



INFORMATION REPORT

Corporate Services Commission, Financial Services

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905.953-5300 ext. 2102

November 23, 2016

CORPORATE SERVICES INFORMATION REPORT – FINANCIAL SERVICES 2016-48

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: Additional Information on Stormwater Management Rate

ORIGIN: Financial Business Analyst

In accordance with the Procedure By-law, any Member of Council may make a request to the Town Clerk that this Information Report be placed on an upcoming Committee of the Whole agenda for discussion.

COMMENTS

Council has provided staff with the opportunity to provide more information to enhance communications and solidify the implementation strategy.

Communications

Staff executed the communications plan approved by Council with report 2015-42. Staff communicated the results of the feedback in reports 2016-05, 2016-38 and 2016-40. The feedback from the public was overall positive. Residents recognize that establishing a stormwater charge will provide a fair, transparent and dedicated funding source to help protect homes and businesses from floods.

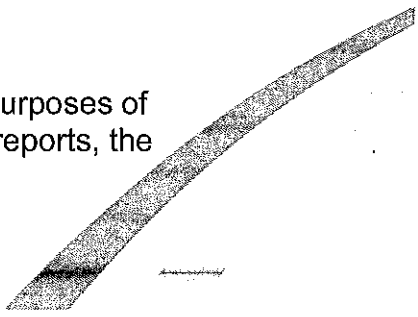
At the Special Committee of the Whole meeting on October 31, Council conveyed that it would like the communications enhanced. Attached to this info report is the communications plan for the Stormwater Charge. The communications plan was refined with Council feedback.

Stormwater Charge Estimator

Based on Council feedback, staff has prioritized the development of the stormwater charge estimator and will launch it before January 1, 2017. This estimator will enable Newmarket residents and businesses to see how their stormwater charge is calculated and what their stormwater charge is estimated to be in 2017.

Financial Plan

Council requested that staff provide preliminary projections for illustration purposes of potential rate increases over the next 10 years. As mentioned in previous reports, the Town is facing upward pressure on stormwater management costs.



The stormwater management rate will help protect the environment, fund the replacement of aging infrastructure and protect homes and businesses from rain events that are becoming more frequent and severe.

Flooding has been a concern in several areas of the Town including Lions Park, Ontario Street and in the Wayne and Waratah area. The Town is now investigating these issues and conducting capital projects to solve them. These types of projects will continue to be a major capital expenditure as a result of more intense storms, particularly in areas which have no stormwater controls.

The Town recently received the Stormwater Pond Inspection and Maintenance Prioritization report. The report outlined the need to clean out 10 stormwater management ponds. These ponds are or will be at 50% capacity or more and it is recommended to clean out stormwater ponds once they hit 50% capacity. This work is mostly an addition to regular maintenance of the stormwater infrastructure. This work has been spread out over the next six years, with an average cost of \$550,000 per year.

This report proposes being financially sustainable in a six year time span with the information currently available. Since the Town is phasing in the sustainable funding requirement over time, some capital projects will draw from the asset replacement fund for funding.

To achieve estimated financial sustainability, an annual cost increase of 9% was applied to operating costs to reflect new programs required to maintain our stormwater infrastructure. Using the recommended annual contribution from the Capital Financing Sustainability Strategy of \$1,700,000, an annual increase of \$143,000 was applied to the capital costs up to 2022. The yearly total funding requirement is illustrated in Table 1.

Table 1: Ten-year Financial Plan Outlining Annual Funding Requirement

	2017	2018	2019	2020	2021
Operating	662,000	722,000	787,000	857,000	934,000
Capital	983,000	1,126,000	1,269,000	1,412,000	1,555,000
Total	1,645,000	1,848,000	2,056,000	2,269,000	2,489,000
Increase	0%	12%	11%	10%	10%

	2022	2023	2024	2025	2026
Operating	1,018,000	1,059,000	1,101,000	1,145,000	1,191,000
Capital	1,700,000	1,768,000	1,839,000	1,913,000	1,990,000
Total	2,718,000	2,827,000	2,940,000	3,058,000	3,181,000
Increase	9%	4%	4%	4%	4%

The natural question that comes from this plan is how customers will be impacted. Residential properties will see a \$14 decrease in their fees in 2017 compared to the status quo as outlined in report 2016-40. In the following 5 years, there will be an average increase of \$4.95 so that the

service becomes financially sustainable. Once that benchmark is reached, there will be an average increase of \$2.60 per year. See Table 2 below for further illustration.

