

**REPORT TO REGIONAL WATER SUPPLY COMMISSION
MEETING OF WEDNESDAY, JULY 19, 2023**

SUBJECT Agricultural Water Rate Review Update

ISSUE SUMMARY

To provide the Regional Water Supply Commission with an update on the Agricultural Water Rate Review.

BACKGROUND

The Capital Regional District (CRD) has provided an agricultural water rate through the Regional Water Supply Service since 2002. Properties that hold a BC Assessment farm classification are eligible to receive the rate subject to provision of CRD Bylaw No. 2570 which sets out how the rate applies. The rate subsidy, which is funded through the annual Regional Water Supply Service operating budget, is the difference between the municipal retail rate and the agricultural rate. The agricultural rate of \$0.2105 has not changed since 2010 while the wholesale and municipal retail water rates have steadily increased. In 2023 the Regional Water Supply agricultural rate funding budget is \$1.75 million.

Stantec Consulting Ltd. (Stantec) was retained to complete a review of the current agricultural water rate, rate model, and rate application. Stantec's report is attached, which includes recommendations and an implementation plan.

Consultation with the Water Advisory Committee (Committee) on March 28, 2023 included a presentation by Stantec. An information handout and an online questionnaire was distributed. The questionnaire was available from April 28 to May 12 with five members of the Committee responding. Stantec has presented considerations and recommendations about potential changes to the agricultural rate, which are based on research, technical experience, and the Committee's feedback.

In 2022 there was a total of 682 agricultural accounts, 50% of the accounts received less than \$500 in subsidized water and 20% received no subsidy at all. One percent of these accounts accounted for approximately 25% of agricultural subsidized water. With the current model, any changes to agricultural rate/subsidy would directly impact all users of the Regional Water Supply system.

Determining the public benefit of subsidized agricultural water proved challenging for the consultant and staff from a water utility perspective. Stantec has proposed recommendations for implementation over a three-year period with the agricultural rate remaining unchanged over year one and two until additional information can be gathered to inform policy change. Stantec recommends considering the following as part of the next phase (Phase 2) of reviewing the Agricultural Water Rate:

- Establish a maximum total annual subsidy amount
- Prioritize rate attributes
- Develop a reporting program
- Review expanding eligibility

ALTERNATIVES

Alternative 1

That staff be directed to proceed with the next phase of the Agricultural Water Rate Review.

Alternative 2

That the report be referred back to staff for further information.

IMPLICATIONS

Financial Implications

The agricultural rate has not changed since 2010, while the wholesale and municipal retail water rates have steadily increased resulting in a growing financial subsidy. The 2024 agricultural rate will remain unchanged until Phase 2 is complete. To fund these efforts capital funding of \$100,000, including CRD staff effort, is proposed in the 2024 Capital Plan.

Intergovernmental Implications

Staff recommend proceeding with Phase 2 of the Agricultural Water Rate Review which will include coordination with other CRD divisions, such as Regional and Strategic Planning.

Phase 2 will include consultation with member municipalities and agricultural groups such as the Peninsula & Area Agricultural Commission (advisory committee to Central Saanich, Metchosin, North Saanich and Saanich) to expand the lens of rate subsidies and public benefits.

CONCLUSION

Capital Regional District staff are prepared to proceed with Phase 2 of the Agricultural Water Rate Review and will keep the Commission informed of the progress and involved in the decision making of this next phase.

RECOMMENDATION

That staff be directed to proceed with the next phase of the Agricultural Water Rate Review.

Submitted by:	Shayne Irg, P.Eng., Senior Manager, Water Infrastructure Operations
Concurrence:	Ian Jesney, P. Eng., Acting General Manager, Integrated Water Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Agricultural Water Rate Review – Stantec Report