



Report to: General Committee

Report Date Authored: April 29, 2013

SUBJECT: Stormwater Funding and City-wide Fee Consultation
PREPARED BY: Robert Muir, Senior Stormwater/Environmental Engineer,
Asset Management, Ext.2894

RECOMMENDATION:

- 1) THAT the report titled “Stormwater Funding and City-wide Fee Consultation” be received;
- 2) AND THAT staff be authorized to develop an implementation plan to address the long-term flood control strategy;
- 3) AND THAT staff be authorized to develop a City-wide fee structure based on runoff contribution and consisting of, but not limited to:
 - i) flat fees for residential and multi-residential properties,
 - ii) flat fees for non-residential properties below a threshold property size,
 - iii) variable fees for larger non-residential properties, and
 - iv) reduced variable fees for non-residential properties with lower runoff potential (e.g., golf courses, agricultural, hydro corridors, etc.);
- 4) AND THAT staff report back on a City-wide fee structure and a communications strategy for implementation of the City-wide fee by September 2013;
- 5) AND THAT Canada Gas Tax Funds not be considered to offset flood control strategy costs given other broadened commitments expected for those funds;
- 6) AND THAT staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

N/A

PURPOSE:

The purpose of this report is to provide feedback from Public Information Meetings on Stormwater Funding and to seek Council’s endorsement to proceed with the development of a City-wide stormwater fee structure and implementation plan including communications strategy.

BACKGROUND:

The City’s water management strategies and funding requirements have been explored through a series of workshops and a Special General Committee meeting held on November 8, 2012. Meetings have focused on funding of various components of the City’s Stormwater Management Strategy and have highlighted the need for a flood control strategy supported by a sustainable source of funding. Such funding is required to support the implementation of approved flood remediation projects.

Recommendations brought to the February 12, 2013 Council meeting set the framework for an overall flood control strategy, including an implementation timeframe with phasing of projects, level of service targets for drainage system capacity, and a range of funding sources for public consultation. Initial consultation on funding options within some communities has been completed as part of Municipal Class EA studies including the Don Mills Channel Capacity Study and the West Thornhill Stormwater Flood Remediation Class EA Study.

Council approved aspects of the flood control strategy and the funding sources (City-wide fee and consideration of a Federal Gas Tax offset) on February 12, 2013 and staff was directed to proceed with City-wide Public Information Meetings Consultation regarding the selected funding sources.

OPTIONS/ DISCUSSION:

Feedback on City-wide Fee

A series of five public meetings were broadly advertised through the local newspaper, local Councillors and their newsletters, ratepayer groups, direct mail and e-mail and on the City's website. Approximately 130 residents attended the public meetings held between March 26, 2013 and April 11, 2013. The largest attendance (approximately 60 people) was at the Thornhill Community Centre, where the community continues to be well-engaged on flood control matters. Other meetings were attended by roughly 10 to 25 people, largely residential property owners. Meetings were also attended by local and regional Council members, the deputy Mayor, the Mayor, staff and consultants.

Details of the public meetings are provided in the attached report and include display board material, formal presentation slides, meeting minutes that summarize questions, comments and answers, and follow-up comments received. The following is a summary of the comments:

Support/Concern for Fee

- Many residents who attended the public meetings expressed support for the City-wide fee. It was felt that stormwater management infrastructure should get a higher profile when compared with other City services and facilities.
- A number of residents raised concerns about the fairness and equity of contributing to a stormwater fee based on property size when stormwater from their properties is managed through ditches. Some of these properties are larger in size, so an additional concern was raised that they may be required to pay more than some of the smaller properties that have experienced flood and that benefit from flood risk reduction works.
- Concern was expressed about adding another fee to the tax burden, especially if the fee is to be paid by all property types including tax-exempt properties.

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- Some support was expressed for increasing the stormwater management fees and implementing the strategy over a shorter period of time.

Many comments and questions were in regard to details surrounding implementation of the City wide fee, and implementation of the City-wide flood control strategy. Implementation related comments are summarized below:

Implementation Comments

- Participants were interested in whether an incentive program would be available to offset the fee.
- Suggestion was made that the City should identify clear success measures for the flood control strategy, show the stormwater fee separately (i.e., as a distinct item for transparency), report annually on how the funds were spent and what progress was being made on achieving success within the overall strategy.
- Participants were very interested in the priority areas that have been identified, as well as the process for identifying future priority areas.
- Concern was raised that over the 30-year implementation timeframe, the areas that were addressed first would likely have sub-standard service levels at the time of completion. Many participants expressed an interest in shortening the implementation timeframe from the proposed 30 years.