Table 2: Average Annual Fees for Medium Runoff Properties

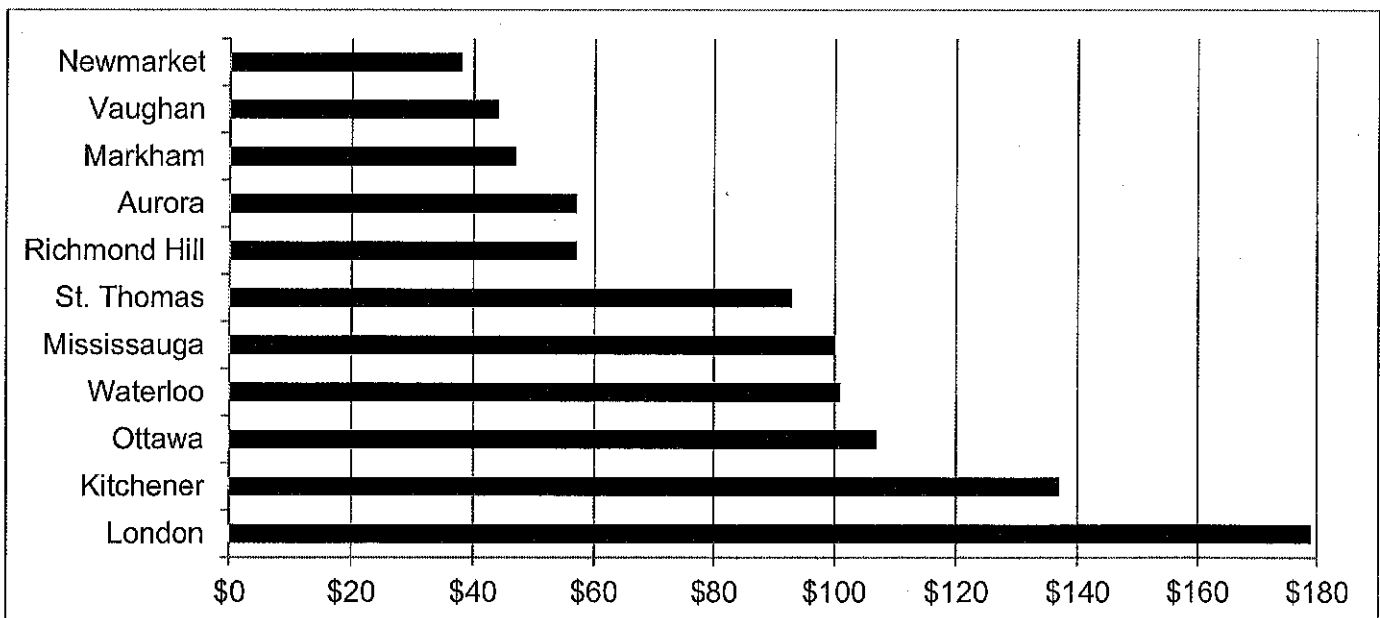
Medium Runoff Level	2017	2018	2019	2020	2021
Stormwater Charge	\$38.00	\$42.95	\$47.90	\$52.85	\$57.80
Change	-\$14.00	\$4.95	\$4.95	\$4.95	\$4.95

Medium Runoff Level	2022	2023	2024	2025	2026
Stormwater Charge	\$62.75	\$65.35	\$67.95	\$70.55	\$73.15
Change	\$4.95	\$2.60	\$2.60	\$2.60	\$2.60

With this plan, the average resident will pay \$10.80 extra per year to have a financially sustainable stormwater management service. Despite the increases, Newmarket's stormwater charge will likely remain below the provincial average in 2026.

See Table 3 for an illustration of how Newmarket's stormwater charge would compare to other municipalities in 2017.

