The Corporation of the Town of Lakeshore

Report to Council

Engineering & Infrastructure Services

To:	Mayor & Members of Council
From:	Nelson Cavacas, Director, Engineering & Infrastructure Services
Date:	July 6, 2020
Subject:	Stormwater User Fee Implementation

Recommendation

This report is for information only.

Background

Council adopted the following resolution at its June 26, 2018 meeting:

That a report be provided on the process required to implement a Run-off based Stormwater Fee Assessment for urbanized areas.

Further, Administration provided a previous report dated June 10, 2018 to Council with information on the establishment of a run-off based storm water fee assessment which is attached for Council's reference.

The previous report outlined some of the various types of storm water fee assessments that have been implemented by other municipalities along with outlining some specific factors that would need to be considered with the Town of Lakeshore's unique landscape of urban and rural areas being serviced by urban storm sewers, municipal drains under the Drainage Act and in some instances by both drainage systems.

This report focuses on the process to implement a Stormwater User Fee which will involves completion of a feasibility study.

Comments

With the establishment of any new municipal assessment levy or user fee there are five specific overarching steps involved through the completion of a stormwater user fee feasibility study which are summarized as follows:

1) Determine the appropriate and affordable level of service for future stormwater management program projects and activities.
2) Identify and evaluate stormwater funding options and alternatives.
3) Actively solicit feedback from a Flood Task Force Committee as well as residents and business owners through hosting a Public Information Centre.
4) Recommend a preferred option and determine the impacts compared to the current tax-based and municipal drain Drainage Act funding approach.
5) Present project findings and study recommendations to Council.

Stormwater User Fee Feasibility Study (SUFFS)

Completion of the SUFF study will review and recommend a sustainable and fair funding source to support the Town's current stormwater/drainage programs and help achieve the future goals of both phases of the Storm Water Master Plans. The SUFF study will consist of the following five tasks which are also described below:

Task 1 – DATA COLLECTION & ASSESS EXISTING DATA
Task 2 – EXPENDITURE FORECASTING & ALLOCATION
Task 3 – DETERMINE POSSIBLE RATE STRUCTURE MODELS
Task 4 – USER FEE BENCHMARKING
Task 5 – ADMINISTRATION CONSIDERATIONS

Task 1 – Data Collection

The Town will need to compile storm water and drainage information as identified below that will be reviewed to determine a general order of magnitude of potential fee structures and identify areas or "gaps" for which data/systems are not currently available to support certain fee structures. The data will consist of the following:

- Historical financial records including operating and capital expenditures
- Current stormwater related budgets and year-to-date actuals
- Current municipal drainage maintenance and year-to-date actuals
- Utility billing practices and database with available customer information/data fields
- Tax assessor database with all available property information/data fields
- Stormwater capital improvement project plans aligned with Storm Water Master Plan (Phase 1 and Phase 2) recommendations
- Municipal drainage capital improvement project plans for drainage works under the Drainage Act within defined urban area limits.
- Appropriate GIS geospatial data layers for stormwater assets and properties
- Current staffing levels associated with stormwater management functions
- Unfunded or underfunded stormwater functions
- Existing stormwater system asset descriptions and inventory

Task 2 – Expenditure Forecasting

Prior to evaluating alternative user fee structures, it will be important to be able to define the current and future state of the stormwater programs. In some communities, services related to stormwater management are spread throughout the entire organization and therefore, it will be necessary to do some investigation to identify types of services that should be considered being provided within the current program such as street sweeping which provides a benefit to receiving stormwater systems.

A review of costs in detail to ensure they represent the full cost of service associated with operating and maintaining all of the stormwater systems within the urban areas. This will include the types and frequency of activities completed as well as incorporate costs for "level of service" improvements not reflected in current budgets such as recommendations arising out of the Storm Water Master Plans.

Once all costs are identified, a financial model will be developed to aggregate and forecast the costs of the Town's stormwater system under current and future levels of service. The model shall evaluate multiple scenarios regarding capital improvement investment programs, level of stormwater maintenance funding, cost escalation factors, and other variables that impact annual funding needs and ultimately the level of a potential stormwater fee. As part of this task, we will also consider the additional costs that may be required to implement and administer alternative user fee structures.

The model will also need to include high-level functional cost allocations to provide a general understanding of distribution of costs for specific stormwater facilities (such as urban storm sewers, municipal drains, ponds, natural water courses, etc.) to identify parameters around how different customer circumstances could be equitably considered in various user fee structures and credit/incentive programs.

Task 3 – Rate Structure Models

Once current and future program expenditures by asset category are defined and resident customer circumstances are generally understood, the study will identify and evaluate various options for assessing stormwater fees. The evaluation is to be based on accepted industry practices and other municipality experiences in developing stormwater fees in North America.

