



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Public Works Committee
<b>COMMITTEE DATE:</b>	September 21, 2015
<b>SUBJECT/REPORT NO:</b>	Residential Protective Plumbing Subsidy Study (PW11056g) – (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Shane McCauley (905) 546-2424, Extension 1020  Andrew Grice (905) 546-2424, Extension 1461
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<b>SIGNATURE:</b>	

## Council Direction:

On February 6, 2013 General Issues Committee received report PW11056(c) “Residential Protective Plumbing Subsidy Program”. Committee direction included:

That staff be directed to provide a report to the Public Works Committee on a semi-annual basis with respect to the three quote policy.”

## Information:

On September 30, 2009, Council approved Item 1 of Public Works Committee Report 09-012 which included the following:

*That the General Manager of Public Works be authorized and directed to implement a program to subsidize the cost of investigations, installation of devices, drainage improvements and related works to help protect basements from chronic flooding as a result of storm water overloading of the wastewater collection system;*

In response to this direction, the Residential Protective Plumbing Subsidy Program (3P) was created. The purpose of the program is to provide guidance and financial assistance to residential property owners seeking to undertake improvements to their homes that will reduce the potential for basement flooding due to sewer surcharge. A key element of the program is a grant intended to assist property owners with the costs associated with making such improvements. The program currently includes the costs of assessments and inspections, installation of devices, and downspout disconnections, to prevent sewer surcharge related basement flooding in future. The program provides grants and loans with a maximum value of \$2,000 each per residential property.

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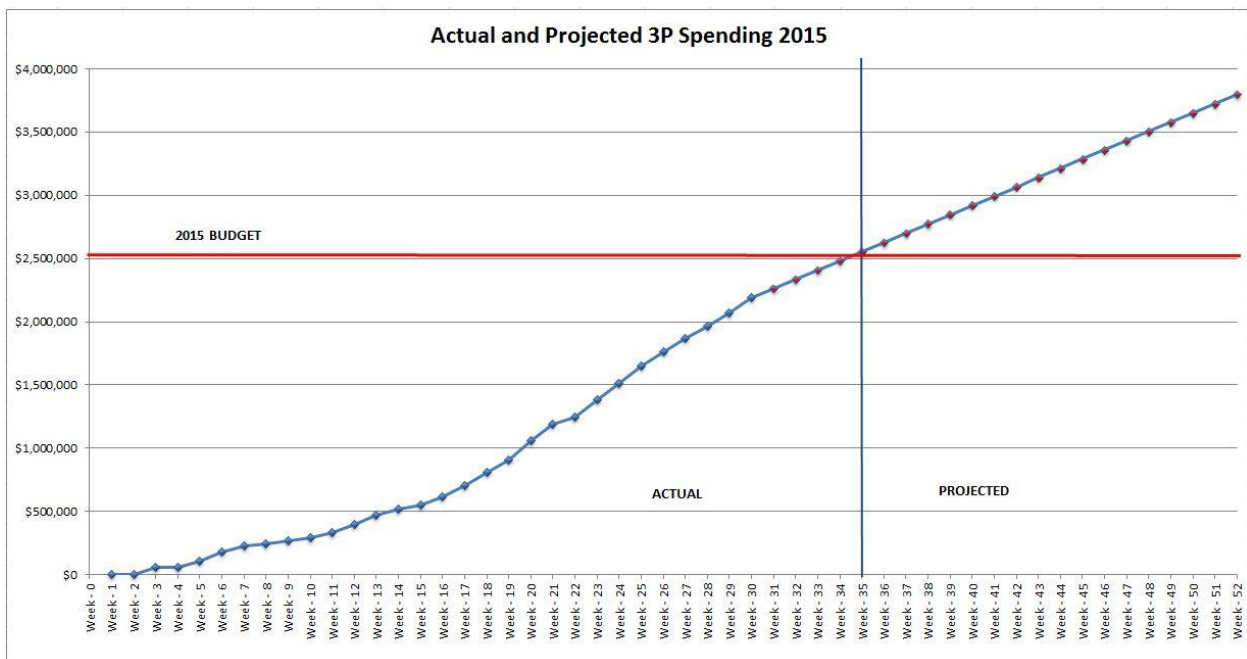
3P is a key element of the City's climate change adaptation strategy. In terms of capital/program dollars and number of residents assisted, this is possibly the largest and furthest reaching program that addresses adaptation to climate change in Hamilton.

Since its inception in 2009, the 3P program has undergone several changes and has provided financial assistance to over 7,400 property owners, helping them to protect their basements from flooding due to sewer backups. The City through this grant program has spent over \$17,309,000 to date in grants alone; which does not include internal staffing costs associated with running the program.

From 2009 through 2013, the program was funded through the Capital Budget process. In 2014, it was determined that the 3P program is more of an operational item and the \$2,500,000 program funding was transferred to the Operational Budget within Department ID 518010.

In 2014, the program was within budget with a total expenditure of \$1,780,000. This left \$720,000 to be added to the Hamilton Water Reserves account. In 2015, the program has seen a significant increase in participation. Actual funds that have been paid out to date in 2015 equal \$812,000. In addition, numerous applications have been approved and therefore, actual funds committed to date are approximately \$2 Million. If applications continue to come in at the current rate, we are expecting to have our entire annual budget committed by the end of August 2015. Figure A shows this year's trend in program uptake.

Figure A



Based on the above trend it is believed that if we continue to approve applications at the current rate that the program will go over budget by approximately \$1 – 1.5 Million by the end of 2015.

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When the 3 quotes were introduced into the program in February 2013, the intent was that this requirement would create competition in the market place and help to reduce costs associated with the program. It was also intended to give homeowners the opportunity to speak with several contractors and determine the best solution for their home so that they could make an informed decision. What has been observed is that instead of prices coming down, some contractors are partnering up to provide the quotes and dividing the work up amongst themselves utilizing the full grant amount. Instead of 3 independent contractors visiting the home and providing solutions, a single contractor or representative may visit the home and provide the additional two quotes from contractors who have not visited the property. While this makes it convenient for the residents, it does meet the intent of what the changes were trying to accomplish and is an indication the program may be overfunded at \$2,000 per residential property.

Since approximately March of this year, a new agency has been actively marketing the program using flyers, door to door sales and telemarketing. The majority of the increase in program activity appears to be due to this organization's activities.

There have been several inquiries from residents as to whether or not this organization is legitimate. While the information that they are providing is technically accurate, a number of residents have got the impression that this organization is representing the City. Staff from Hamilton Water met with the president of the company in May 2015 to discuss our concerns about the way the company represented themselves and their messaging. Staff were assured by the president that they were not telling residents that they were representing the City and that he would review their scripting for accuracy. Concerns continued to come in to the call centre regarding this company. In response, Hamilton Water issued a Media Release, which was shared using social media and was picked up by CHCH in a television interview. The contents of the media release are included as Appendix A in Report PW11056g. Staff have made numerous attempts to contact the president of the company to no avail and are currently working with the City's Legal and Licensing Departments to ensure that the activities are not in conflict with any of our requirements.

The 3P program has helped protect over 7,400 properties from basement flooding caused by sewer backups since 2009 and compliant applications will continue to be processed throughout 2015. However, staff are evaluating the existing 3P model and will present program alternatives to the Public Works Committee in Q4 2015.