



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

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	November 30, 2022
SUBJECT/REPORT NO:	Stormwater Funding Review (FCS22043(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Katie Black (905) 546-2424 Ext. 6415
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION

That the guiding principles outlined in Appendix “A” to Report FCS22043(a) be approved to be used to direct the evaluation of alternative stormwater funding models as part of the Stormwater Funding Review for Council’s consideration.

EXECUTIVE SUMMARY

At its meeting June 20, 2022, Council approved Public Works Committee Report 22-010 from its meeting on June 13, 2022 containing Report FCS22043 with the following direction as part of Phase One of the Stormwater Funding Review (Review):

“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.”

In September 2022, the City of Hamilton retained AECOM Canada Ltd (AECOM) through the use of the Roster and City Policy #9 – Consulting and Professional Services for this work.

The purpose of Report FCS22042(a) is to seek Council’s approval of Guiding Principles identified in Appendix “A” to undertake a Stormwater Funding Review (Review). 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.

As the City has experienced financial challenges under the present funding system, the intent of the Review will be to identify and evaluate alternative stormwater funding structures to recover stormwater related costs reflected in the annual rate and tax operating supported budgets (i.e. revenue neutral). The Review will not be evaluating alternative stormwater funding structures with an objective of increasing total revenues. Alternative stormwater funding structures may impact various customer sectors differently with the associated impacts to be identified for Council by the Review.

The Review will entail an assessment of Hamilton's current stormwater funding model and a variety of stormwater funding structures utilized by different municipalities in Ontario. The various funding models will be assessed for alignment against the Guiding Principles in Appendix "A" to Report FCS22043(a).

Report FCS22043 outlined a proposed timeline incorporating several phases for the Review including:

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

As the City was able to engage AECOM earlier than originally anticipated, should the Guiding Principles be approved, the Review will be completed by February 2023 when Council Education Sessions will take place. The original timeline outlined in Report FCS22043 had contemplated the Education Sessions occurring in May 2023. The Education Sessions will allow for the opportunity for AECOM and staff to provide information related to how the City's stormwater funding structure compares with other municipalities and best practices. Staff will report back with any adjustments to the proposed timeline following the Council Education Sessions.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: N/A

Staffing: N/A

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.

Report FCS22043 was brought forward to the Public Works Committee in June 2022 with the following recommendations:

- a) that staff be authorized and directed to issue a Request for Proposals 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.

As such, AECOM has been retained as a Roster assignment to conduct a Stormwater Funding Review. AECOM has an experienced team who have completed stormwater funding studies and / or stormwater rate implementations for a number of Ontario municipalities including: Kitchener, Guelph, Mississauga, Markham, Ottawa, Waterloo, Stratford, Sault Ste Marie, Thunder Bay, Barrie, Brantford, Ajax and Sudbury.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable

RELEVANT CONSULTATION

Staff in Corporate Services, Public Works (Hamilton Water) and Planning and Economic Development departments have been consulted and support the recommendation of Report FCS22043(a).

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Report FCS22043(a) seeks to establish the Guiding Principles (Principles) to support the evaluation of alternative stormwater funding structures. It is important to establish the principles in advance of undertaking the technical work. Once the Principles are established and fixed, then the Review process will evolve from them.

It must also be recognized that there needs to be a balance in how the Principles are applied to each alternative and that trade-offs may be required. The process of reviewing the stormwater funding structures must consider the extent to which each principle affects each component of the structure.

Appendix “A” to Report FCS22043(a) provides a description of what the Principles are intended to achieve. A successful stormwater funding structure will result when an appropriate balance is achieved between the various principles being considered.

ALTERNATIVES FOR CONSIDERATION

Not Applicable

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.

Built Environment and Infrastructure

Hamilton is supported by state-of-the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS22043(a) – Hamilton Stormwater Funding Project Guiding Principles Review

KB/dt