Table 3: Newmarket's 2017 Residential Stormwater Charge compared to other Ontario municipalities



This plan is advantageous to using the status quo property tax funding method. Table 4 compares how residential properties would be impacted if stormwater remained funded through taxes.

Table 4: Comparing what the average medium runoff level properties would pay with a stormwater charge to what they would pay with property taxes over time

Medium Level Runoff	2017	2018	2019	2020	2021
Stormwater Charge	\$38.00	\$42.95	\$47.90	\$52.85	\$57.80
Property Taxes	\$52.00	\$58.42	\$64.99	\$71.73	\$78.68
Difference	-\$14.00	-\$15.47	-\$17.09	-\$18.88	-\$20.88

Medium Level Runoff	2022	2023	2024	2025	2026
Stormwater Charge	\$62.75	\$65.35	\$67.95	\$70.55	\$73.15
Property Taxes	\$85.92	\$89.36	\$92.94	\$96.67	\$100.55
Difference	-\$23.17	-\$24.01	-\$24.99	-\$26.12	-\$27.40

With the implementation of the new stormwater charge, the average resident will save \$27.40 per year as compared to the status quo tax funding model in 2026.

Further Analysis on Property Impact

Council requested more information on how properties would be impacted beyond the average properties. Outliers can significantly skew averages if they are not evenly distributed in a dataset. Therefore, averages may not give an accurate depiction of how the typical property is impacted. For this reason, the median was used for further analysis. Table 5 shows the size of the median property of each runoff level group. It compares the taxes and water rates that a property owner currently pays to the stormwater charge they would pay.

Table 5: Annual impact of the stormwater charge on the median customer of each runoff level group

	Size (square meters)	Reduction		New Stormwater Charge	Net Impact
		Taxes	Water		
Low Runoff Level	478	\$40	\$7	\$6	-\$41
Medium Runoff Level	465	\$43	\$7	\$30	-\$20
High Runoff Level	561	\$36	\$7	\$72	\$29

Not all properties in a group have the same positive or negative impact. 80% of low runoff properties, 80% of medium runoff properties and 20% of high runoff properties will pay less than they do now for stormwater in 2017 if the rate is adopted.

Credit Program

Commercial and Industrial Credit Program

A major factor in the participation and success of the credit program is the cost of the application process. Staff proposed a credit program that piggy-backs on the site-plan agreement process.

Site plan agreements are required for any material change to a property. The cost of applying for the credit program is \$50.

Residential Credit Program

Staff received feedback from Council to recommend a program that will incentivize behavior of residents to reduce their runoff. To adhere to the principles a fairness and simplicity for this credit program, staff recommends implementing an incentive program for planting trees.

On average, a tree reduces a property's stormwater runoff by 720 liters of water per year. For some perspective, the average rain barrel can hold 200 liters. Beyond stormwater management benefits, trees remove pollutants from the air, reduce residents' energy and water usage and beautify virtually any place they are planted. Trees provide a passive benefit and require little maintenance from the property owner.

To administer this program, the Town would partner with LEAF (Local Enhancement and Appreciation of Forests), which offers a tree planting program. The Region is a sponsor of this program and subsidizes a quarter of the cost of each tree. It is proposed that the Town subsidize half the cost through the revenue from the stormwater charge. The homeowner will cover one quarter of the cost at \$50-\$100 per tree.

This program has potential to double the amount of trees planted through LEAF and help residents plant 40 more trees in Newmarket in 2017. This will divert 29,000 liters of water from our stormwater management system.

The cost of this program is \$8,000. LEAF will cover the administrative aspects of ensuring residents have trees that are properly planted and that residents receive their subsidy. LEAF will ensure that the support from Newmarket's stormwater charge is recognized on their website.

Residential Properties with Waterways

Council requested that staff look into how to treat properties with waterways. Waterways represent 20% of our linear stormwater assets. They convey water much like an underground pipe. However, the Town does not actively monitor if landowners are properly taking care of their watercourses.

By analyzing the aerial photography, staff found that residential properties with a watercourse tend to have significantly more tree coverage than the common residential counterpart. Therefore, staff is recommending that these properties be categorized as low level runoff.

