



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	June 13, 2022
SUBJECT/REPORT NO:	Stormwater Funding Review (FCS22043) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That staff be authorized and directed to issue a Request for Proposals (“RFP”) for Consulting Services to conduct a Stormwater Funding Review;
- (b) That the Phase One cost of the Stormwater Funding Review, with an upset limit of \$200,000, be funded from the Stormwater reserve (108010);
- (c) That staff report back to the General Issues Committee to provide Guiding Principles for consideration that will direct the evaluation of alternative stormwater rate funding structures as part of the Stormwater Funding Review;
- (d) That the matter respecting Stormwater Funding Review be identified as completed and removed from the Outstanding Business List.

EXECUTIVE SUMMARY

Hamilton's stormwater program is currently funded mostly through combined wastewater / stormwater rates and to a much lesser extent by property taxes, with development charges contributing to stormwater infrastructure related to new development. Prior to 2004, the stormwater program was funded primarily by property taxes. Stormwater costs of approximately \$10.2 M were transferred from the tax base to the Rate budget over two budget years (2004 - 2005).

However, the City has experienced financial challenges under the present funding system. Revenue collected from wastewater / stormwater revenues is based on water consumption. There is no relationship between the volume of potable water used by a resident or business and the need for drainage-related services driven by the volume of stormwater generated from a property. Total water consumption has been significantly reduced since 2004 resulting in ongoing revenue pressures for both the water and wastewater programs given an increasingly more costly stormwater program (almost \$25 M per the approved 2022 rate supported budget).

In December 2021, Council approved a motion that directed staff to report back with a review of the benefits and challenges of various stormwater program funding options. To undertake the requested Stormwater Funding Review (Review), it is recommended that a consultant be engaged. It is recommended that the Phase One cost of the Review with an upset limit of \$200 K be funded from the Stormwater reserve.

Table 1 of Report FCS22043 outlines a proposed timeline incorporating several phases for the Review including:

- Phase One - Discovery
- Phase Two - Detailed Analysis
- Phase Three - Implementation

It should be noted that the timeline will be reviewed and possibly adjusted once the consultant has been engaged. Staff will provide a report back to the General Issues Committee (GIC) towards the conclusion of both Phase One and Two.

TABLE 1 – Review Process Steps Timeline

Phase	Timeline	Process Step
Phase One	July – Oct 2022	Recruit/place temporary staff resource to support Review and develop / issue RFP in order to award consultant assignment by October 2022
	Oct – Dec 2022	Develop Guiding Principles for Council’s consideration
	January 2023	Report to GIC seeking approval of Guiding Principles to be used to develop alternative stormwater rate structures for Council’s consideration
	Feb – April 2023	Conduct Stormwater Rate Review
	May 2023	Council Education Sessions – to provide information related to how the City’s stormwater funding structure compares with other municipalities and best practices
	May – July 2023	Incorporate feedback from Council sessions to evaluate which alternative stormwater rate structure is recommended to undertake development of fee structure and detailed impact analysis
	August 2023	Report to GIC seeking confirmation to undertake the development of a dedicated fee structure, as well as, conduct a detailed impact analysis of an alternative stormwater rate structure
Phase Two	Aug – Dec 2023	Conduct impact analysis of alternative rate structure
	Jan – Feb 2024	Public consultation of alternative rate structure
	Mar – May 2024	Develop a recommended rate structure
	June 2024	Report to GIC with stormwater recommended rate structure for Council’s consideration
Phase Three	June 2024 to Q3 2025	Assuming Council approval of a revised stormwater rate structure, coordinate with new water billing solution (TBD in Q1 2023) to integrate required stormwater billing system programming changes and develop a plan for customer communications
	Winter 2025	2026 Rate budget incorporating revised stormwater rate structure
	January 2026	Revised Stormwater Rate Structure implemented

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The Phase One cost of the Review estimate of \$200 K is for consulting services and for a temporary staff resource. It is proposed that this be funded from the Stormwater reserve (108010).

Staffing: Temporary staff will be required to support the undertaking of the Review.

Legal: N/A

HISTORICAL BACKGROUND

Hamilton's stormwater program is currently funded mostly through combined wastewater / stormwater rates and to a much lesser extent by property taxes, with development charges contributing to stormwater infrastructure related to new development. Prior to 2004, the stormwater program was funded primarily by property taxes.

Beginning in 2004, approximately 85% of the stormwater management costs were transferred from the tax levy to the rate supported budget. The total transfer of \$10.2 M to the rate budget was essentially off-set by the financial savings resulting from the Goods and Services Tax (GST) rebate for municipalities effective April 1, 2004. The transfer to the rate supported budget was intended to ease some pressures on the property tax levy. Additionally, the transfer recognized that a portion (approximately 36%) of the City's wastewater (sanitary) system was a combined system with stormwater. In the combined system, the sewers, located primarily in the oldest sections of the City, collect both domestic sewage and stormwater runoff. This combined flow is collected, stored and treated prior to discharge from the Woodward Wastewater Treatment Plant (WWTP).

In December 2021, Council approved a motion that directed staff to report back with a review of the benefits and challenges of various stormwater program funding options.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

Public Works – Hamilton Water Division has been consulted and supports the recommendations in Report FCS22043.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The City has experienced financial challenges under the present stormwater funding methodology. Revenue collected from wastewater / stormwater revenues is based on water use. There is no relationship between the volume of potable water used by a resident or business and the need for drainage-related services driven by the volume of stormwater generated from a property. Total water consumption has been significantly reduced since 2004 resulting in ongoing revenue pressures for both the water and wastewater programs given an increasingly more costly stormwater program (almost \$25 M per approved 2022 rate supported budget).

From a budgeting perspective, Hamilton's three distinct rate supported service programs, Water, Wastewater and Stormwater, were historically budgeted under the rate-supported revenues as if they were one service. This budgeting practice was unique as most communities – whether or not stormwater is funded by Rates – typically budget each service as separate distinct utilities (reflected by different rates) and adopt related increases for each service program. By treating the three services as one, the increasing cost pressures of the stormwater component have resulted in both water and wastewater services and projects being deferred over the years.

As approved under the 2013 Rate Structure Review, the intent over time is to budget both the expenses and revenues for wastewater and stormwater separate from water services. Should a dedicated stormwater fee structure be approved in the future, wastewater and stormwater programs would be budgeted separately, aligning with industry best practices.

Table 1 of Report FCS22043 outlines a proposed timeline incorporating several phases for the Stormwater Funding Review including:

- Phase One - Discovery
- Phase Two - Detailed Analysis
- Phase Three - Implementation

To undertake the requested Stormwater Funding Review, it is recommended that a consultant be engaged. It is recommended that the Discovery Phase (Phase One) cost of the Review with an upset limit of \$200 K be funded from the Stormwater reserve (108010). Staff will report back to GIC with the Guiding Principles that will direct the evaluation of the alternative stormwater funding structures

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

APPENDICES AND SCHEDULES ATTACHED

Not applicable.

JS/dt