



November 12, 2024

MEMO TO: Mayor West and Members of Council

COPY TO: Darlene Joslin, City Manager
Stephen Huycke, Director, Legislative Services/City Clerk

FROM: Gigi Li, Director, Financial Services/Treasurer

SUBJECT: Supplementary Information for Council’s consideration of SRCFS.24.050 – 2024 Stormwater Management Financial Plan

At its meeting on November 6, 2024, the Committee of the Whole considered staff report SRCFS.24.050 – 2024 Stormwater Management Financial Plan. At the meeting, there were several questions and comments raised by Members of Council regarding funding and financing options for stormwater management infrastructure, potential impact of project deferrals along with other related matters.

The purpose of this memo is to provide additional information in response to comments from Members of Council.

1. Provide an Alternative Flat Rate Scenario for Funding of Stormwater Management Infrastructure

A new flat rate scenario was developed for additional consideration by Council to reflect comments at Committee of the Whole. This scenario would require a one-time 205% increase in the rates for a flat rate for the remainder of the forecast. This scenario assumes the same \$3 million in annual Canada Community Building Fund funding over the first five years and will maintain at least \$1 million in the reserve fund over the forecast, with a projected ending balance of \$1 million in 2034.

The chart below outlines the rate forecast by property type per 1,000 square feet:

| Description | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|--|-------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Rate per 1,000 sq.ft. | | | | | | | | | | | |
| Residential | 11.02 | 33.61 | 33.61 | 33.61 | 33.61 | 33.61 | 33.61 | 33.61 | 33.61 | 33.61 | 33.61 |
| Town/ Row House | 15.43 | 47.05 | 47.06 | 47.06 | 47.05 | 47.06 | 47.05 | 47.06 | 47.05 | 47.05 | 47.06 |
| Semi-detached/ Link House | 12.12 | 36.97 | 36.98 | 36.97 | 36.97 | 36.97 | 36.97 | 36.98 | 36.97 | 36.97 | 36.97 |
| Commercial/Industrial | 20.94 | 63.85 | 63.87 | 63.86 | 63.86 | 63.86 | 63.86 | 63.87 | 63.86 | 63.85 | 63.87 |
| Multi-Residential | 18.73 | 57.13 | 57.14 | 57.14 | 57.13 | 57.14 | 57.13 | 57.14 | 57.13 | 57.13 | 57.14 |
| Agricultural Land/Farm | 2.20 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 |
| Golf Course Structures | 19.84 | 60.49 | 60.50 | 60.50 | 60.50 | 60.50 | 60.50 | 60.51 | 60.49 | 60.49 | 60.50 |
| Golf Courses - Playing Area | 3.31 | 10.08 | 10.08 | 10.08 | 10.08 | 10.08 | 10.08 | 10.08 | 10.08 | 10.08 | 10.08 |
| Vacant Land | 2.20 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 | 6.72 |
| Institutional | 15.43 | 47.05 | 47.06 | 47.06 | 47.05 | 47.06 | 47.05 | 47.06 | 47.05 | 47.05 | 47.06 |
| Increase in Residential Rate | | 205% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Change in Residential Rate (\$) | | 22.59 | - | - | - | - | - | - | - | - | - |

The chart below outlines the rate impact on the average residential property:

| Residential Stormwater Rates | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Stormwater Rate per 1,000 sq.ft. | \$11.02 | \$33.61 | \$33.61 | \$33.61 | \$33.61 | \$33.61 | \$33.61 | \$33.61 | \$33.61 | \$33.61 | \$33.61 |
| Average Residential Bill | \$77 | \$236 | \$236 | \$236 | \$236 | \$236 | \$236 | \$236 | \$236 | \$236 | \$236 |
| \$ Increase | | \$159 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Percentage Increase | | 205% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

2. Outline Impact of Scenario 3 – Further Deferral of Projects in the Capital Forecast

Staff conducted a high-level review and focused on the four years that required budget reductions (2026 to 2029). If Scenario 3 were chosen by Council, the number of projects that would be deferred during this period to achieve the budget reduction is 15, and include road reconstruction and valleyland rehabilitation projects, as well as storm pond sediment removal and retrofit projects. This will have a rippling effect since the deferred projects would bump other projects currently planned beyond 2029 due to project delivery capacity constraints.