As noted in minutes of the public information meetings, these comments have been noted and will be addressed through the implementation plan.

Funding Options

City-wide fees can be 'flat' with no variation between properties within certain classes, or can be set based on factors ranging from assessed property value to factors that affect runoff potential (e.g., property area or amount of hard surfaces).

An assessment-based fee for City-wide funding would not be consistent with the principle that those contributing more runoff contribute more fees, and, furthermore, if incorporated into the existing tax base, would not be a transparent and sustainable funding source as favoured by those attending the public information meetings. As a result, an assessment-based fee is not considered further.

Based on public feedback, a City-wide fee based on runoff potential would be reasonable for larger non-residential properties where there is an appreciation that runoff and flood control costs can increase with larger property sizes. For residential properties, comments received preferred a flat fee structure for similar properties. A City-wide fee structure that combines flat fees and, in some cases, variable fees based on runoff potential is considered appropriate for the purpose of funding Markham's flood control funding strategy.

An option to use the Federal Gas Tax Fund to offset requirements from other funding sources, such as fees, was presented at the November 8, 2012 General Committee meeting. Council decided that a Federal Gas Tax offset be considered at the February 12, 2013 Council meeting. The Federal Gas Tax Funds provide predictable, long-term funding for Canadian municipalities to help municipalities build and revitalize public infrastructure that achieve positive environmental results. The City has been receiving \$8M Gas Tax Funds annually of which 50% of the funds (\$4M) are allocated to Markham District Energy Incorporation (MDEI) to fund its capital projects. The remaining \$4M has been allocated to support City's capital projects such as asphalt resurfacing, sidewalk programs, rehabilitation of bridges and culverts, pathways and trails implementation programs and Main Street Markham reconstruction. The \$4M available to the City has been fully allocated each year.

There is expected broadening of Gas Tax eligibility requirements effective 2015, and there will be greater competing interest for the Gas Tax Funds available to the City. Hence, it is not recommended that Gas Tax be used to partially fund the stormwater flood control strategy. The Gas Tax would be better suited to address unfunded critical priorities and provide flexibility to manage emerging issues from environment, infrastructure and public realm.

Fee Structure

In order to further explore some of the considerations and concerns identified during the public meetings, and to include a broader cross section of Markham property owners (i.e., from industrial, commercial and institutional sections, including tax-exempt property owners), it is recommended that focus group and/or additional consultation sessions be held during the development of the fee structure and implementation plan.

Staff and the stormwater financing consultant will develop preliminary fees for all Markham properties based on the principles that:

- i) The flood control strategy will be implemented over a period of 30 years,
- ii) The estimated capital cost for flood control works over this period is \$155M (2012 dollars),
- iii) The City-wide levels of service target for storm sewer systems is 100-year, to be confirmed during individual Class EA studies,
- iv) Funding from City-wide fees will be sustainable considering any property credits for flood control cost reduction, and uncertainty in fee applicability for tax-exempt properties.

The preliminary fees would represent those that would be in place over the first 5 year period in the implementation plan and flood control strategy. The strategy will be updated every 5 years to review the fee structure and implementation progress. The fee review would consider updated flood control costs estimated through Class EA studies

and other risk reduction programs, impacts of fee credits or exempt properties on funding, and additional fees collected through projected growth. The schedule to complete the strategy and address any City-wide high-risk properties in a timely manner will be reviewed including any impact on fees.

The fee structure for the preliminary fees will be based on, but not limited to:

- i) flat fees for residential and multi-residential properties,
- ii) flat fees for non-residential properties below a threshold property size,
- iii) variable fees for larger non-residential properties, and
- iv) reduced variable fees for non-residential properties with lower runoff potential (e.g., golf courses, agricultural, hydro corridors, etc.).

A similar fee structure has been successfully implemented in other municipalities in the past (e.g., London, Ontario). While each municipality is unique in terms of its stormwater funding needs and financing goals, and structures of lesser and greater complexity could be considered, a combined flat and variable structure is most appropriate for the purpose of funding Markham's flood control funding strategy. Our stormwater financing consultant (AECOM) will advise on the rate structure as part of Phase 2 of the previously awarded Stormwater Utility Feasibility Study.