Because the revenue collected from these properties will be reduced, the shortfall can be accounted for by raising the runoff level group rates by 2.4%. For the average residential property, this equates to a \$0.90 annual increase.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

CONSULTATION

See Financial Services Report 2016-40 for a description and the attached communications plan of the consultation process.

HUMAN RESOURCE CONSIDERATIONS

The LID maintenance worker inspecting credit applications is no longer recommended in the 2017 budget. This work will be performed by the Senior Environmental Coordinator.

BUDGET IMPACT

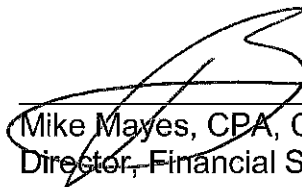
See Financial Services report 2016-40 and 2016-55 for a description of the budget impact.

CONTACT

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at mmayes@newmarket.ca



Kevin Yaraskavitch
Financial Business Analyst



Mike Mayes, CPA, CGA, DPA
Director, Financial Services/Treasurer



Esther Armchuk, LL.B.
Commissioner, Corporate Services

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Attachment:

- a) Stormwater Charge Communications Plan (6 pgs.)

STORMWATER CHARGE COMMUNICATIONS PLAN

Goal: To receive feedback on the development of the stormwater charge and raise awareness and educate Newmarket residents, businesses and other Newmarket stakeholders on the implementation and importance of stormwater management in Newmarket.

Measurement: Communications and Finance will measure how successful this campaign is by measuring the number of customer service calls, emails and social media messages we receive regarding the stormwater charge. Public interest can also be gaged by the social media ads we place and the website analytics through our website.

Background:

Town of Newmarket is looking to implement a stormwater charge for 2017.

Stormwater management protects the community and the environment from stormwater runoff. Stormwater runoff is water that flows off properties mostly due to rain and snow events.

The Town is currently exploring the possibility of establishing a stormwater charge, a user rate based on the size of the property. The stormwater charge would help fund the three major cost drivers for the service, which are flood prevention, environmental protection and aging infrastructure.

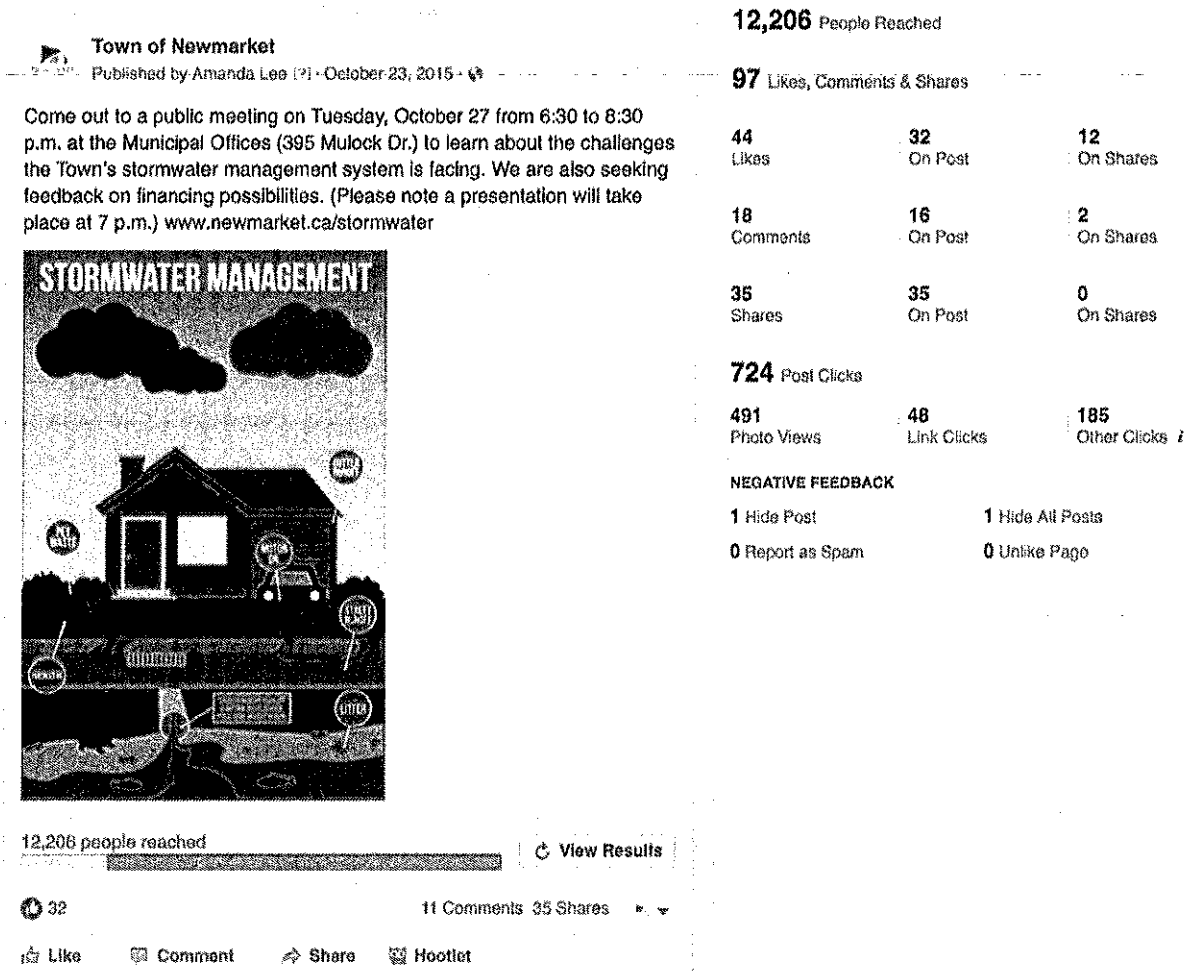
The stormwater charge, if adopted by council, will come into effect on January 1, 2017 but residents will not see the stormwater charge until their June property tax bill under the 'special charges' section.