The basis for stormwater fees is to be evaluated for various categories of resident customers and property uses. Typically experiences by other municipalities, the basis for assessing stormwater fees to residential parcels (which are generally more homogeneous) is often different than the basis used for assessing individual non-residential parcels (which can vary by property use type and on just a parcel to parcel basis). In evaluating the requirements and merits of each option, consideration to a number of factors including the availability of data, ability to maintain required data, equity with each approach, and administrative effort.

The graph figure below illustrates the varying degree of effort and accuracy relative to the different types of run-off based stormwater utility fees with the simplest being a flat fee at the bottom versus the impervious area measurement with greatest efforts and complexity.

Source: New Solutions for Sustainable Stormwater Management in Canada (September 2016 by Sustainable Property)

Task 4 – Fee Benchmarking

Following the evaluation of possible rate structure models will lead to the development of a number of alternative(s) given the specific characteristics of the Town's stormwater and drainage systems that would be most appropriate. As part of this evaluation of various rate methodologies will also compare possible structure models for the Town against other municipalities throughout Ontario and/or Canada.

Task 5 – Administrative Considerations

A key element of the evaluation of stormwater user fees has to account for administrative considerations. This includes how the stormwater fee would be billed, impact of program on property owners with permitted stormwater controls, and strategies to integrate stormwater in the context of the Town's policies, bylaws and standards that may support green infrastructure as part of low impact development.

To evaluate storm water assessment fee billing will require to review and determine the current status and usefulness of various software program datasets as they relate to the development of a stormwater utility billing system. The feasibility study will evaluate existing datasets within the Town to determine the ability to assess and bill a stormwater fee. While it is often preferable to place the stormwater fee on an existing utility bill such as potentially water and wastewater utility bill, circumstances may be such that an alternative approach such as a separate bill or placement of the stormwater assessment fee on the tax bill may be required.

It will also be important to consider the impact of the stormwater utility on properties within the Town that have implemented permitted stormwater management controls and/or participated in funding of municipal drains. It is often necessary to consider a credit

program to offer stormwater fee credits (reductions in the stormwater fee) for onsite stormwater management or consider different levels of fees for certain types of properties with qualifying facilities. The study will identify potential credits, different property customer classes, or fee differential strategies that the Town can consider for each appropriate user fee option.

The SUFF study will also need to identify strategies related to various aspects of potential stormwater fees to ensure consistency with other Town policies, bylaws or planned programs. For example, credits or one-time incentives for green infrastructure practices (permeable pavement, filter strips, green roofs, etc.) may be warranted to encourage low impact development.

Summary of Feasibility Study

At the conclusion of the feasibility a final report will be completed outlining the analysis and review completed to arrive at recommendations and next steps to implement a run-off based stormwater assessment charge. Through the process of undertaking the SUFF study a minimum of one Public Information Centre (PIC) should be held to solicit feedback from residents and business owners as well as the Flood Task Force Committee. Subsequent to the completion of the SUFF study, a second PIC might be beneficial to educate the residents as part of the next steps to implement stormwater assessment fee.

Other consideration that shall also be required post completion of the feasibility study is the process of converting existing municipal drains that have legal status under the Drainage Act for the drainage works within urban area limits. While some of these drainage works exist within municipal road right-of-ways, there are many drains that exist on private properties without registered easements because they exist on private property through the legal rights under their respective drainage report through municipal bylaws under the Drainage Acts. For this reason the existing municipal drains will require to exist until such time the drain is upgraded to an urban standard storm sewer and registered easements are acquired by the Town.

The conversion of these drains will be required to be completed and phased over several years in concert with the capital upgrade replacements of the drainage works. For larger drainage schemes such as the Leffler Drain that provides drainage to both urban and rural areas an approach under the Drainage Act to abandon sections of the drain may be required. This approach would be considered to establish a delineation at the urban limits so the upper portion of the drain could remain with legal status under the Drainage Act. This would continue to allow for eligibility for OMAFRA grants for rural agricultural properties towards future maintenance and capital works of drainage works under the Drainage Act.

Considering the information required to complete the SUFF study will rely heavily on stormwater capital infrastructure renewals and upgrades along with recommended annual maintenance program activities that will be provided through the completion the 2 phases of storm water master plan studies, the SUFF study should be planned to be undertaken in 2022.

Others Consulted

Stantec Limited

Financial Impacts

Although the recommendation has no direct financial implications, the future undertaking of a Stormwater User Fee Feasibility (SUFF) study would cost in the range of $80,000 and an approximate 9 month time period to complete. Further, through the completion of the SUFF study additional financial impacts shall be identified as to the implementation of future stormwater assessment charge. These could include resources such as staffing to administer the stormwater program fee as well as information technology for associated software depending on level of program fee complexity.

Attachment(s): Council Report dated June 10, 2018 on Run-off Based Stormwater Fee Assessment

Report Approval Details

Document Title:	Stormwater Utility Fee Implementation.docx
Attachments:	- Run-off Based Stormwater Fee Assessment.doc - Attachment-Description of Municipal Storm Water Fee Programs in Ontario.docx
Final Approval Date:	Jul 8, 2020

This report and all of its attachments were approved and signed as outlined below:

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