

SEKID water project update

Kelowna Integrated Water Supply Plan

Spring 2018

Here are some ways you can stay up to date:

Information Session

Join the SEKID Board and City Staff from 3-7 pm at the East Kelowna Hall on Thursday, May 17.

View the financial strategy and project information.

Project updates

Have project information and updates delivered directly to your inbox.

Sign up at kelowna.ca/water



Clean drinking water project proceeds

Emil Anderson Construction (EAC) Inc. has been selected to begin work on water utility improvements in the South Mission this July. Construction of the new drinking water system in South East Kelowna will be awarded contingent upon Council approval of a project budget amendment May 14.

The 3-year project will see a new drinking water system built in South East Kelowna — 10 years earlier than originally planned to complete the entire system — as well as a reliable, resilient source of water for agricultural users in the South Mission.

The Kelowna Integrated Water project is an important step to comply with Interior Health's mandate that all domestic water systems must meet Canadian Drinking Water Quality Standards by 2025.

Project budget update

Additional funds are required to deliver clean drinking water for SEKID. \$86M is the total cost of the re-scoped project, an increase from \$63.7M.

The rise in project cost is due in part to the high volume of infrastructure projects across the province as well as the increased service demand requirements in some areas of Southeast Kelowna.

Infrastructure deliverables have changed from those originally outlined in 2017 to manage escalating costs.

Portions of project costs and shortfalls are allocated based on the transition agreement between the City and South East Kelowna Irrigation District (SEKID).

Approximately 80 per cent of the \$43.9M senior government grant is directed to benefit SEKID ratepayers by

reducing their project portion.

SEKID's total portion of the project budget has increased to \$58.2M.

While SEKID's portion of the original project cost was met, the unforeseen shortfall of \$15.3M, must be covered through financing.

The solution

On Monday, May 14, City Council will consider a budget amendment that will provide \$15.3M in City financing to SEKID ratepayers to allow the project to proceed. The financing will be repaid over a 20 year period beginning July 1, 2018.

Without the financing and access to the grant funding, SEKID ratepayers would each be facing project costs of approximately \$1,900 annually for 20 years to receive clean drinking water as per Interior Health's mandate.

The City of Kelowna's portion of the project shortfall, \$6.2M, will be financed through Utility reserves.

In addition to providing financing, the City of Kelowna has altered the project scope slightly and deferred some long-range components to reduce the financial impact to SEKID ratepayers.

\$8.8M in grant funding originally planned for a main transmission line on KLO Road and expansion of reservoir capacity has been re-allocated to SEKID to reduce SEKID's shortfall to \$15.3M.

As a legislative requirement of self-financing, SEKID will transition to City management in the late spring.

City staff is proposing that domestic and agricultural rates and allocations for water set by SEKID remain in place through 2020.

How much will I pay?

Canada has some of the lowest water prices in the world. However, water delivery itself is not free.

It's important that the cost of water accurately reflects the cost to build, maintain, operate and plan for the future needs – especially in light of a changing climate and growing population.

As jointly agreed on by the City and SEKID Board, starting July 2018 all SEKID domestic ratepayers will pay a project fee of \$32 per month (or \$379 per year) in addition to their annual water fees through 2020.

Money collected from this fee will be used to repay SEKID's portion of the \$15.3M project shortfall.

To ease the impact on ratepayers, on May 14, City Council will consider maintaining rates and fees set by SEKID through 2020 – when all Southeast Kelowna ratepayers have transferred to the new domestic water system.

In 2021, South East Kelowna residents will move to lower City domestic water fees and rates. The project re-payment will increase to approximately \$40 per month (or \$478 annually) until the shortfall cost is recovered.

Based on 2017 average City domestic consumption and rates, the total annual cost to South Kelowna ratepayers should remain reasonably stable through the transition (See project cost recovery table below).

The City of Kelowna takes a cost-recovery approach to domestic water delivery. Through a variety of means (fees, rates and taxes), the City works to ensure sustainable management of water infrastructure to meet current and future needs.

All costs of moving existing domestic connections over to the new drinking water system are included in the project.

Metered Water

The City of Kelowna uses volumetric rates. Metered water is important to understand water use and encourage conservation.

While City domestic rates won't be introduced until 2021, as meters are installed in each home, ratepayers will be able to learn about their usage prior to their first (volumetric-based) statement.

