REPORT

Council

MEETING DATE:	November 12, 2025
TO:	Mayor and Council
CC:	Rod Risling, CAO
FROM:	Nicolette Keith, Interim Director of Financial Services
SUBJECT:	**Highlights for the 2026-2030 Agricultural Water System Budget**

BACKGROUND

Budget presentation for the 2026-2030 Agricultural Water Utility Budget, highlighted changes in the budget.

OVERVIEW

From the Special Open Meeting of February 15, 2024 the following motion was approved:

Moved by Water Councillor Moreira
Seconded by Councillor King

That Administration investigates and provide Council with the impacts of separating the Agricultural Irrigation Water System and the Domestic Water System from an accounting perspective so that the systems operate as separate entities whereby the potable water system is funded from their users and the agricultural irrigation system is funded from their users.
CARRIED

As a result, Administration has separated the two water utilities—Domestic and Agricultural—into distinct systems. While this separation is now in place, additional work will be required over the next year to refine and finalize the split. Fortunately, most major costs such as utilities (electricity) and staff time have been tracked separately for several years, meaning that these larger expenditures are reflective of actual operational costs.

The Agricultural Water System's primary purpose is to supply lake water to agricultural users. System 9, south of Osoyoos, has completed the twinning of the water mains to ensure all domestic users are provided potable water from the Town system. However, there are still some domestic properties within System 8, north of Osoyoos, which are still connected to the Agricultural water system. Both of these agricultural water systems remain chlorinated due to theses properties being connected and system 8 remains on a boil water advisory year round.

For 2026, agricultural system user fees are proposed to increase by $0.84 per month per acre for Irrigation charge and a $2.66 increase for a residential unit per month. The overall increase is estimated at $68,550 in additional user fee revenues for the year. The proposed increase is comprised of:

- A standard CPI and labour agreement adjustment to operating expenses of $29,354, and
- An additional $31,196 allocated to reserves for future agricultural water utility needs.

A 10% discount to residential units on the agriculture system has been incorporated into the rate as approved by Council in 2025.

While the proposed budget addresses immediate operational requirements, it is likely underfunded given the age of the system and the anticipated costs of infrastructure replacement. Council may wish to consider aligning the agricultural system rate increase with those of the domestic system for 2026, which would provide additional funding directed toward reserves and long-term infrastructure renewal.

Forward Looking Outlook and Potential Risks:

An asset management plan for the agricultural system is currently underway and is expected to be completed in 2026. Given the system's age and minimal history of upgrades or replacements, it is anticipated that significant capital investment will be required to replace aging infrastructure. Substantial user fee increases are likely necessary to support this work. Grant funding opportunities will also play a critical role in meeting asset management objectives.

The rate increase implemented two years ago for both water systems has contributed to building reserves for the agricultural system, which will assist in addressing future capital needs.

Administration is reviewing the current approach to funding equipment and service vehicles. A centralized fleet management model is being explored, consolidating all fleet-related funding into a single corporate reserve. Under this model, departments—including the agricultural utility—would contribute consistent annual payments to this reserve. This approach would help stabilize annual expenditures and avoid large cost fluctuations associated with major equipment purchases.

Further work will also be undertaken to review reserve allocations and prior project costs to ensure they were properly distributed between the Agricultural and Domestic systems.

The cost to replace a single water intake is estimated at $5–$7 million, and the agricultural system currently has three such intakes. The asset management plan will identify expected replacement timelines; however, it is known that these expenditures will be required in the future.

As part of the Domestic Water Treatment Plant project, a new water intake is planned at the same location as one of the agricultural intakes, at an estimated cost of $16 million. This presents an opportunity to share a critical piece of infrastructure, benefiting both systems financially through cost-sharing and operational efficiencies.

Administration is also reviewing the early-season ("spray") water program and the potential for adjusting system activation and shut-down dates. This review may require water license amendments and could impact both revenues and expenses. Further analysis will be brought forward as part of next year's reporting.

This financial plan forecast projects fees to remain in line with inflation with the exception of pending adjustments as indicated above.

