



INFORMATION REPORT
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August 25, 2016

CORPORATE SERVICES INFORMATION REPORT – FINANCIAL SERVICES 2016-38

TO: Mayor Tony Van Bynen and Members of Council
SUBJECT: Stormwater Management Rate Update II
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

Background

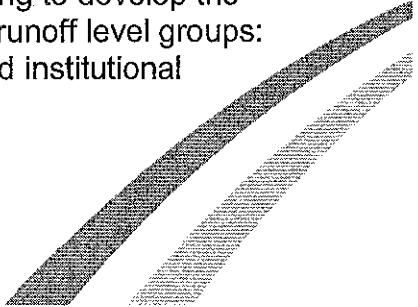
In Information Report 2016-05 (Stormwater Management Rate Update), staff provided an update on the public consultation of the stormwater management rate. Staff committed to informing Council on the progress of the potential implementation of the stormwater charge in the third quarter of 2016.

If implemented, this user rate will provide a funding source that is dedicated, stable, and fair to ensure that the service can continue to be effectively run in the future.

This rate will help fund the three major drivers for cost increases which are aging infrastructure, environmental protection, and the increased frequency of severe storms and quick snow melts that raise the risk of flooding. As a separate rate, this charge will ensure that the proper funding level is achieved on an ongoing basis.

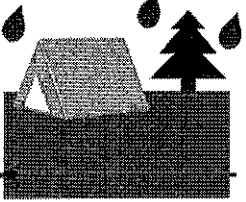


Rate Calculation

Due to the overall positive feedback provided by the public, staff is continuing to develop the recommended rate calculation method. Properties will be sorted into three runoff level groups: low, medium and high. 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. See Table 1 for graphics of the types of properties that fall into each runoff group.

Table 1: How Properties Are Sorted into Runoff Groups

Low Runoff Group	Medium Runoff Group	High Runoff Group
		
<p>Examples: Natural Areas, Golf Courses</p>	<p>Examples: Residential and Institutional</p>	<p>Examples: Commercial, Industrial and Mixed Use</p>

Staff has been developing software that that sorts 27,000 Newmarket properties into these three discrete groups. This method saves staff time as individual properties do not need to be monitored for changes in how much runoff they produce.

Based on public feedback, this charge calculation method is seen as fair in that properties are charged what they should be charged, yet it is not overly costly to administer.

Once the properties are grouped, the average imperviousness of each group is required in order to set the stormwater rates. (Imperviousness is a measure of the percent of a property that is covered by hard surfaces like pavement and rooftops). The more imperviousness a group has, the more it costs to service their properties with stormwater management. 100 properties were sampled from each class to determine the average imperviousness. The average imperviousness of the runoff levels is illustrated in Table 2 below.

Table 2: Average Imperviousness by Runoff Group

Runoff Group	Average Imperviousness
Low	9.0%
Medium	44.0%
High	88.0%

Financial Impact

With the average imperviousness of each runoff level, the average bill can be estimated for each group. Table 3 illustrates the estimated average rate using a funding level of \$2.4 million per year. The current estimated funding level is \$1.2 million per year. As the Town proceeds with the budget process, the estimates will be refined.

Table 3: Estimated Average Stormwater Charge for 2017

	Low	Medium	High
Rate Per Square Meter	\$ 0.02	\$ 0.12	\$ 0.24
Average Size in Square Meters	14,200	600	3,720
Average Annual Fee ¹	\$ 284	\$ 69	\$ 860

To see how properties could be impacted by moving stormwater funding from a taxation based fee calculation to a customer based fee calculation, see Table 4. Please note: 'Total Annual Municipal Costs' includes annual property taxes (Town only) and water/wastewater fees for an average user. As stormwater costs are currently included in both the tax-supported and the rate-supported budgets, this is the appropriate benchmark.

Table 4: Impact of Implementing a Stormwater Charge

	Low	Medium	High
Total Annual Municipal Costs without Stormwater Charge	2,368	2,804	10,778
Total Annual Municipal Costs with Stormwater Charge	2,610	2,827	11,466
Change in Total Annual Municipal Costs (\$)	\$242	\$23	\$687
Change in Total Annual Municipal Costs (%)	10.22%	0.83%	6.39%

¹The rate per square meter times the average size in square meters does not equal average annual fee due to rounding.

Credit Program

To recognize significant runoff reductions, the Town will be implementing a stormwater charge credit program for high level runoff properties. High runoff properties can reduce their runoff by implementing low impact development features.

The credit program will clearly outline the benefits businesses can receive by reducing their runoff. This will maximize the use of current engineering reports and site plan agreements, which will minimize the costs businesses need to incur to apply for the credit.

Based on public feedback, residents want to keep administration costs of the charge low. A study conducted by the City of Mississauga found that for every \$1 in credits they would provide to residential customers if they implement a residential credit program, \$4 will have to be spent on administration. The implementation of a credit program would increase the cost of providing the stormwater service and increase the overall stormwater charge.

The implementing features to reduce runoff in order to receive a credit would not be financially beneficial for residents. Assuming a resident installs a rain barrel for \$100 and reduces their runoff by 15%, they would receive an annual credit of \$4.50. There would be a payback period of 22 years.

Because a residential credit program would have a negative financial impact for the utility and would not provide a strong financial incentive to reduce runoff, a residential credit program is not currently under consideration.

Best practices indicate that what motivates residents to implement runoff reduction features is pride in their homes. Education and recognition programs have been successful in other municipalities for reducing runoff.

Communication Plan

Building on the initial communications of the stormwater charge, staff has developed a communication plan for implementation.

The Town and the Newmarket Chamber of Commerce have partnered to hold a forum with businesses to talk about how this new charge will impact them. The forum will take place before staff provides the report to recommend the adoption of the charge.

Pending Council approval of the charge, a new stormwater charge page and video will go live on the Town's website explaining why the Town is implementing a stormwater charge and how it works. A postcard will be sent out to households and businesses to deliver the same message. Advertisements will be in local news publications.

Staff will report back in October of 2016 with a report proposing the stormwater charge to be implemented in 2017 for Council approval.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report supports Council's Strategic Priorities by following the theme of "Efficiency / Financial Management" and the specific priority of "Ensuring Effective and Efficient Management" by pursuing a funding source for stormwater management that is reliable, predictable, and fair, to ensure the service can continue to be effectively run in the future.

This report supports the Town's Strategic Plan linkages of being "Well-Equipped & Managed" by implementing processes that reflect sound fiscal responsibility; "Well-Planned & Connected" with long-term strategy matched with a short-term action plan; and "Well-Respected" for considering innovative solutions for the future well-being of the Town.

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report.

BUDGET IMPACT

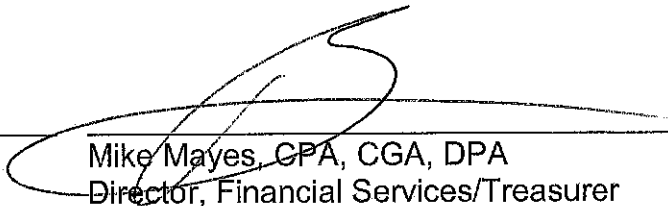
Not applicable to this report. Because stormwater costs are currently included in both the tax-supported and the rate-supported budgets, staff will detail impact during the budget process.

CONTACT

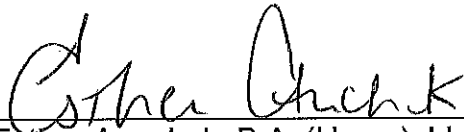
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