

Difficult decisions needed to balance utility budget

By Mayor Holmes

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Council has completed its review of the 2023 utility accounts and I have to say this was the most difficult budget deliberations we've had in the last decade. Faced with skyrocketing costs, we had to make some uncomfortable decisions and most of us will be paying more next year for clean water, treated sewage and reliable electricity. At the same time, Council is making changes to ensure the people who can least afford rate increases will not have to carry the heaviest burden.

Utility rates cover the cost of everything required to provide a safe and reliable service – from the watershed to your tap, from your toilet to a safe discharge into Okanagan Lake, and from the power substation to your light switch. The rates take into account public health, environmental protection, provincial legislation and regulations, and infrastructure renewal and investment.

They also account for the fact that Summerland's utilities are extensive and somewhat more complex than other municipalities due to our rural-urban mix, large geographic area and topography. Our water utility consists of 220 km of water mains, a water treatment plant, 13 pump stations, 13 pressure reducing stations, and 12 dams and reservoirs. The wastewater system has 80 km of sewer pipes, a sewage treatment plant, and eight lift stations. Electricity is transmitted through 280 km of overhead lines and 60 km of underground cable from two substations using nine feeders and 1,500 transformers. There are also 3,700 electricity poles and 1,350 street lights.

We are maintaining and operating all this infrastructure in the face of unprecedented market pressures and escalating costs. The electrical budget is affected by Fortis charging more for wholesale power and the water budget has been hit with soaring chemical prices. For example, caustic soda and chlorine, both necessary for treating drinking water, have increased by more than 140% since last year.

Municipalities are legally required to balance their budgets so we can't run a deficit like the provincial and federal governments. Utilities are also heavily regulated so we can't reduce service levels. We can't partially treat drinking water, or treat less effluent, or supply electricity only at certain times.

Council has looked in every nook and cranny to find savings. We're putting off some equipment upgrades and holding back on non-essential operational matters like hiring co-op students.

We're also reducing planned allocations to reserves, including zero additional dollars into the water reserve.

For the past several years, Council has been levying small rate increases to replenish depleted reserves in order to take an "asset management" approach to replacing aging infrastructure. The compounding effect of these contributions is already paying off. For example, next year we will use our savings to replace a failing water main on Dale Meadows Road, which will also need repaving.

Scaling back on reserve contributions isn't sustainable in the long term and we'll need to quickly get back on track so that we don't burden future generations with an infrastructure deficit.

Yet we recognize the current rising cost of living is putting many people under financial stress and we want to avoid levying large rate increases on those who can least afford it.

With this in mind, and since there was still a budget shortfall even after the cuts and deferrals, we decided to review the 10% discount that residents receive when they pay their monthly utility bills before the due date.

Very few municipal or private utilities provide discounts. The City of Penticton stopped doing so last year. Because, while rewarding people who pay on time, a discount also serves to penalize those who struggle to make ends meet. (Payment dates don't always align with pay days.)

Our data shows an increasing number of Summerlanders are missing out on the discount. In 2019, only 4% of residents didn't receive the discount but by 2022 that number has almost doubled to 7%.

After much consideration, Council decided to end the discount program. Doing so will raise the revenue required to balance the utility budget.

We understand many people will lose an incentive they have come to count on. The alternative is large increases that will impact everyone, with some of the increase being used to continue a subsidy that residents don't access equally.

We have aimed to apply the principle of tax fairness where rates are based on a person's ability to pay but are balanced by the needs of the community as a whole. In a difficult year for everybody, we believe ending the utility discount is the best way to strike that balance.

For further detail, watch the utility budget virtual open house on the District of Summerland's Youtube channel: www.youtube.com/@DistrictofSummerland