Previous Communication Efforts:

- Public Information Centre in October 2015
 - Advertised through Town Page Ads
 - Social Media Postings (Twitter, Facebook etc.)
 - Media Advisory
- The analytics from the Facebook advertisement to invite residents and stakeholders to a Public Information Centre (PIC) about the stormwater charge are shown in Figure 1.
- A total of 12 people attended the PIC regarding stormwater management;
- The Town created a webpage explaining the rationale for exploring implementing a stormwater charge.
- Online survey about the stormwater management rate advertised through Town Page, social media, website, Newmarket Now and media advisory, a total of 22 surveys submitted.
- The Town of Newmarket, in partnership with the Newmarket Chamber of Commerce hosted a focus group with Newmarket businesses on September 26, 2016 to share details about the stormwater charge and how it will affect them.

- The Town created a 2-minute video to explain the rationale of the stormwater charge and how it works. This video has been shared on the Town Website and Facebook page prior to the November 28 Committee of the Whole.

Figure 1: Facebook Analytics of Town Advertisement for the Stormwater PIC



Further Communications: The following are communication tactics available and the project cost of each tactic.

TACTIC	PROJ. COST	IMPLEMENTATION DATE	PERFORMED BY
Media Release	\$0	After adoption by Council (est. Dec 2016)	Communications (Finance to approve)
Web Content - What is it - Why is it important - How are fees calculated - Will there be a rebate program for residents?	\$0	Launched after adoption by Council (est. Nov 2016)	Communications/ Finance

<ul style="list-style-type: none"> - What is the Town doing with the SWM charge - Credit program for businesses - How to apply for a credit program - Frequently Asked Questions 			
Twitter	\$0	Tweet out release Nov/Dec 2016, Jan/Feb 2017	Communications/ Finance
Facebook – Post	\$50	Dec 19-25	Communications
Facebook – Post	\$200	Jan 1-31	
Graphic – with link to website for more information on implementation			
Mail-out Households/ Businesses 1) All Household Flyer to property owners 2) All Household Flyer in property tax insert 3) Flyer mail-out to businesses with letter 4) Flyer mail-out with letter to exempt properties	\$4000	Nov-Jan 2017	Communications/ Finance
Marquee Signs (outside of facilities)	\$0	Nov/Dec/Jan	Communications/ Finance
Town Page Ads	\$0	Nov X 2 Dec X 2 Jan X 2 Feb X 2	Communications/ Finance
ERA Ad – 1/2 page	\$1,204	Jan 2017 (2 nd week)	Communications/ Finance
SNAP'D – 1/2 page	\$750	Jan 2017	Communications/ Finance
Storm charge calculator	TBD	Dec 2016	Information Technology
Internal Training with Customer Service FAQ will be provided -Workflow chart if there are questions that require more information (i.e.	\$0	Nov 2016	Finance/Customer Service

