

Report to Council



Date: October 30, 2017
File: 1890-01
To: City Manager
From: Kevin Van Vliet, Utility Services Manager
Subject: Community Engagement Process – Agricultural water rate design

Recommendation:

THAT Council receive for information the report from the Utility Services Manager dated October 30, 2017 with respect to the engagement process for reviewing the Agriculture Water Rate Design.

AND THAT Council directs staff to proceed with the communications and engagement process for gathering feedback and preferences on agriculture water rate design as outlined in the report from the Utility Services Manager dated October 30, 2017.

Purpose:

To inform Council of the engagement strategy to inform consideration of a new water rate design for agricultural customers.

Background:

With more than 12,000 hectares of the City's land base zoned agriculture, agriculture is integral to the history and identity of Kelowna and is a key consideration in the City's community planning, economic development and environmental sustainability. During the engagement process for the recently endorsed Agriculture Plan, water was identified as a concern by growers and residents. To that end the Agriculture Plan identified two actions for ongoing and long-term implementation which the upcoming engagement is also consistent with, namely:

- 2a: Evaluate and monitor City of Kelowna water pricing with the goal of sustaining agriculture and;
- 2f: Continue to work towards ensuring sustainable, redundant and secure water for all agriculture.

The pending transition of Southeast Kelowna (SEKID) and South Okanagan Mission Irrigation District (SOMID) customers into the City system and the separation of the irrigation and domestic water supplies has resulted in the need for the City to review its agriculture rate and rate design to ensure fair rates that encourage conservation and support farming operations.

The City of Kelowna water utility currently has sixteen customers (as of January 2017) that are in the "Agricultural" customer class. City agricultural customers pay a fee of \$0.114 per cubic metre for all water consumed on the property. There is no additional fee for a residence. In contrast, SOMID currently charges a fixed fee per acre of land that has been allocated water. SEKID farmers pay a fixed fee per acre and then additional fees if they exceed their allocation. Residences in SEKID pay a separate, additional water fee. Fixed fees per acre of land provides more stability to the farmer in predicting costs but little incentive to use less than their given allocation. On a spectrum of charging for water, the City and SOMID rate models are at opposite ends. In the middle are many options that combine a fixed component with a variable component based on water use, such as the system used for City of Kelowna residential and commercial customer classes, and using increasing prices for increased used (used in Kelowna and SEKID).

Incorporation of SEKID's and SOMID's agricultural customers into the City of Kelowna water utility necessitates that the City's current agricultural rate design be changed. The City has committed to consulting with the agricultural community and reporting back to Council on what might be a more appropriate rate design. While SEKID will continue to set the irrigation rates for customers in 2018 and 2019, we hope to give customers assurance and advance notice of any changes to the rate design that may affect them and are therefore planning consultation to occur this fall and winter.

Engagement Process:

The communication and engagement process seeks to understand water pricing values, priorities, concerns and impacts in order to outline options for an agriculture rate structure and provide Council with recommendations on a preferred option moving forward after 2019.

In all forms of consultation, emphasis will be placed on considering both collective and individual needs, ensuring all voices are heard and analyzing the range of issues. Guided by an engagement plan reflecting the City's Public Engagement Guiding Principles and Engage Policy, staff will facilitate meaningful dialogue amongst stakeholders across the community, not just SEKID customers, as any current or potential City agriculture customers will also be affected by any rate design adopted. Opportunities for a broader discussion by all members of the community will also be available.

The goals of the engagement process include:

- To inform customers and stakeholders with balanced and objective information to assist them in understanding cost of service and its principles
- To engage customers and stakeholders in the rate design process
- To create broader understanding of the value of the water utility and investment of customers in water resource stewardship
- To create understanding of the value and importance of water use efficiency and water conservation

A variety of direct in-person and online public consultation techniques will be used to reach a variety of stakeholders, identify issues and gather input for the plan.

The engagement process will start in mid-September and will be conducted as below. The consultation will focus on engaging the directly impacted agricultural customers but will provide opportunities for broader community and stakeholder input.

The following stakeholders have been identified as having either direct or indirect interest in the subject:

Direct interest:

SEKID Board of Directors
Agricultural Advisory Committee (AAC)
SEKID Agricultural Customers
Current City Agricultural Customers
SOMID Agricultural Customers
City Council

Indirect interest:

Industry Groups
Other Water Improvement Districts/Communities
Summerland Research and Development Centre
Regional District of Central Okanagan
First Nations

Activity:

Phase 1: Inform about plan and process

- Face- to- face Meetings (including SEKID Board, Agricultural Advisory Committee (AAC))
- Website Update
- Mail-out to stakeholders (including SEKID customers, current City customers, SOMID Customers)

Phase 2: Collect input

- Face- to- face Meetings (including SEKID Board, AAC)
- Online Engagement
- Stakeholder workshop by invitation
- Public Open House

Phase 3: Review and Report

- Council Workshop
- Report out of engagement results

Phase 4: Council Consideration

- Review 2018 engagement outcomes
- Recommendation and rationale for preferred rate design option
- Council to adopt rate design and set rates for 2020



Staff consulted with the SEKID Board of Trustees on September 21, 2017 on the proposed engagement process, and their feedback has been taken into consideration in the process design. Staff consulted with the Agricultural Advisory Committee (AAC) on October 12, 2017 at which time the AAC passed the following motion:

Moved by Yvonne Herbison/Seconded by Tarsem Goraya

THAT the Agricultural Advisory Committee recommends that Council support the City of Kelowna's engagement strategy to inform of a new water rate design for agricultural water customers in order to update the City's Water Regulation Bylaw No. 10550 as presented to the Committee on October 12, 2017.

Next Steps:

Staff anticipates reporting back to Council with a summary of the fall engagement in 2018 and will gather Council's input on the draft rate design arising from public and stakeholder feedback.

Internal Circulation:

Divisional Director - Infrastructure
Divisional Director – Financial Services
Community Engagement Manager
Senior Engineer - Infrastructure

Communications Comments:

Information on the project, background and on upcoming engagement opportunities will be available on the Kelowna Integrated Water – Phase 1 webpage at kelowna.ca/water.

Considerations not applicable to this report:

- Legal/Statutory Authority:**
- Legal/Statutory Procedural Requirements:**
- Existing Policy:**
- Financial/Budgetary Considerations:**
- Personnel Implications:**
- External Agency/Public Comments:**
- Alternate Recommendation:**

Submitted by:

K Van Vliet, Utility Services Manager

Approved for inclusion:



J Creron, Deputy City Manager

cc:

Community Engagement Manager
Senior Engineer - Infrastructure

Key Messages

- Integration with the City of Kelowna water utility offers greater long-term water supply and reliability, a stable rate structure and a separated supply for agricultural irrigation.
- The City recognizes the need to come up with a rate structure that is fair and sustainable for agricultural customers recognizing the importance of Agriculture, and plans to restructure and revise its current agriculture rate design
- SEKID will continue to set rates through 2019 and water rates for 2020 will be adopted by Kelowna City Council in 2019