



DISTRICT OF LAKE COUNTRY
REQUEST FOR COUNCIL DECISION

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

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 5th, 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 16th, 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

A BYLAW TO AMEND WATER REGULATION AND RATES BYLAW 984

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 1st to March 31st – Due May 15th
 - (b) April 1st to June 30th – Due August 15th
 - (c) July 1st to September 30th – Due November 15th
 - (d) October 1st to December 31st – Due February 15th
 - 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.

Mayor

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>
Residential	\$468 per Dwelling Unit	\$0.86 per cubic metre
Multi-family Residential	\$374.40 per Dwelling Unit	\$0.86 per cubic metre
Unmetered	\$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

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

SEASONAL IRRIGATION

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