility and would require a significant increase in revenues from other customers.

Stakeholder/Public Engagement:

A majority of the participants of the survey indicated that agriculture rates should only be available to properties with farm status for legitimate agriculture activities. There was little support for lower water rates for recreational or park properties. There was support for properties that may have access to the non-potable source for irrigation at reduced rates but higher than agriculture rates.

At the March 2021 meeting Council directed staff to continue to look at the rate impacts on large lot potable-only customers and engage directly with them. This group represents 105 properties in total. The cost impact of using domestic water for irrigation and other outdoor uses will depend on the extent of their water consumption, the efficiency of their irrigation systems and their ability to change their water use patterns. To date Utility Services has held small group discussions, consulted with City and other government agencies and replied to questions while developing an approach with appropriate communications for all affected properties.

Affected Properties in the Group:

Large residential use lots are the main type of properties within the group. These are properties that range in acreage but are, for the most part, estate-type homes. Some have modest landscape design with low outdoor water usage while some of these properties have extensive landscaping and heavy water consumption. Most of the newer developed properties are large lot residential estates.

Extension of the non-potable system into these areas is not cost effective due to the distances involved, historic use, and small number of benefitting properties. The City's Watersmart program is available for customers to gain input from water conservation specialists and obtain rebates for some water conservation initiatives.

A smaller number of properties in this group have some form of agriculture or hobby farm activities without access to the non-potable water supply system. Like elsewhere in the city, property owners choosing to pursue hobby farm activities such as having animals for recreation or growing food for personal / family consumption should do so with the understanding that neither the City's Water Supply Policy, the local agriculture stakeholders, nor the BC Farm Assessment process supports this practice through agriculture-based water rates. The only instance where the City would support using potable water for irrigation at City agriculture rates would be properties obtaining Farm Status. The determination of Farm Status includes, among other qualifications, a financial income threshold that is set by BC Assessment and not the City.

There are differences affecting the ability for a property to be classed Farm Status from BC Assessment. One of the main factors is the size of the property and the required farming income. Properties of two acres or more are required to generate an annual income of \$2,500 from the farming activity.

Properties under two acres are required to generate an annual income of \$10,000 to obtain Farm Status. Residents have expressed significant concern for this level of required income from a small property and state this would be very difficult if not impossible to achieve. Based on not being able to obtain Farm Status, these properties will be heavily impacted.

Staff are further evaluating the cost-benefit of expanding the irrigation system. Such expansion would be based on an operational upgrade and benefit to the non-potable system. Twinning the system for other reasons is deemed too expensive.

Conclusion:

The City of Kelowna has one of the highest per capita water consumption rates in Canada while being in a semi-arid climate. City Council passed the Water Supply Policy while prioritizing objectives that ensure the community's water needs are met – and aim to balance scarcity against high demand. Large lot fully irrigated landscapes in southeast Kelowna will be impacted the most now that billing accurately reflects consumption and aligns with billing for similar-sized properties elsewhere in the city. These properties will now be charged for high water consumption practices consistent with the four priorities listed above. While billing will also result in lower water costs for many customers in the former SEKID area, primary opposition to the rate structure will be from:

1. Properties with significant water consumption for landscaping irrigation needs, resulting in high water bills.
2. Properties with small hobby farms that use significant amounts of water resulting in high water bills but will not achieve farm status.

Properties that have Farm Status or Developing Farm Status are able to use potable water for irrigation needs at the agricultural rate.

Some customers have paid significant amounts of money for water allotments under SEKID. Although the City has not revoked customers' water allotments it may be assumed it has, due to our pricing structure. Staff are exploring the possibility of purchasing water allotments from interested customers and making them available to other customers on the non-potable system. This could help ease the transition to implement water conservation landscaping.

The City's water rate structure follows accepted principles in the industry based on cost of service delivery. Water rates are structured to support the City's priorities as well as promote water conservation. It is important the Utility applies its rate structure fairly across all customer types and that rates accurately reflect the cost of delivery.

To date, Utility Services has acted consistently with Council's direction, the Water Regulation Bylaw and the BC Assessment process to determine Farm Status eligibility for application of agriculture rates.

While it is possible for the City to lower irrigation rates by identifying a distinct customer segment, it should be understood that any such change could have impacts for the remainder of the City's customers (in the form of higher rates). This would be inconsistent with the established priorities for water use and could promote high water consumption on large lots.

The BC Farm Assessment process is intended to support Agricultural producers that contribute to agricultural production for the greater community and not individual consumption or recreation. The vast majority of residents surveyed favour this approach over subsidizing rates for non-agricultural (aesthetic) use.

A letter with a FAQ package was sent to each property in this group on May 6th, 2021. Based on enquiries some form of virtual meetings may be held. Additionally, the City's Water Smart program is ready to assist individual residents with water conservation tips and techniques specific to their properties.

Internal Circulation:

Communications
Utility Planning
Finance - Controller

Considerations applicable to this report:

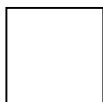
Legal/Statutory Authority:
Legal/Statutory Procedural Requirements:
Existing Policy:
Financial/Budgetary Considerations:
External Agency/Public Comments:
Communications Comments:

Considerations not applicable to this report:

Submitted by:

A. Weremy, Water Operations Manager

Approved for inclusion:



J. Creron, Deputy City Manager

cc:



South East Kelowna Large Properties – Only Potable Water Service

May 17, 2021



Water Supply

- ▶ The City provides its service to approximately 80,000 residents, businesses and institutions
- ▶ The Water Supply Policy set priorities for water supply as follows:
 - ▶ Safe water for human health and sanitation
 - ▶ Fire suppression, emergency response and risk mitigation
 - ▶ Commercial, Industrial and Agricultural use,
 - ▶ Irrigation and aesthetics

