

Report to Council



Date: April 28, 2025

To: Council

From: City Manager

Subject: Water Regulation Bylaw Amendment – Water Allotment Rate

Department: Utility Services

Recommendation:

THAT Council receives, for information, the report from the Utility Services Department, dated April 28, 2025, regarding a Water Regulation Bylaw Amendment – Water Allotment Rate;

AND THAT Bylaw 12762, being Amendment No. 19 to the Water Regulation Bylaw No. 10480, be forwarded for reading consideration.

AND THAT Council Policy No. 383, being Water Supply Level of Service, be revised as outlined in the Report from the Utility Services Manager, dated April 28, 2025.

Purpose:

To amend the Water Regulation Bylaw No. 10480 and Council Policy No. 383 Water Supply Level of Service to allow Agricultural Customers to purchase additional Allotment of water supply from the non-potable water system, if available.

Council Priority Alignment:

Agriculture

Background:

The City has not allowed for the sale of additional water “Allotment” to agricultural properties using the non-potable water supply since the South East Kelowna Irrigation District (SEKID) was dissolved in 2018. By 2021, rural domestic customers were provided with a potable water source for consumption through the City of Kelowna’s Utility sourced from Okanagan Lake. The agricultural lands associated with these properties remained connected to what is now known as the Non-Potable water system. Properties connected to this water source are provided with less expensive untreated water from the Hydraulic Creek Watershed.

Since the changeover of water systems and installation of a parallel Potable water supply to residences, the City has updated water licenses, and now better understands the operational risks associated with water supply components in the upper watershed. Staff have since analyzed the total volume of water commitments under SEKID, the projected non-irrigation impacts on the system from evaporation, leaks, environmental flow commitments, and the potential impacts of climate change. There are also dam safety concerns at some of the smaller dams and storage reservoirs in the system. Staff also assessed the risk of adding demand to the fixed reservoir supply in the Hydraulic Creek/McCulloch Lake/Stirling Creek watersheds.

Since 2018, the City records areas of land allotted a depth of water equivalent to 685 mm (27 inches, or 2.25 feet). This depth of water represents the maximum amount of water supplied to the property, after accounting for losses due to evaporation, leakage, water system maintenance and other unaccounted for elements. Environmental flow needs for fish passage in Hydraulic Creek and downstream Mission Creek commitments must also be considered as part of the licensed volumes.

Current Allotments

Staff recently conducted a review of irrigable areas serviced by the non-potable sourced water from the Hydraulic Lake Watershed. The City obtained a 2023 Agricultural Land Use Inventory (ALUI) in late 2024 from the BC Ministry of Agriculture and Food. This GIS dataset provided an opportunity to both review and confirm current billed area allotment with mapped irrigated areas from the 2023 ALUI dataset. The amount of existing allotment has since been revised to 1,814 hectares.

Discussion

After six years of operational experience and two years of managing supply during periods of extreme drought, the City can now confirm that an additional 86 hectares of land can be connected to the non-potable supply without imposing much additional risk of shortage to its other water license obligations. The additional 86 hectares of allotment will meet a proposed revised upset limit of 1,900 hectares as proposed in Council Policy No. 383 Water Supply Level of Service. Updates to Council Policy No. 383 are recommended, and edits are proposed in Attachment 1 to this report. Key changes to the policy amendment include:

- Revise the total available irrigable area on the non-potable system to 1,900 hectares (from 1,925);
- that staff will track the volume of Allotments within the total volume of water available to ensure that the City does not overcommit available water;
- that staff will maintain a list of customers that want additional water and that offers for sale will be made based on the timing of request, and;
- that staff will only sell a total volume of Allotment to a parcel that can be practically farmed.

Two minor updates to Water Regulation Bylaw No. 10480 are proposed in Bylaw 12762, to provide both conditions of purchase, as well as one-time area-based rates to connect to the system.

Notes on Rate Determination

The fee structure was derived for new work to support the 86 hectares allotment increase. Staff propose to re-establish Long Meadow Reservoir in the Hydraulic Creek watershed for environmental flows. This

licensed reservoir was lowered by SEKID prior to 2018 in the face of rising costs for repairs to the reservoir's dams and spillway. Backup storage accessed only under extreme conditions or maintenance at Turtle Lake, Browne Lake, and Long Meadow Lake provides resilience and reduces operational pressures during releases from McCulloch Reservoir. The allotment fees proposed here will be applied towards a \$1,000,000 upgrade needed to re-establish the Long Meadow Reservoir.

Customers can apply for Allotment increases at Kelowna City Hall. Successful applicants will be billed a one-time fee based on their area of land to be serviced. In 2025, the proposed rate for new allotment is \$13,600 per hectare.

As a reference, improvement districts, irrigation districts and local governments charge allotment fees as standard practice. Below are rate examples from 2024:

Lake Country (DLC):	\$18,832.50 per hectare (\$7,624.49 per acre)
Greater Vernon Water (GVW)	\$17,400 per hectare (\$7,044.53 per acre)
Black Mountain Irrigation District (BMID)	\$14,880 per hectare (\$6,024 per acre)
Glenmore Ellison Improvement District (GEID)	\$8,685 per hectare (\$3,516 per acre)
2025 Kelowna Utility (non-potable system)	\$13,600 per hectare (\$5,504 per acre)

Conclusion:

Staff propose an increased allotment limit and fee structure for Agricultural properties looking to acquire or increase their Allotment from the non-potable water supply. Upon approval, the City will then supply and bill using this Allotment according to the provisions in Bylaw No. 10480 and consistent with the updated Council Policy No. 383 Water Supply Level of Service.

Internal Circulation:

Communications
Revenue

Consultation and Engagement:

The Agricultural Advisory Committee considered this item on April 10, 2025 and passed the following resolution:

THAT the Agricultural Advisory Committee supports in principle the proposed changes to both the Council Policy No. 383 Water Supply, and the Water Regulation Bylaw No. 10480 as discussed in the report from the Utilities Services Department dated April 10, 2025;

AND THAT the Agricultural Advisory Committee strongly advises Council to work towards ensuring that the agricultural water supply continues to be protected, both for existing users and for new farmlands that may be developed in the future.

Communications Comments:

Information about the ability to purchase additional Allotment will be placed on the Water Utility webpage and through e-updates directly to agricultural customers who have subscribed to receive agriculture updates from the City.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

External Agency/Public Comments:

Submitted by: K. Van Vliet, Utility Services Manager

Approved for inclusion: M. Logan, Infrastructure General Manager

Attachments:

Attachment 1 – Council Policy No. 383 proposed amendments (marked up)

Attachment 2 – Amendment Summary for proposed Bylaw 12762.

cc: Divisional Director, Financial Services
Revenue Supervisor, Revenue