

Report to Council



Date: April 7, 2025
To: Council
From: City Manager
Subject: Water Access Agreement for McCulloch Lake Resort
Department: Utility Services

Recommendation:

THAT Council receives, for information, the report from the Utility Services Department, dated April 7, 2025 with respect to allowing the McCulloch Lake Resort to purchase non-potable water from the McCulloch Lake Reservoir;

AND THAT the Mayor and City Clerk be authorized to execute the Agreement between 1205687 BC Ltd. and the City of Kelowna;

AND FURTHER THAT Council directs staff to request consent from the Board of the Regional District of Central Okanagan (RDCO) for the City of Kelowna to provide non-potable water service to the McCulloch Lake Resort.

Purpose:

To consider entering into an agreement with 1205687 BC Ltd. (McCulloch Lake Resort) for the sale of non-potable water from the City's McCulloch Lake Reservoir.

Background:

McCulloch Lake Resort (the Resort) is situated on the shores of McCulloch Lake, a water reservoir that forms the foundation of the City's non-potable water supply system. The resort currently consists of 7 cabins, including a common area but had been previously approved to expand to 41 cabins. The Resort currently gets water from wells that have limited capacity.

In late 2024, the City was approached by the purchaser of the Resort to obtain additional water for a resort expansion, adding 15 cabins for a total of 22. When the new Resort owner approached the Province for a water license, they were informed that the Province would not provide a license and that they should

approach the City of Kelowna for access to some of our licensed water supply. The planned layout of the expanded Resort is included for information as Attachment A.

The City owns numerous water diversion, storage and consumption licenses in that area. McCulloch Lake reservoir is formed by several dams owned and operated by the City. McCulloch Lake is the main controlled reservoir supplying the City's non-potable water system inherited from the South East Kelowna Irrigation District (SEKID).

Discussion:

There is sufficient water to service the water allocation of existing non-potable irrigation customers in southeast Kelowna. This draft agreement allows the Resort to use up to 23 cubic metres of water per day with an assumed (and billed) average consumption of 3,000 cubic metres of water per year. Usage will be paid at the non-farm irrigation rate in the Water Regulation Bylaw. Using the 2025 non-potable service rate of \$0.38 per cubic metre will result in a revenue of \$1,140 per annum, with additional city owned infrastructure to maintain or operate. As a comparative, this water could irrigate between 0.45 and 0.60 hectares of land in southeast Kelowna.

The agreement outlines that water to the resort is a lower priority than water to other City non-potable customers. Should the City declare stage three water restrictions, the resort will be restricted to indoor/sanitary use only. Should the City declare stage four water restrictions, the resort must cease to use water all together which could impact their operations.

The initial agreement is for a five-year term after which the agreement will extend annually in perpetuity with annual rates charged as per the Water Regulation Bylaw. Either party can cancel the agreement after the initial five-year term with one year's written notice.

Due to a lack of wastewater infrastructure and the reliance on septic systems, development around McCulloch Lake should be discouraged to ensure that our water supply is protected. By entering into a water supply agreement, the City has some influence and control over further development on this site. The City will also obtain some revenue from the resort to help fund the cost of operating and maintaining our infrastructure.

As the property is in the RDCO, consent from the Regional District is required to allow the City to provide a service outside of our boundaries and allow our water regulation bylaw to apply to this property. Should the RDCO rescind its consent to the City providing water to this property, the City will act to terminate the agreement.

An amendment to one of the City's water supply licenses that will permit this agreement is in process with the Province. The agreement will be made available to execute as soon as the license amendment is approved.

Conclusion:

Allowing the Resort to use water under the City's license provides additional revenue for the City's non-potable water system while minimizing any risk to our current customer base.

Internal Circulation:

Financial Services

Considerations applicable to this report:***Legal/Statutory Authority:***

To comply with Section 13 of the Community Charter, consent of the RDCO for the City to provide water services is required.

Financial/Budgetary Considerations:

Utility Billing will add this property to the City's customer base and bill for services annually.

Considerations not applicable to this report:***Legal/Statutory Procedural Requirements:******Existing Policy:******Consultation and Engagement:******Communications Comments:***

Submitted by: K. Van Vliet, Utility Services Department Manager

Approved for inclusion: M. Logan, General Manager, Infrastructure

Attachments:

Attachment A : Layout of anticipated McCulloch Lake Resort

Attachment B: McCulloch Lake Water Access Agreement

cc:

M. Friesen, Controller