



COMMITTEE OF THE WHOLE MEETING

January 21, 2013

SRCFS.13.007

Corporate and Financial Services
Financial Services Division

SUBJECT: STORMWATER MANAGEMENT FINANCING FEASIBILITY STUDY

PURPOSE:

The purpose of SRCFS.13.007 is to present alternative sustainable long-term funding options for Stormwater Management Infrastructure.

RECOMMENDATION(S):

- a) That Richmond Hill's stormwater management funding move from a property tax supported program to a stormwater rate funded program to be implemented in 2013, based on the principles of a flat rate per property that considers property type and use as outlined and recommended in the Stormwater Management Financing Feasibility Study attached as Appendix "A"; and
- b) That staff report back to Council on the details of an implementation strategy as part of the 2013 budget process.

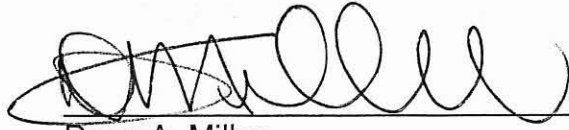
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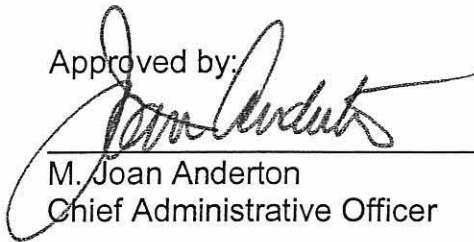
Italo Brutto, P. Eng.
Commissioner of Environment &
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Submitted by:



Dean A. Miller
Commissioner, Corporate & Financial Services

Approved by:



M. Joan Anderton
Chief Administrative Officer

INTRODUCTION:

The Town has recognized for a number of years that the current practice of funding stormwater infrastructure is not sustainable. In 2006, the Town began to develop a priority rating system for its municipal stormwater management ponds. This process led to a ten-year capital program for stormwater management ponds that was adopted by Council in 2008 utilizing the "Water Quality Protection Reserve Fund" which was established by Council through the proceeds of the sale of Richmond Hill Hydro.

Funding through the ten year capital program for stormwater ponds was the beginning of funding stormwater infrastructure which in the past was either not funded at all or severely underfunded. While the 10 year capital plan for stormwater ponds was a good start in that some portion of the stormwater infrastructure was now partially funded, Council recognized that the stormwater infrastructure as a whole was unfunded. In order to close this gap, in 2008 Council requested staff to "report back to Committee of the Whole on long term funding options" for those projects which fell beyond the ten year capital plan.

Since that time, there have been a number of regulatory changes in Ontario that mainly focused on drinking water, however, the Province has referenced principles of a financially sustainable water and wastewater services including stormwater in their guidance document. This reference is an indication of the Province's future direction of these services and a logical next step given the relationship among these services.

In 2011, the services of Watson & Associates Economists Ltd. were retained to lead a review that considers the existing funding model, anticipated legislative requirements and future financial implications. A review and evaluation of appropriate sustainable funding mechanisms to support the stormwater management infrastructure, well into the future, is the desired result.

BACKGROUND:

Richmond Hill currently owns and operates 55 stormwater ponds (approximately 31 more stormwater management facilities to be assumed in the near future), and manages 19.2 km of watercourse systems. Historically, only the storm drainage collection system has been funded (approximately 412 km of storm sewers and 12,674 catch basins). Construction of stormwater management facilities has been funded initially through the land development process.

In Richmond Hill, stormwater management services currently recover operating costs of about \$2.9 million from the property tax rate, which also includes minor contributions toward storm sewer replacement as part of the roads program. In 2003, the Water Quality Reserve Fund was established and funded from proceeds of the sale of Richmond Hill Hydro. These monies were earmarked to fund the rehabilitation of stormwater management facilities. Based on the recent Ten Year Capital Forecast, (over \$25 million in total) the current balance of \$14.8 million in this reserve fund will be depleted by 2019. The Town currently does not have a plan in place for long-term sustainability of the growing stormwater management asset base, beyond 2019.