regarding the business credit program or stormwater charge) will direct residents to the appropriate staff member for questions			
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STORMWATER CHARGE – FREQUENTLY ASKED QUESTIONS

1. What is stormwater?

Stormwater is the rain and melted snow that flows from your property, onto the streets and into the storm drains. If not sufficiently managed, stormwater picks up debris, chemicals and other pollutants from rooftops and paved surfaces that runs into our creeks and rivers.

2. What is the stormwater charge?

The stormwater charge is a new user fee that will be used to help fund Newmarket's stormwater management program. The stormwater charge will come into effect on January 1, 2017. It will appear on your 2017 Property Tax Bill under the 'special charges' section.

3. What is stormwater management?

The Town provides a stormwater management service to protect the community and environment from stormwater runoff. Stormwater runoff is water that flows off properties mostly due to rain and snow events.

Hard surfaces like roofs, driveways, and parking lots increase the amount of runoff from each property. Stormwater management controls water flow quantity in order to help prevent flooding and water flow quality in order to protect the environment.

4. Why is the Town implementing a stormwater charge?

Newmarket is a growing community and there is more stormwater than ever before due to climate change. A stormwater charge will help fund Newmarket's Stormwater Management Program which will help prevent against floods, provide environmental protection and help fund the stormwater infrastructure.

- **Flood Protection**

- Severe weather events that previously happened every forty years now happen every six. As a consequence, damage from storm events has recently become the biggest cause for insurance claims in Canada. This rate will help us adapt and protect homes and businesses in Newmarket from severe weather events.

- **Environmental Protection**

- As water runs off properties, it can carry contaminants with it. Runoff from urban and rural areas have upset Lake Simcoe's ecosystem. The Town is developing a comprehensive stormwater management master plan, as per the regulatory requirements outlined in the Lake Simcoe Protection Act, to restore waterways and breeding grounds.

- **Stormwater Infrastructure**

- The Town has 53 ponds, 55 kilometers of waterways and 225 kilometers of sewers that are maintained and replaced as they age. This user rate will provide a funding source that is reliable, predictable, and fair to ensure the service can continue to be effectively run in the future.

5. How will the stormwater charge benefit me?

The stormwater charge will benefit our community by helping to maintain our stormwater management infrastructure. This in turn will protect our homes and business from flooding and rivers and lakes from pollutants.

6. How will the stormwater charge affect the average resident?

Currently, stormwater is charged through your property taxes and water/wastewater bill. If approved by Newmarket Council, current amounts for stormwater will be removed from your property tax and water/wastewater bill and put toward a stormwater charge.

This is like opening a separate savings account for stormwater and setting aside funds dedicated to stormwater. This will ensure there is enough money for future stormwater management improvements.

With the implementation of this charge, the average resident will see their tax levy go down by \$45 and their annual water and wastewater bill go down by \$10. They will also see a new stormwater charge of \$40. If the Town adopts the stormwater charge, the average resident will save \$15 on stormwater management in 2017. This represents a shift to user pay where properties that produce more stormwater runoff will pay more.

7. How will my stormwater charge be calculated?

The stormwater charge is based on the size of your property and the runoff level group. Runoff levels are divided into three groups, high, medium and low. Natural areas have a low runoff level, residential and institutional properties have a medium runoff level, and industrial and commercial properties have a high runoff level. Therefore, the size of your property multiplied by the runoff level group rate equals your stormwater charge.

