

# Report to Council



**Date:** September 28, 2020  
**To:** Council  
**From:** City Manager  
**Subject:** Water Rates 2021 - Agricultural  
**Department:** Utility Services

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## **Recommendation:**

THAT Council receive for information the report from the Utility Services Department, dated September 28, 2020, regarding Water Utility rates for Agriculture for 2021;

AND THAT Council direct staff to report with an amending bylaw for reading consideration to enact an Agricultural water rate of \$120 per acre along with tiered rates for exceeding a property's water allotment beginning January 1, 2021, as outlined in the report from the Utility Services Department, dated September 28, 2020.

## **Purpose:**

To set the 2021 water rate for Agriculture for the Kelowna Water Utility.

## **Background:**

On June 15, 2020 staff recommended a comprehensive set of water rates for all City of Kelowna water customers to begin January 1, 2021. This adjustment included a rate increase of 6% for all non-farm properties. The fixed fee allotment rate for Agriculture (farm status properties) had a proposed increase from \$96.30 (originally set in 2019) to \$120 per acre. Council requested that staff consult with the Agricultural Advisory Committee (AAC) on agricultural water rates prior to bringing back final 2021 rates for Council consideration and bylaw approval.

Staff engaged the AAC on the topic of agricultural water rates on July 9, 2020.

In addition to the per acre rate, the AAC reviewed the proposed tiered rates for users that exceed their allotment as outlined in the table below:

| Rates (\$ per acre) |   |                           |
|---------------------|---|---------------------------|
| Kelowna 2021        | Glenmore-Ellison Irrigation District 2020 | Greater Vernon Water 2020 |
| \$120.00            | \$122.00                                  | \$126.69                  |

| Percentage over allotment | "Over Allotment" Rates (\$ per cubic metre) |   |                           |
|---------------------------|---|---|---------------------------|
|                           | Kelowna 2021                                | Glenmore-Ellison Irrigation District 2020 | Greater Vernon Water 2020 |
| 0-19.99% over             | \$0.30                                      | \$0.50                                    | \$0.45                    |
| 20 – 49.99% over          | \$0.60                                      | \$1.00                                    | \$0.90                    |
| 50% + over                | \$1.00                                      | \$1.50                                    | \$1.79                    |

#### Discussion:

Public and stakeholder engagement with the agriculture community was undertaken from 2017 to 2019 to ensure the rate structure was aligned with the priorities and values of this unique user group.

The recommended agricultural rate itself was based on two principles from Water Supply Policy 383, specifically *"Pricing of water for agricultural purposes will reflect the community's support and will be set to be competitive with agricultural water rates in the Okanagan Valley."*

The recommended agricultural rate was set to keep water costs for Kelowna farmers fair and competitive within the Okanagan valley. In 2021 the proposed rates are expected to be the lowest in the valley while remaining relatively close to the costs paid by other farmers within the City of Kelowna (regardless of water provider).

The pricing for agricultural water is subsidized by the remaining (non-farm) water users within the City which demonstrates considerable support and value for farming in our community. Depending on the year, farming will consume 35 to 40 percent of all water produced and sold by the City water utility while revenues from farming will account for approximately four percent of service revenues. Another perspective is that non-farm revenues for water will amount to \$0.95 to \$1.00 per cubic metre produced while farm revenues will typically range from \$0.06 to \$0.07 per cubic metre based on the proposed \$120 per acre rate.

The AAC agreed that the proposed rate of \$120 per acre is fair, however there was concern that the increase from \$96.30 was too quick and should be spread over time. The AAC passed the following resolution for Council's consideration:

*"THAT after consultation with staff the AAC supports the proposed agricultural water rate of \$120 per acre. This rate should be implemented progressively over three years starting in 2021."*

Spreading the increase over three years would result in a recommended 2021 agricultural water rate of \$105.93 per acre.

As the city water utility is fully self-funded projected revenues must match projected expenses. Spreading the rate increase for the Agricultural class over three years with 10 percent annual adjustments leaves a shortfall in Utility revenue requiring a corresponding increase in non-farm rates

from the approved 6.0 percent increase to a 6.5 percent increase. This will further increase the water subsidy for farming.

**Conclusion:**

The recommended rate of \$120 per acre, while a significant increase from the 2019/2020 rate, is expected to remain the lowest in the Okanagan and as a result is impacting the regional rates. It will see Kelowna utility farmers pay close to the same rate as their city neighbours being serviced by the Irrigation Districts and maintain the 2021 water rate increase for all other utility customers at six percent.

Spreading the agricultural rate increase over a longer period of time will impact the rate increases of all other customers.

**Internal Circulation:**

Financial Planning Manager, Financial Services  
Budget Supervisor  
Controller, Financial Services  
Revenue Supervisor, Financial Services  
Communications Consultant, Communications

**Considerations applicable to this report:**

***Financial/Budgetary Considerations:***

The 2021 Financial Plan will include the anticipated additional revenues for the new fees and rate adjustments outlined in this report.

**Considerations not applicable to this report:**

***Legal/Statutory Authority:***

***Legal/Statutory Procedural Requirements:***

***Existing Policy:***

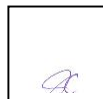
***External Agency/Public Comments:***

***Communications Comments:***

Submitted by:

K. Van Vliet, Utility Services Manager

**Approved for inclusion:**

A square box containing a handwritten signature in blue ink, which appears to be 'K. Van Vliet'.

K. Van Vliet, Acting Director Civic Operations

cc:

A. Schumacher, Revenue Supervisor  
M. Antunes, Acting Financial Planning Manager  
K. Kay, Communications