The fee structure supports the principles that contribution to fees should be City-wide, and that properties contributing the highest runoff contribute a proportionately greater share of fees. Compact residential land uses with relatively lower runoff per unit would benefit from an appropriately lower flat fee, as compared to larger single-family properties. For efficient implementation and administration, flat fees will be applied to non-residential properties below a certain property size, or other suitable measure.

Preliminary fees will be used to refine the fee structure and revenue model. Staff will report back on the fee structure to be approved by Council. Once approved, the fees evaluated for all properties can be shared as part of the communications strategy in the fall of 2013. This will be followed by presentation of the final fee structure and implementation plan for approval so that billing can be initiated.

Implementation Plan

An implementation plan for the City-wide stormwater fee structure is required as the next step in funding the City-wide flood control strategy. The implementation plan will involve staff from several departments responsible for the various technical, financial and communications aspects of the plan. These departments include:

- 1) Asset Management staff responsible for defining the flood control strategy costs, and technical aspects of the fee structure related to stormwater management,
- 2) Corporate Communications and Community Engagement staff responsible for development and implementation of the communications plan for the fee,
- 3) Legal Services staff responsible for drafting the stormwater fee by-law,

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- 4) Financial Services staff responsible for managing revenue collection, and financial planning and reporting,
 - 5) Information Technology Services staff for support in generating and managing parameters used in the fee calculations (e.g., property area), and
 - 6) Environmental Services staff for support in the potential integration of billing with other services, i.e., water and wastewater.

As part of Phase 2 of the Stormwater Utility Feasibility Study, AECOM will assist in the development of the Implementation Plan. As part of the plan AECOM will work with the City's implementation team to refine the flood control funding strategy, develop an implementation work plan for the fee, complete a billing system assessment and recommendation, assist in billing system database file development, evaluate a customer credit/incentive system for flood control, recommend a customer appeals/error reconciliation process, and assist in the development and implementation of a public education program. These tasks will be carried out with a team of staff from Asset Management, Corporate Communications and Community Engagement, Legal Services, Financial Services, Information Technology Services, Environmental Services (billing), as required. Reporting on the Implementation Plan will include interim and draft reports for staff review and Council approval throughout the development and implementation process (e.g., preliminary fee structure and fees and communications plan (September 2013), final fee structure/ by-law and Implementation Plan (November 2013)).

Timelines:

The following are tentative milestones for the next steps in stormwater funding:

- i) Consultation with non-residential, tax exempt property owners: June-August 2013
- ii) Presentation of preliminary fee structure and fees and communications plan: September 2013
- iii) Presentation of final fee structure/by-law and Implementation Plan for approval: November 2013
- iv) Public education on fee roll-out: November 2013-February 2014
- v) City-wide Stormwater Fee billing begins: March 2014

The implementation schedule will be finalized as part of the Implementation Plan.

Resource Requirements

Staff resources will be required from members of the implementation team. It is the objective of the project to minimize ongoing administrative costs and to leverage the use of existing administrative resources of the City and PowerStream. Resource requirements during the implementation and set-up stages will be identified as part of Phase 2 and will be reported to Council.

HUMAN RESOURCES CONSIDERATIONS

Collaboration between several Commissions and Departments and the stormwater financing consultant (AECOM) is required for the development of the stormwater fee structure, communications strategy and implementation plan. A Project Charter will be developed to confirm roles and responsibilities.


ALIGNMENT WITH STRATEGIC PRIORITIES:

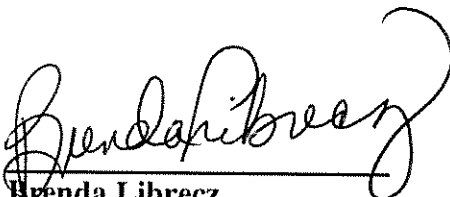
This report is consistent with the Building Markham's Future Together strategic priority on the "Growth Management" and "Environment" as it considers sustainability on the built environment.

BUSINESS UNITS CONSULTED AND AFFECTED:

Financial Services has reviewed this report and their comments have been incorporated.

RECOMMENDED BY:


for Gary Adamkowski, P.Eng.
Director,
Asset Management


Brenda Librecz
Commissioner, Community
and Fire Services

ATTACHMENTS:

Attachment 'A' – Stormwater Funding Community Information Meetings (March/April 2013)

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