Key projects that would be deferred along with the associated risks related to deferral are provided below:

- Mill Pond Park Revitalization (high visibility with significant resident interest)
- Schomberg Road Reconstruction (road in poor condition)
- Mill Street/Altamira Ave Drainage Works (high claim potential)
- South Richvale Valleyland Sewer Protection (high risk with exposed City sanitary sewer in Patterson Creek, existing partnership with York Region to protect regional trunk sewer)
- Unity Park Storm Sewer Improvements (high risk with sewer pipes that are in poor condition and have already failed multiple times, high environmental risk with erosion into a decommissioned landfill)
- Pomona Creek/Garden Ave Valleyland Rehabilitation

The consequences of the deferrals for the various project types are detailed below:

- Road reconstruction projects: Costs for the projects will increase if deferred, increasing the risk of additional claims due to deteriorating road conditions, and additional maintenance costs will be necessary. The increased maintenance costs will increase the pressure on PWO's operating budget.
- Valleyland rehabilitation projects: Costs for the projects will increase if deferred and additional costs for interim works will be necessary. For example, the interim works for the South Richvale Valleyland Sewer Protection will require a minimum of \$100,000 per year for each year of deferral, and the risk of pipe failure will increase each year.
- Storm pond sediment removal and retrofit projects: Costs for the projects will increase if deferred and each piece of infrastructure will be out-of-compliance with Provincial approvals and legislation during each year of deferral. This will be visible to the Province and the public since the City is required to provide an annual report of the status of all Stormwater Management (SWM) infrastructure per the municipal Consolidated Linear Infrastructure Environmental Compliance Approval (CLI ECA). The Ontario Water Resources Act allows the Province to send an Order to any municipality that is deemed to be out-of-compliance with potential monetary penalties of up to \$6,000,000 to \$10,000,000 depending on the number of offences. To staff's knowledge, the Province has not yet levied a penalty against a municipality to-date, but the risk is present. At a minimum, there would be a significant reputational risk for the City if Richmond Hill were to receive an Order from the Province even if a monetary penalty was not imposed.

If the projects (roads, SWM, etc.) continue to be deferred, the City will not be able to keep pace with infrastructure rehabilitation and up-keep, and will find itself in a situation where it will never achieve its level of service targets due to the perpetual backlog.

3. Enhance Messaging and Overall Communication on Stormwater Management

Financial Services will work with Communications Services on a sustained communication and public education campaign for 2025, focusing on what stormwater management is (i.e., flood control, environmental protection and erosion control) and why funding is required for it. This plan, to be developed in early 2025, will include:

- Communications that include plain language messaging that people can understand, such as flood prevention.
- Leveraging the [Stormwater Fee video](#) which was created and released in 2024.
- Key messages and materials for Council in order to communicate this crucial infrastructure program to residents, businesses and other stakeholders.

4. Further Information on the Issuance of Debt – Internal Financing vs External Debt

The City of Richmond Hill has consistently maintained a strong financial position, effectively managing its finances without issuing debt. However, aging infrastructure and changes in the timing of growth and revenue collection require alternative funding sources and financing. The core benefits of utilizing debt include accelerating the timing of capital projects and distributing their costs over the asset's useful life, smoothing the impact of the costs to residents. This supports intergenerational equity, balancing the costs and benefits among current and future residents. The City's debt management strategy will consider capital forecasts and project priorities, financial market conditions, and cash flow timing to effectively fund capital projects.

Staff provided a high-level Debt Financing Overview at the May 7, 2024 Capital Sustainability Steering Committee, and outlined the benefits, challenges and risks associated with debt financing.

Staff are working on the development of a Debt 101 workshop for 2025 to further explore the various aspects of debt financing, along with a comparison between external debt and internal financing.

Should Council approve the Scenario 2 option for funding the City's ten-year stormwater management capital program, \$22 million of debt will be issued to smooth the rate increases. Staff will provide a report to Council on the debt issuance process and plan before June 2025.