Since Council's direction in 2008 to examine funding alternatives for stormwater management infrastructure, Ontario passed the *Water Opportunities Act, 2010*. Elements of this Act deal with water technologies as well as conservation and sustainability plans. Future regulations under this Act are expected, and early indications suggest they may require performance targets as well as financial plans for municipal stormwater management infrastructure. In anticipation of future impacts on the property tax base, some municipalities are considering separate user rates to recover current operating and future lifecycle stormwater management infrastructure costs.

ANALYSIS:

A project team from Corporate and Financial Services and Environment and Infrastructure Services was developed to pursue long term funding options.

The project team undertook an analysis of stormwater management infrastructure lifecycle costs and requirements. This involved creating an infrastructure database with assigned replacement values and annual lifecycle provisions. The analysis showed that the Town will face a significant funding deficiency starting in 2019. A financial plan is required to support future stormwater infrastructure needs.

Greater detail related to the analysis is provided in the consultants report Appendix "A".

Although regulations anticipated under the Water Opportunities Act may require municipalities to put in place sustainable funding plans for stormwater infrastructure, acting in advance of potential regulations could allow municipalities more time to accrue the necessary funds, in accordance with our analysis of the potential impacts of the regulations and provide a more favourable phase-in schedule.

Programs of Other Municipalities

At this time, most municipalities continue to fund stormwater management needs within the property tax rate. A number of municipalities are currently using or considering separate user rates. The strategy to fund current operating and infrastructure costs with a rate-based charge is in use in Aurora, Kitchener, Waterloo, Hamilton and London. Other municipalities including Markham, Vaughan and Mississauga are currently reviewing options. Those municipalities who have implemented a rate-based charge use a variety of approaches but the two most common approaches are a utility rate based on metered water consumption or a flat rate per property, by property type and size.

Recommended Option for Richmond Hill

The recommended funding approach for stormwater management operating and infrastructure lifecycle costs is a flat rate per property based on property type and use for stormwater management operating and infrastructure costs. The 2013 rate will be based on current operating costs with an annual phase in for lifecycle funding to commence in 2014. The benefits of shifting to a rate based funding mechanism include:

- A dedicated funding source for both stormwater management costs allows for sustainability, flexibility and adaptability to respond to issues and legislative changes.
- A more fair and equitable rate based on the property's use of the stormwater management system as opposed to the tax rate which is based on the property value.
- A funding mechanism that would include all contributors to the stormwater management systems based on property use.

FINANCIAL/STAFFING/OTHER IMPLICATIONS:

If the Town were to implement a stormwater management rate based on property type and use, it would be appropriate to establish a two-tier approach. The two tiers recommended for type would assign a rate to residential, ICI, multi residential and condominium.

The proposed rate-based charge per property type is as follows:

Property Type	2013	2014	2024
Residential	\$ 47.62	\$ 72.81	\$261.09
Non Residential, Multi Residential and Condominium	\$138.36	\$215.41	\$872.69

These rates are based on property types and use as identified by the Municipal Property Assessment Corporation in the annual assessment roll. Properties owned by the York Region District School Board, the York Catholic District School Board and places of worship have been identified and the rate analysis has been calculated with these properties exempt from the charge. The rates are based on all information known at this time, including lifecycle reserve needs for all existing stormwater infrastructure inventory and estimates of lifecycle reserve needs for known facilities to be assumed by the Town.

The proposed rates for 2013 provide for funding of about \$2.9 million in existing operating costs. For 2014 to 2024, an annual phased-in approach to include the \$12.5 million lifecycle provision is described in the consultant's report.

RELATIONSHIP TO THE STRATEGIC PLAN:

The funding of current operating and future sustainability costs with a rate-based charge meets the Strategic Plan goal of Wise Management of Resources in Richmond Hill. Realizing the vision of a different future for Richmond Hill means undertaking new initiatives to enable the change we want to see. This new initiative will allow for the long-term sustainability of stormwater management services.

CONCLUSION:

The completion of this financing study addresses the funding gap recognized by Council in 2008 and provides the foundation of a sustainable funding source for stormwater infrastructure similar to the current funding model used in the water and wastewater infrastructure. The proposed sustainable funding source which is currently being used by other municipalities will address the Town's obligation in maintaining the stormwater infrastructure in accordance with the "Certificate of Approval" issued for the stormwater infrastructure and it will allow the implementation of an appropriate life cycle plan that will ensure a reliable service.

Appendix "A" Stormwater Management Financing Feasibility Study