City water rates are updated every two years and billed bi-monthly.

Current rates are:

- first 60 cubic metres \$0.437
- next 100 cubic metres \$0.588
- next 90 cubic metres \$0.891.
- plus a fixed fee depending on the size of the water service.

The average single family home consumption in the City utility is about 82 cubic metres bi-monthly (annual average).

Agriculture vitality key to Kelowna

SEKID has a long history of service to Kelowna's agricultural community and the City of Kelowna is committed to carrying on this tradition.

Agriculture is an important part of our community. This is supported by the City's new Agricultural Plan and recent consultations for Imagine Kelowna where our community clearly said protecting agriculture and promoting sustainable farming is an important part of Kelowna's future.

The main focus of the City's water utility has traditionally been delivering potable drinking water.

The integration of SEKID starts a new era that will see the City Utility also operating and delivering irrigation water to support agriculture. Staff is proposing a number of actions for Council's consideration on May 14 to support a smooth transition and ensure agriculture continues to have a strong voice when it comes to irrigation water.

As a first step Council will consider maintaining agricultural rates and allocations set by SEKID until 2021.

This will give the City the time required to work with the agricultural community.

Secondly, develop a transition advisory committee on agricultural water matters in South East Kelowna.

Lastly, further engage with the agricultural industry through an inclusive process around the delivery and security of irrigation water. It's an important topic for the entire community. This will build on earlier consultations regarding the agricultural rate structure and see a unique rate structure supporting vibrant and sustainable agriculture.

The City and SEKID have been working over the past year on a transition plan that welcomes all SEKID employees to continue their employment with the City of Kelowna. This will ensure continuity of service and valuable knowledge transfer.



The project has important benefits for agriculture. Once the new domestic system is in place, the existing distribution system will become a dedicated supply of treated water for irrigation and some fire protection.

This model of separated systems supports agriculture interests by reclaiming the capacity used by previous domestic customers, and spreads cost of ongoing maintenance and future infrastructure of this aging system over the entire City utility.

Overall project costs*

SEKID portion (70%)	(millions)
reserves	\$7.5
city financing	\$15.3
grant (80%)	\$35.4
subtotal	\$58.2
City Portion (30%)	
utility reserves	\$19.3
grant (20%)	\$8.5
subtotal	\$27.8

*Project was re-scoped to manage escalating costs. Infrastructure deliverables have changed from those originally outlined in 2017.

Project cost recovery

Based on average 2017 domestic water consumption in the City Utility, ratepayers can expect costs similar to the following in 2021.**

2018- 2020	(per month)	(per year)***
SEKID water fees	\$55	\$662
Project fee	\$32	\$379
TOTAL*	\$87	\$1,041
*Does not include SEKID water tax. (\$92/year for properties less than 1 acre).		
2021-2038		
City water rates & fees	\$45	\$534
Project fee	\$40	\$478
TOTAL	\$85	\$1,012

**Preliminary costs used for illustration only. Exact City billing amounts will vary depending on water usage and rates set biannually by Council.

***Rounding of per month totals means per year totals may not be equal.

2017 Integrated Water Supply Plan

The 2017 Kelowna Integrated Water Supply Plan is the result of an independent value planning study of the 2012 Kelowna Integrated Water Supply Plan jointly developed by the five major water providers.

The 2017 plan calls for an integrated, city-wide system in order to achieve the best and lowest cost solution to providing drinking water that meets Canadian Drinking Water Quality Standards, provides administrative and operational flexibility and maintains agricultural interests.

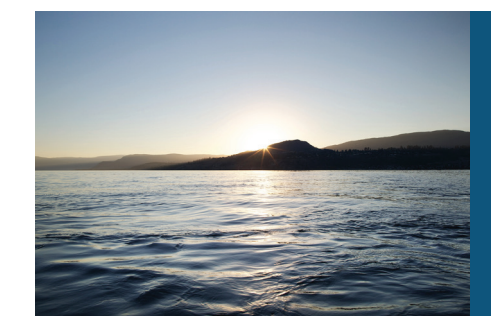
The Kelowna Integrated Water Supply Plan recommends drawing water from one of two reliable sources

- Okanagan Lake and storage in the Mission Creek watershed.

This plan significantly reduces the cost of pumping water from the lake for the majority of the year and provides system redundancy — a backup source — in case of an emergency, compromised source or drought.

