

Report to Council



Date: March 22, 2021
To: Council
From: City Manager
Subject: Water Regulation Bylaw Amendment
Department: Utility Services

Recommendation:

THAT Council receives for information, the report from Utility Services dated March 22, 2021, pertaining to the Water Regulation Bylaw updates;

AND THAT Bylaw No. 12153 being Amendment No. 13 to Water Regulation Bylaw No. 10480 be forwarded for reading consideration.

Purpose:

To amend the Water Regulation Bylaw to address identified billing issues.

Background:

On November 2, 2021, Council approved amendments to the Water Regulation Bylaw to reflect changes to the Water Utility brought about by taking on the former South East Kelowna Irrigation District (SEKID), the South Okanagan Mission Improvement District (SOMID) and the new infrastructure built to provide potable water to southeast Kelowna. The new bylaw reflects the fact that the City now has two water systems, one potable and one non-potable. In addition, there are significantly more service types and configurations that did not exist before the SEKID and SOMID mergers.

In applying the new bylaw in late 2020 and early this year it has become apparent that there are some further bylaw adjustments required to address some unanticipated water billing impacts on customers throughout the City, including former SEKID customers.

Discussion:

The bylaw amendments are driven by three main issues that should be addressed:

- 1. Farm properties outside of the former SEKID service area that have alternate sources of water for irrigation.**

When implementing the bylaw to properties with Farm Status in the city service area, staff discovered a few dozen properties that only have small potable services for their home or commercial use but get their irrigation water from an alternate source such as a well. The potable system in these areas was not designed to provide irrigation quantities for these large lots. However, implementation of the bylaw as worded would not only allow potable use for irrigation but would encourage it due to the low farm rates. Proposed wording changes clarify that only properties having an "Allotment" of irrigation water from the City would be eligible for the farm rates. Properties that have not historically used the City's potable water for irrigation would not be provided an Allotment. They would continue to pay residential or commercial water rates and be expected to use their existing alternative source for irrigation.

2. Large residential properties in the former SEKID service area that only have access to the potable system.

The goal of Phase 1 of the Water Integration Project was to ensure that all properties in southeast Kelowna had access to potable water that meets Canadian Drinking Water Quality Guidelines. Implementation included twinning much of the existing SEKID system with new, smaller potable water mains. Some areas were not twinned as the cost of twinning could not be justified therefore potable water is also used for irrigation in limited areas. The City's implementation plan for potable service was consistent with the former SEKID plan in this regard and brought potable water to roughly 2,000 homes

Most larger lots, especially those that were being farmed, have access to both water systems. The non-potable system is intended for agricultural use at a lower cost. All properties with Farm Status and an Allotment of water for irrigation will pay the farm rate; even where the City can only provide potable water.

Residents in southeast Kelowna that have only potable water supply and live on smaller lots will typically pay less for water under the City rates than they did in the past. It has been difficult for staff to predict the impact of water consumption for most larger lot owners as they were never metered. Property owners of ½ to 1 acre lots will have water costs like many other water users in the City area such as those in Crawford Estates.

There are some large (generally over 2 acres) residential lots using only potable water that have a separate, metered seasonal irrigation service installed by SEKID. Analysis of these properties using 2020 irrigation volumes and the 2021 rates show that some properties will pay similar amounts to what they used to pay – however, some will see water bills significantly higher than they are used to. Early analysis indicates that the most heavily impacted customers, representing about 1% of customers in the area or approximately 15 households, could see an annual cost increase of several thousands of dollars or more depending on their water use.

These properties were developed and landscaped under a different water paradigm than customers in the rest of the utility service area as they had access to inexpensive water and their use and landscaping investment reflect this. On our current path, these property owners will see significant rate increases without time to make reasonable adjustments to change their landscaping and irrigation if they choose to. Significant changes to landscaping on these large lots will take time and substantial investment. While some property owners may not wish to make landscaping changes to avoid higher water costs, they should be given sufficient time and opportunity to do so.

It is proposed that the 2021 Tier 4 water rate for properties greater than 1.0 acre in size in the former SEKID service area be reduced to be equal to the Tier 3 water rate and increase annually over the next three years so that there is one utility-wide Tier 4 rate by 2024. This would allow a three-year transition period for these property owners to adjust. This timeframe is consistent with the City's timeframe to have the Beaver Lake Industrial area water rates also aligned with the rest of the City.

City staff will communicate directly to this small group of impacted customers via direct mail immediately following Council's decision, so they can make informed decisions about changing their water consumption prior to engaging in their normal spring watering habits.

Adjusting the Tier 4 rates across the City is not recommended as the loss of revenue would be substantial and would require an increase in other rate categories. Tier 3 water rates, at \$1.02 per cubic metre, are twice the Tier 1 rate (\$0.50 per cubic metre) and still provide significant incentive to support water conservation. Tier 3 rates are half the Tier 4 water rate (\$2.05 per cubic metre).

3. Developing farms.

The cost of potable water could be a significant deterrent to developing farm status for properties that are not yet farming, as perennial crops take time to establish before providing revenue. However, during this time farmers can apply for "Developing Farm" status which, if granted by BC Assessment, will give Farm Classification to the property. This can result in our domestic water rates being applied for the first year of a developing farm's growing season. It is recommended that the Water Regulation Bylaw allow property owners with newly acquired Farm Class status (which will include "Developing Farm" status) to apply for Agricultural rates for the year in which Farm Class status is granted by BC Assessment.

Conclusion:

Larger residential lots in the former SEKID service area would benefit from a graduated adoption to Tier 4 water rates to provide an opportunity for them to make informed decisions regarding their property landscaping and irrigation under the new rate structure.

Internal Circulation:

Community Communications
Revenue
Utility Planning

Considerations applicable to this report:

Financial/Budgetary Considerations:

A reduction in water rates for larger lot, former SEKID properties will reduce overall revenues to the Utility. Given the small number of affected properties the overall impact is manageable. A credit for a property using potable water that obtains farm status could amount to a few thousand dollars per property, however few properties are expected to obtain farm status each year.

Communications Comments:

Staff will inform property owners affected by the lower Tier 4 rates by letter.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:
Existing Policy:
External Agency/Public Comments:

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Approved for inclusion:

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