Operating Budget Summary - Irrigation Water System	Approved 2025	Proposed 2026	Change $	Change $ per Month per Residential Household
Revenues				
Water District Revenue	552,000	581,344	29,344	2.66
Parcel Tax	666,000	705,206	39,206	-
Penalties	8,000	8,000	-	-
Revenues Total	**1,226,000**	**1,294,550**	**68,550**	**$ 2.66**
Expenses:				
Wages & Benefits	534,000	551,355	17,355	0.67
Maintenance & Supplies	211,500	216,999	5,499	0.21
Contract Services	-	-	-	-
Utilities	220,000	225,720	5,720	0.22
Other	-	-	-	-
Administration	30,000	30,780	780	0.03
General Operating Expenses	**995,500**	**1,024,854**	**29,354**	**1.13**
Debt Charges	101,476	110,572	9,096	0.35
Transfer to Capital Reserves	-	159,124	159,124	6.19
Transfer to Capital from Operatin	129,024	-	(129,024)	(5.01)
Expenditure & Transfers	**1,226,000**	**1,294,550**	**68,550**	$ 2.66

IN-PROGRESS CAPITAL PROJECTS FROM PREVIOUS YEARS

(ALREADY APPROVED)

REPORT

Capital Budget Project

PROJECT YEAR:	2025
PROJECT CARRY-OVER	**Yes** ☐ **No** ☒
PROJECT NAME:	**Water District Agricultural Asset Management Plan**
GRANT FUNDED:	**Yes** ☐ **No** ☒ **Pending** ☐
PROJECT COSTS:	**$ 100,000.00**
BUSINESS PLAN NO.:	
TO:	Mayor and Council
CC:	Rod Risling, CAO
FROM:	Jim Zakall, Director of Financial Services

PROJECT DESCRIPTION **(What is to be completed)**

To create a Master plan as well as an accompanying Asset Management Plan for the Town's agricultural system. The project will address the following for the community:

- Master Plan
    - Assess Present and Future Requirements
    - Identify and Prioritize Capital Improvement Projects
- Asset Management
    - Review existing infrastructure
    - Assess life spans
    - Identify replacement schedules

Both the Master Plan and the Asset Management Plan will provide funding related information to achieve the specific goals identified in each plan.

PURPOSE/GOALS **(Why do we need this project)**

Master Plan

"Substantial infrastructure investment by water utilities is essential in order to keep pace with population growth, meet regulations, deliver adequate services, and protect public health and the environment. These large expenditures in order to maintain and improve water supply, wastewater management, and water reuse require that utilities create a master plan for future needs. A master plan works to define a system-wide integrated water supply, wastewater, and reuse capital improvement strategy to meet needs up to the planning horizon.

A master plan is a road map consisting of a series of programs for a utility to undertake in the short (0-to-5 years), medium (6- to-15 years) and long (16-to-25 years) terms. These timeframes are known as the planning horizon, and

the programs act to guide the utility's capital improvement projects (CIP) with respect to water, wastewater, and reuse infrastructure."[1]

Asset Management

"Asset management helps communities manage municipal infrastructure assets and make better investment decisions. It also helps you reduce risks so you can provide reliable and affordable services and a high quality of life to the community."[2]

These pieces of infrastructures have a defined service life. As these assets age and deteriorate the issue that municipalities are grappling with is how to manage them in such a way to ensure that the full service life is reached and to have in place a mechanism to enable their replacement.

The term asset management, is defined as "the application of sound technical, social and economic principles that considers present and future needs of users, and the service from the asset".[3]

ESTIMATED TIME FRAME FOR COMPLETION

Request for Proposals	First Quarter 2025
Data Collection	Second and Third Quarter 2025
Final Report	First Quarter 2026

PROJECT IMPLEMENTATION (How will it be completed – Internally/Consultant/Contractor. | Identify known funding impacts/status report if carry-over project.)

Third party engineering consultant and internal staff.

PUBLIC CONSULTATION (Will this be required)

There will be a public engagement aspect of this project to allow for input with regards to capital planning, etc.

BUDGET

Water	$ 100,000.00

POTENTIAL IMPACTS IF PROJECT NOT APPROVED

The Town will continue to address capital renewal and asset management ineffectively and may further jeopardize our ability to apply for and be successful on federal and provincial grant funding.

[1] https://gaiconsultants.com/water-master-plan-101/
[2] https://fcm.ca/en/programs/municipal-asset-management-program
[3]https://www.assetmanagementbc.ca/wpcontent/uploads/Guide_to_Developing_a_Municipal_Asset_Management_Policy_DRAFT-LGAMWG-October_2009-1.pdf