8. If I currently don't receive a property tax bill, will I still be charged a stormwater charge?

Property owners that do not receive property tax bills such as hospitals, charities and places of worship will still be required to pay the stormwater charge. The stormwater charge is a user fee and not a tax. These property owners will begin to receive a property tax bill, which will reflect the stormwater charge in the 'special charges' section of the bill. Your property will still be tax exempt.

9. What is the difference between the stormwater charge and the water and wastewater charge?

The stormwater charge is a new user fee that will be used to fund Newmarket's Stormwater management program. The water and wastewater charge is part of the Newmarket portion of your property tax bill. (Property taxes are divided between the Town of Newmarket, Regional Municipality of York and the York Region School Boards). The water and wastewater charge is used to fund the maintenance of water and wastewater infrastructure and separate from the storm drain infrastructure. Learn more about water and wastewater in Newmarket.

10. Where does the stormwater currently go?

Stormwater from rain and snow melt naturally soaks into the ground in a process called infiltration. With Newmarket being an urbanized community with houses, roads, parking lots and other hard surfaces, these factors prevent water from infiltrating into the ground. The disruption to the water cycle means that stormwater runs off to other areas, such as ponds and watercourses, which can lead to flooding and other environmentally damaging effects.

Learn more about where our stormwater goes, by visiting our stormwater management webpage.

11. Stormwater from my property does not flow into the Town's storm drains. Can I forgo paying the stormwater charge?

All property owners in Newmarket are subject to the stormwater charge. Stormwater infrastructure removes pollutants in the water and reduces peak flows. Stormwater from your property that doesn't flow into the Town's storm drains means that your stormwater runoff is not controlled by any stormwater infrastructure which can contribute to flooding and contaminants in our waterways.

12. Is there a credit program for residents?

Unfortunately, there is no credit program available for residents at this time. The Town is looking at different opportunities to provide incentives to residents. More information will be available in 2017.

13. Is there a credit program for commercial and industrial property owners?

Yes, there is a credit program for commercial and industrial property owners. Commercial and industrial property owners could be faced with a substantially larger stormwater charge than the average resident in Newmarket. As a result, a credit program will encourage commercial and industrial property owners to make environmentally friendly changes to help reduce their stormwater runoff and charge. More information on the credit program will be available on our website in 2017.

14. Can I appeal my stormwater charge?

If you feel there are inaccuracies during the process of calculating your stormwater charge, you may contact the Town of Newmarket by calling 905-895-5193.

15. Is Newmarket the only municipality that has a stormwater charge?

Other municipalities such as the Town of Aurora, Town of Richmond Hill, City of Mississauga, City of Ottawa and the City of Waterloo are just a few examples of municipalities who have a stormwater management fee/charge.



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Learn more about where our stormwater goes, by visiting our stormwater management webpage.

11. Stormwater from my property does not flow into the Town's storm drains. Can I forgo paying the stormwater charge?

All property owners in Newmarket are subject to the stormwater charge. Stormwater infrastructure removes pollutants in the water and reduces peak flows. Stormwater from your property that doesn't flow into the Town's storm drains means that your stormwater runoff is not controlled by any stormwater infrastructure which can contribute to flooding and contaminants in our waterways.

12. Is there a credit program for residents?

Unfortunately, there is no credit program available for residents at this time. The Town is looking at different opportunities to provide incentives to residents. More information will be available in 2017.

13. Is there a credit program for commercial and industrial property owners?

Yes, there is a credit program for commercial and industrial property owners. Commercial and industrial property owners could be faced with a substantially larger stormwater charge than the average resident in Newmarket. As a result, a credit program will encourage commercial and industrial property owners to make environmentally friendly changes to help reduce their stormwater runoff and charge. More information on the credit program will be available on our website in 2017.

14. Can I appeal my stormwater charge?

If you feel there are inaccuracies during the process of calculating your stormwater charge, you may contact the Town of Newmarket by calling 905-895-5193.

15. Is Newmarket the only municipality that has a stormwater charge?

Other municipalities such as the Town of Aurora, Town of Richmond Hill, City of Mississauga, City of Ottawa and the City of Waterloo are just a few examples of municipalities who have a stormwater management fee/charge.