The plan calls for the separation of drinking and agricultural systems, allowing a dedicated water supply to be used for agriculture — greatly reducing costs over time.

The primary agricultural sources of water include Hydraulic, Scotty and



Mill Creek watersheds. An integrated system will also be able to draw from existing wells, Mission Creek and Okanagan Lake should agricultural sources be compromised.

Learn more at kelowna.ca/water

Project details

Construction of the project starts this July. Emil Anderson (EAC) Inc. will begin work on the major transmission trunk in the South Mission area.

Pending Council approval of the project budget May 14, the second portion of the project will be awarded for a new drinking water system built in South East Kelowna.

The infrastructure design for the project was developed from recommendations of the Value Planning exercise of the 2012 Kelowna Integrated Water Supply Plan; a requirement of the Province in order to apply for grants.

The project includes:

- major upgrades to the City's core south-end water infrastructure including the two main pump stations, expansion of reservoir capacity and installation of large diameter transmission mains; and
- a new separated water system to serve existing SEKID domestic customers with year-round clean water that includes new water distribution mains,

two new pumping stations and expanded reservoir storage.

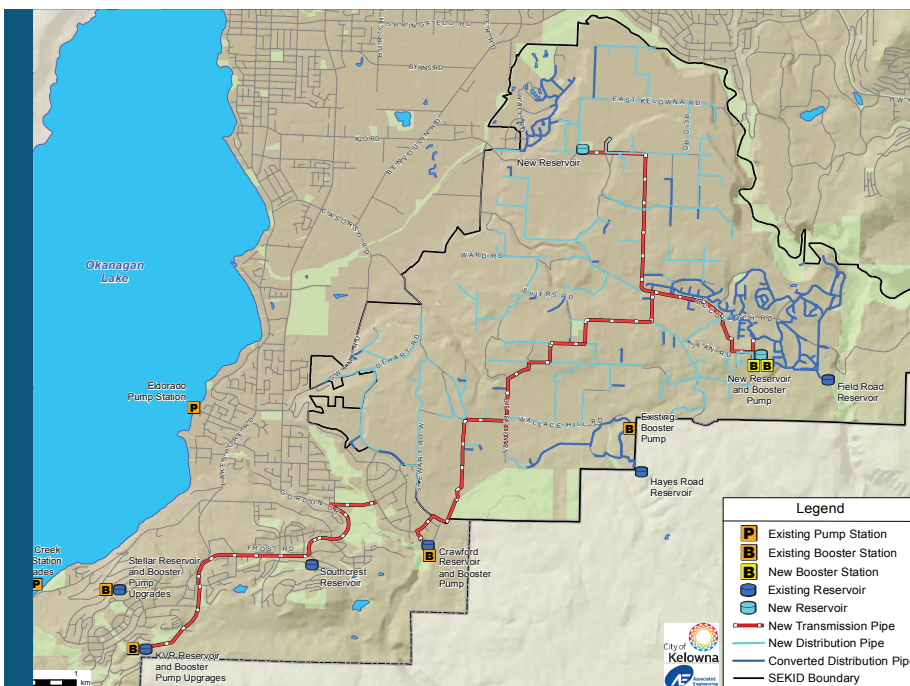
The majority of the cost, \$51.4M of the project is building the new drinking water distribution system in South East Kelowna.

The project was procured through a design/build process which helps condense project length as design and construction will occur concurrently. Additionally, design/build is used to control costs and reduce the risk of budget escalation over the length of the project.

Details about the project costs could not be released until the project contract was finalized and awarded on April 27 due to confidential negotiations with the project contractor.

Early construction details will be available at the Open House, Thursday, May 17, including a preliminary schedule, what you can expect during construction, and project-related customer service.

To stay up to date with construction. Subscribe to e-mail updates at kelowna.ca/water.



Transition to the City Utility

The City of Kelowna and SEKID have been working closely on a transition plan over the past year to ensure a seamless transition to the City Utility.

As a legislative requirement of self-financing, SEKID Board of Trustees will dissolve at the Province's direction earlier than originally anticipated.

City of Kelowna employee Mike Gosselin, has joined staff at the Gully Road office as the Transition Rural Irrigation Operations Manager and will work with staff to slowly amalgamate services with the City Utility through 2019.

In the short term, all operations, billing and customer service will remain as per usual for SEKID ratepayers.



City of
Kelowna