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**MEETING TYPE AND DATE:** SPECIAL BUDGET MEETING, JANUARY 4, 2022  
**AUTHOR:** KIEL WILKIE, UTILITIES MANAGER  
**SUBJECT:** UTILITIES WATER RATE INCREASE

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**ESSENTIAL QUESTION:** Should a water rate increase be initiated prior to completion of the Water Master Plan in effort to keep up with recent market inflation.

**OPTIONS:**

- A. THAT Water Regulation and Rates Amendment Bylaw 1174, 2021 be read a first, second, and third time; AND THAT staff be directed to conduct public engagement as part of the proposed rate increases prior to adoption;
- B. THAT water rate increases be referred to staff to analyze a x% increase with x% of the increase applied to the base rate, and x% of the increase applied to the variable rate.
- C. THAT the water rates not be increased.

**EXECUTIVE SUMMARY:**

The last water rate increase was applied in 2019 and was done to address market inflation. Since 2019 inflation has remained high and increasing the water rates in advance of completing the Water Master Plan update may be considered prudent.

Since 2019 average material costs have increased by 30% for items related to municipal infrastructure and service delivery. Construction costs related to municipal infrastructure projects have increased by 15-20%. These recent increases may be related to market volatility and the COVID-19 pandemic supply chain interruptions; therefore, a significant increase is not currently recommended as prices could stabilize as the related issues are rectified.

A 4.5% increase in the water rates is proposed to address inflationary pressures and continue to re-evaluate the water rates and market inflation as part of completing the Water Master Plan financial strategy.

The attached amending bylaw represents a 4.5% increase to revenue from water rates. Also included in the amending bylaw are changes to the water invoice due date, that is part of implementing the District's new utility billing software.

**Key Information:**

Market inflation is prompting the need to consider raising the water rates.

**Relevant Observations:**

There is significant market volatility for materials and projects related to municipal infrastructure. At current market conditions there may be the need to increase the water rates by 25% by 2025.

**Strategic Questions:**

Given recent market volatility and inflation should Council raise the water rates in advance of completing the Water Master Plan financial strategy? Doing so will most likely lessen the impact of a potential water rate increase when the master plan is complete.

**Strategic Relevance & Community Sustainability:**

A key aspect of the 2012 Water Master Plan was achieving rate stability and eliminating unfunded liability. This ensured water service was delivered to the community in a sustainable manner. Regular inflationary increases are necessary to continue service delivery in a sustainable manner.

**Key Result:**

Continued sustainable water service delivery.

**Desired Benefit of Key Result:**

Financial capacity to fund District water system capital and operational costs.

**Requisites:**

If Council support is received for the Water Regulations and Rates Bylaw amendment, staff will conduct public engagement, and then seek bylaw adoption.

**Unintended Outcomes:**

Given current inflation and market volatility, raising the rates by 4.5% may not be considered enough of an increase to address the issue.

**BACKGROUND/HISTORY**

The 2012 Water Master Plan financial strategy incorporated an annual water rate increase for single family dwellings from \$535 per property to \$735 by 2016. In 2017 the District switched to a metered rate structure with the goal of maintain rate stability. In 2019 the water rates were increased by 8.1% to adjust for market inflation.

Since the 2019 rate increase continued market inflation has caused the need to consider raising the rates again to maintain sustainable service delivery. On November 5<sup>th</sup>, 2021 a proposed water rate increase of 4.5% was introduced to the Water Service Advisory Committee with the following resolution:

*It was moved and seconded*

*THAT the Water Service Advisory Committee recommends to Council that Water Regulation and Rates Bylaw 984, 2016 be amended by changing the consumption charge for residential, multi-family residential, commercial, and seasonal irrigation customers from \$0.77 dollars per cubic metre to \$0.86 dollars per cubic metre.*

*AND THAT the Water Regulation and Rates Bylaw 984, 2016 be amended by changing the agricultural charge from \$120 dollars per acre to \$125 dollars per acre.*

*Carried.*

The rate increase was also introduced to Council on November 16<sup>th</sup>, 2021 as part of a scheduled strategy session.

**DISCUSSION/ANALYSIS****Legislation & Applicable Policies**

None

**Technical Considerations:**

- **Impact on Infrastructure and Other Municipal Services**

Not adjusting rates due to inflation impacts the District's ability to fund capital projects and operations.

- **Impact on Staff Capacity and Financial Resources (Cost/Benefit Analysis)**

Not adjusting rates due to inflation impacts the District's ability to fund capital projects and operations.

**Comments from Other Government Agencies, Council Committees and Relevant Stakeholders:**

None

**Consultation, Public Feedback, and Communication to and from the Public and the Applicant:**

The intent of staff will be to conduct public education prior to any adoption of the amending bylaw.