South East Kelowna Water Integration Project

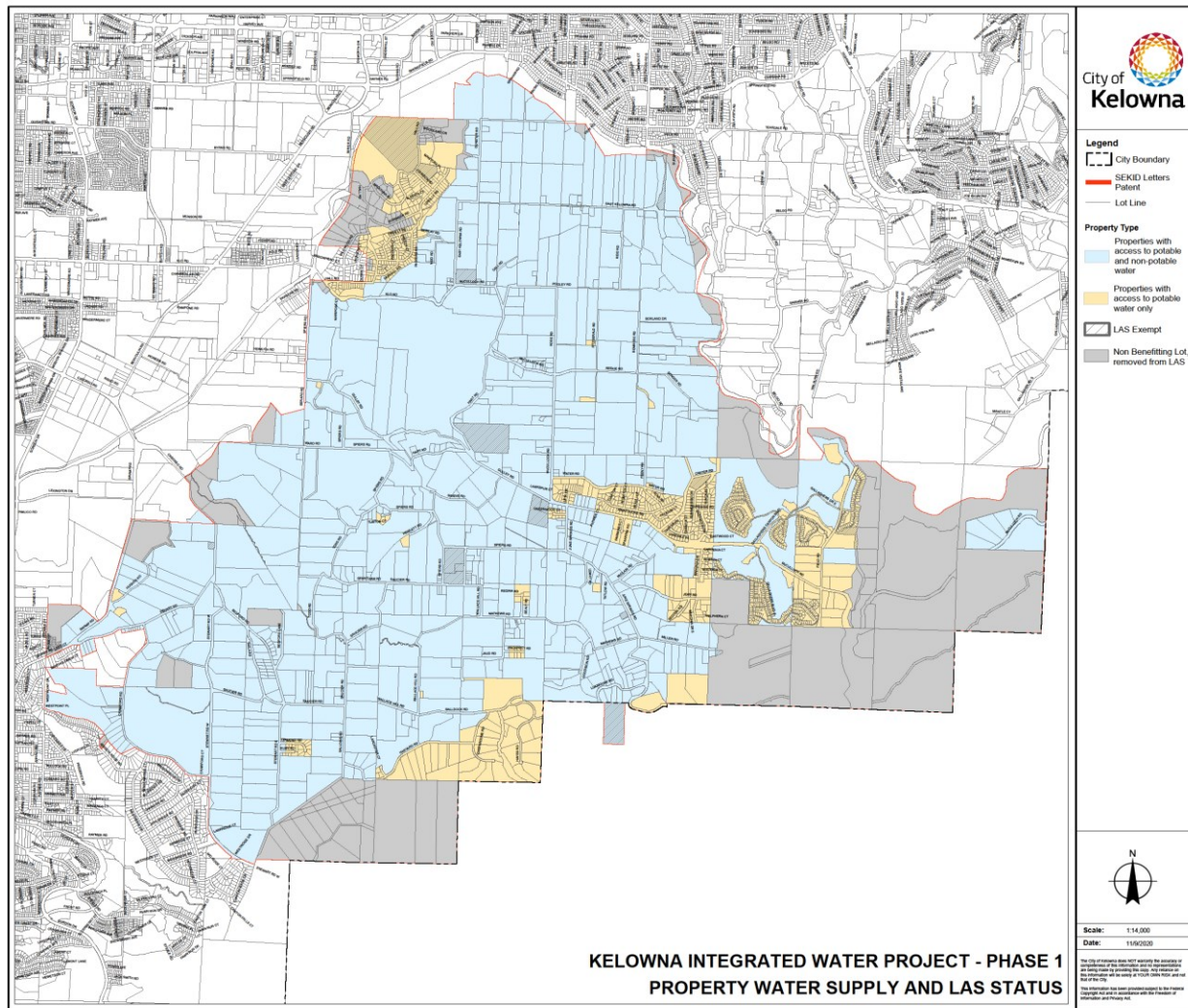
- ▶ Largest Capital Project in the City's history (approximately \$86 million investment)
- ▶ Separated drinking water and irrigation systems for Southeast Kelowna residents



Water Rates Structure

- ▶ The City's residential water rates uses an increasing block rate structure
- ▶ This approach and has been shown to be effective in conserving water
- ▶ Currently only properties with Farm Status have Agricultural water rates for outdoor water use
 - ▶ Farm Status is achieved under the BC Assessment process

Integration Project



Properties – Potable Only Supply

- ▶ The affected properties (>1 acre) in southeast Kelowna only with potable water service total 105
- ▶ 32 of these properties are in the Agricultural Land Reserve
- ▶ Other characteristics of the properties:
 - ▶ Large Lot Residential
 - ▶ Large Lot Residential with farming or Agricultural practices

Engagement & Feedback

- ▶ Discussions and ongoing customer feedback include:
 - ▶ Significant cost increases for these customers
 - ▶ Farm Status Criteria:
 - ▶ Properties greater than 2 acres - \$2,500 annual income
 - ▶ Properties smaller than 2 acres - \$10,000 annual income
- ▶ Achieving Farm Status for properties smaller than 2 acres will be very difficult if not impossible
- ▶ Adding flexibility to this process can be done but does carry consequences

Ongoing Work & Engagement

- ▶ Staff are reviewing potential areas to extend the irrigation system based on operational benefits
- ▶ Discussions continue with BC Assessment regarding Farm Status requirements
- ▶ A letter and FAQ was sent to customers
 - ▶ Outlining the potential impact
 - ▶ Offering ways reduce consumption
- ▶ Tier 4 Rate Reduction of \$2.05 to \$1.02 for these properties for 2021



Questions?

For more information, visit kelowna.ca.