

# Report to Council



**Date:** April 17, 2023  
**To:** Council  
**From:** City Manager  
**Subject:** Water and Wastewater Service Agreements Between Kelowna and the District of Lake Country  
**Department:** Infrastructure

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## **Recommendation:**

THAT Council receives for information the report from the Infrastructure General Manager dated April 17, 2023, with respect to Water and Sewer Service Agreements between Kelowna and the District of Lake Country;

AND THAT the Mayor and City Clerk be authorized to execute the Bulk Water Supply Agreement and the Sewer Services Agreement on behalf of the City of Kelowna;

AND FURTHER THAT the 2023 Financial Plan be amended to include \$1.3 million for the Beaver Lake Service Area Sewer Extension project funded from the Wastewater Utility.

## **Purpose:**

To secure water supply for Kelowna's far north end area and provide wastewater disposal services to the District of Lake Country via agreements with the District of Lake Country.

## **Background:**

In 2020, City of Kelowna staff entered negotiations with the District of Lake Country (DLC) and Okanagan Indian Band (OKIB) staff to craft agreements on mutually shared services that would benefit each community. This work culminated in the Memorandum of Understanding (MOU) between the parties which was signed in February 2022.

Over the past year, the negotiation of several legal agreements has been conducted between the three partners and the Government of Canada. The parties are actively finalizing six separate legal agreements for the following subjects:

<b>MOU Ref #</b>	<b>Agreement Description</b>	<b>Status</b>
<b>1</b>	<b><i>Water supply agreement between Kelowna and the District of Lake Country</i></b>	<b><i>Subject of this report</i></b>
2&3	Water and sewer agreement between Kelowna and OKIB	Under Final Review
4a	Sewer permit agreement between Kelowna, OKIB and Canada	Complete
4b	Rail Trail Agreement between Kelowna and OKIB	Under Final Review
4c	Commonwealth Road permit between Kelowna, OKIB and Canada	Being developed
<b>5</b>	<b><i>Sewer Agreement between Kelowna and the District of Lake Country</i></b>	<b><i>Subject of this report</i></b>

**Discussion:**

The Bulk Water Supply Agreement (MOU Reference #1) and the Sewer Services Agreement (MOU Reference #5) between Kelowna and Lake Country are ready for execution. Both agreements are attached to this report: Bulk Water Supply Agreement (Attachment #1) and, the Sewer Services Agreement (Attachment #2)

**a. Bulk Water Supply Agreement Highlights.**

Service Area: The District of Lake Country has provided water to the City of Kelowna for distribution to most properties in the Beaver Lake Industrial area. However, DLC has continued to directly service properties within Kelowna on Shanks Road, properties north of Beaver Lake Road, as well as one property on Indian Reserve #7 (IR#7). This agreement transfers the responsibility of providing water service to all customers within the Kelowna municipal boundary to the City of Kelowna, including properties on IR#7. Servicing OKIB lands on IR#7 is the subject of Agreement 2&3 as referenced in Table 1.

Term: The agreement is for 20 years. Kelowna must provide a request to renew at least 5 years before the end of term.

Capacity: The agreement specifies a supply capacity limit as of the date of signing based on existing, agreements and design demand expectations of the developed area. The capacity limit incorporates the built form of IR#7 as of 2022. As part of the MOU the three parties agreed that water and sewer growth costs would only be applied to OKIB properties for development that exceeds the built form in 2022. For the City of Kelowna, the agreement provides the capacity to service our existing built form only. The City cannot apply Development Cost Charges (DCC's) for DLC infrastructure. Therefore, the City will have to purchase additional capacity from DLC under this agreement to allow for development in the Service Area. The City may recover these costs from developers wishing to increase their water allotment by using the Local Service Area process for individual properties. Schedule B of the Bulk Water Supply Agreement includes a parcel-by-parcel allotment of the agreement service capacity. This allotment is based on the design demand from our Subdivision, Development and Servicing Bylaw #7900.

Water Rates: Water rates for Kelowna will be determined by DLC council in a manner that is derived from their cost of providing water in a rate setting process that is open and transparent. This is similar to the

method that Kelowna will determine DLC's cost of wastewater and how the City determines the cost of providing wastewater service to UBC Okanagan.

**b. Sewer Services Agreement Highlights**

Service: The agreement allows DLC to send excess treated wastewater effluent to Kelowna for further treatment and disposal in Kelowna. DLC currently discharges their treated effluent to ground and that system is at capacity. The agreement allows DLC to determine a long-term solution to their disposal capacity challenge. Only treated effluent will be received by Kelowna.

Term: The agreement term is ten years.

Capacity: The agreement limits the wastewater discharge to 15 litres per second. In general, Kelowna's collection system can handle this capacity for the duration of the term. Upgrades to the McCarthy lift station and an extension of the gravity sewer on Beaver Lake Road are required to receive DLC effluent. Operationally there are advantages to the City in receiving treated effluent as it will dilute wastewater in the area and should reduce odour generation in our system between Jim Bailey Crescent and the Airport.

Wastewater Rates: Council approved a rate of \$0.30 per cubic metre to charge DLC on November 14, 2022. This rate reflects the operating impact (only) of this temporary service agreement and was set within the context of the entire package of agreements between Kelowna, DLC, and OKIB. There are no capital improvement or recovery cost charges applied to DLC during the term of the agreement.

Cost of connection and capacity improvement: Contrary to the intention of previous water supply agreements, the City of Kelowna has not, and legally cannot, charge water DCCs to pay to DLC for growth in Kelowna's supply area. An estimate of the DCCs not collected in the past for development that has been approved by Kelowna exceeds \$2 million. To address this past gap, this Sewer Services Agreement commits Kelowna to fund the infrastructure needed to provide the capacity upgrades and necessary sewer pipe extension to allow DLC to connect to our sewer. It is requested that the 2023 Financial Plan be amended to create and fund \$1,300,000 for the Beaver Lake Service Area Sewer Extension Project funded from the Wastewater Utility. The project will be constructed by the City to facilitate DLC's treated effluent disposal needs with a connection provided in 2023 and pump station upgrades completed before the end of 2024.

**Conclusion:**

The water and sewer agreements are two key components in the suite of agreements envisioned in the 2022 MOU between Kelowna, DLC and OKIB. The water agreement clarifies key terms and allows the City to commit to providing water to OKIB as envisioned in the MOU. The commitments, both financial and technical, are consistent with the broader goals of resolving the many issues being addressed by the MOU.

**Internal Circulation:**

Communications  
Financial Planning  
Revenue Services

**Considerations applicable to this report:**

**Financial/Budgetary Considerations:**

The wastewater fees will recover the additional operating costs for Kelowna.

***Communications Comments:***

A formal signing ceremony will be held to jointly complete several OKIB, DLC and Kelowna agreements.

**Considerations not applicable to this report:**

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

**Submitted by:** M. Logan, Infrastructure General Manager

**Approved for inclusion:** D. Gilchrist, City Manager

Attachment 1 – Bulk Water Supply Agreement

Attachment 2 – Sewer Services Agreement

cc: Divisional Director, Corporate Strategic Services  
Acting Division Director, Financial Services