**ANALYSIS OF OPTIONS FOR CONSIDERATION:**

Option A is first second and third reading of an amending bylaw that represents a 4.5% increase to the water rates by changing the variable rate from \$0.77 per cubic metre to 0.86 per cubic metre. Agriculture is a metered customer that is not charged a variable rate, and therefore an increase from \$120 dollars per acre to \$125 dollars per acre represents approximately a 4.5% increase to this customer type.

Included in this option are administrative changes to the invoice due date spurred by a change in utility billing software, and direction to staff to conduct public engagement prior to bringing the bylaw back to Council for adoption.

Option B gives Council the option to consider the rate increase differently than what is proposed by staff and directs the increase back to staff for further analysis.

Option C elects to not proceed with the rate increase.

Respectfully Submitted,

Kiel Wilkie; ASCT  
Utilities Manager  
Utilities

This report has been prepared with the collaboration of the following individuals:

COLLABORATORS	
TITLE	NAME
Director of Corporate Services	Reyna Seabrook

This report has been prepared in consultation with the following departments:

CONCURRENCES	
DEPARTMENT	NAME
Chief Administrative Officer	Tanya Garost
Chief Financial Officer	Trevor James
Director of Utilities	

**ATTACHMENTS:**

Attachment A – Bylaw 1174, 2021

DISTRICT OF LAKE COUNTRY

BYLAW 1174

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A BYLAW TO AMEND WATER REGULATION AND RATES BYLAW 984

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The Council of the District of Lake Country, in open meeting assembled, enacts as follows:

1. Water Regulation and Rates Bylaw 984, 2016 is hereby amended as followed:
  - 1.1. Schedule B Water Rates is deleted in its entirety and replaced with Schedule A, attached to and forming part of Bylaw 1174.
  - 1.2. Section 16.2 is deleted in its entirety and replaced with the following:
    - 16.2 Invoices for **User Fees** and **Rates** shall be charged quarterly with the following **Billing Cycles** and due dates:
      - (a) January 1<sup>st</sup> to March 31<sup>st</sup> – Due May 15<sup>th</sup>
      - (b) April 1<sup>st</sup> to June 30<sup>th</sup> – Due August 15<sup>th</sup>
      - (c) July 1<sup>st</sup> to September 30<sup>th</sup> – Due November 15<sup>th</sup>
      - (d) October 1<sup>st</sup> to December 31<sup>st</sup> – Due February 15<sup>th</sup>
  - 1.3. Section 16.3 is deleted in its entirety.
2. This Bylaw may be cited as “Water Regulation and Rates Amendment Bylaw 1174, 2021.”

READ A FIRST TIME this \_\_\_\_ day of MONTH, YEAR.  
READ A SECOND TIME this \_\_\_\_ day of MONTH, YEAR.  
READ A THIRD TIME this \_\_\_\_ day of MONTH, YEAR.

ADOPTED this this \_\_\_\_ day of \_\_\_\_\_, YEAR.

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Mayor

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Corporate Officer

**SCHEDULE A TO BYLAW 1174, 2021****Schedule B  
Water Rates**

The following **Rates** apply to **Customers Connected** to the following systems:

- **Lake Country Water System**
- **Coral Beach Water System**
- **Lake Pine Water System**

**RESIDENTIAL**

<u>Category</u>	<u>Annual Base Rate</u>	<u>Consumption</u>
<b>Residential</b>	\$468 per Dwelling Unit	\$0.86 per cubic metre
<b>Multi-family Residential</b>	\$374.40 per Dwelling Unit	\$0.86 per cubic metre
<b>Unmetered</b>	\$3,200 per Dwelling Unit	N/A

**COMMERCIAL**

<u>Meter Size</u>	<u>Annual Metered Base rate</u>	<u>Consumption</u>	<u>Service Line Size</u>	<u>Annual Unmetered Rate</u>
25mm and less	\$468	\$0.86 per cubic metre	25mm and less	\$3,200
38mm	\$1,020		38mm	\$7,040
50mm	\$1,260		50mm	\$8,640
75mm	\$1,560		75mm	\$10,560
100mm	\$1,920		100mm	\$13,120
150mm	\$2,400		150mm	\$16,320
200mm	\$3,000		200mm	\$20,480
250mm	\$3,900		250mm	\$26,560

**AGRICULTURAL IRRIGATION**

<b>AGRICULTURAL IRRIGATION</b>	
<u>Annual Cost per Hectare</u>	<u>Annual Cost per Acre</u>
\$308.88	\$125.00

**SEASONAL IRRIGATION**

<b>SEASONAL IRRIGATION</b>	
<u>Base Rate</u>	<u>Consumption</u>
\$150 per connection	\$0.86 per cubic metre