City of Hamilton
Report for Consideration

To:	Mayor and Members General Issues Committee
Date:	March 19, 2025
Report No:	FCS22043(d)
Subject/Title:	2026 Stormwater Fee
Ward(s) Affected:	City Wide

Recommendations

1. That property tax levy funding related to stormwater expenditures to be funded by the new stormwater rate structure, be transferred annually to the Stormwater Reserve (108010) to support a largely revenue neutral transition to a dedicated stormwater fee effective April 1, 2026;

2. That the forecasted daily single-family unit (SFU) stormwater fee of $0.55 ($200.75 per annum 2026) for all properties in the City of Hamilton be adopted, in principle, effective April 1, 2026; and

3. That the subject matter respecting a review of the annual SFU rate required to implement a dedicated user fee for stormwater, be identified as complete and removed from the General Issues Committee Outstanding Business List.

Key Facts

- At the November 28, 2024, General Issues Committee (Budget) meeting, staff was directed as follows:

  (a) That staff report to General Issues Committee in Q1 2025 with an analysis summarizing the factors contributing to the 2026 forecast change in the stormwater fee to $270.10 per annum; and,

  (b) That staff identify any options that would further support the forecast stormwater management investments to realize a largely revenue neutral transition to a stormwater fee structure.

- In November 2022, Council approved Guiding Principles which have formed the foundation of the Stormwater Funding Review which includes both the approved Stormwater Rate Structure and the approved Stormwater Incentive Programs. Refer to Report FCS22043(a) for further details.
- In June 2023, Council approved a dedicated stormwater fee structure where a property will be charged based on the load (or use) it places on the stormwater system. Refer to Report FCS22043(b) for further details.
- In June 2024, Council approved the Financial Incentives Program which includes a residential subsidy program administered by local non-profit Green Venture, and a unique “made in Hamilton” multi-stream credit program for non-residential and multi-residential properties with greater than six units. Refer to Report FCS22043(c) for further details.
- The approved stormwater fee will be a separate dedicated charge on the utility (water/wastewater/stormwater) bill. With the establishment of a dedicated stormwater fee, wastewater rates charged to consumers would be reduced accordingly. For the average residential City water consumer, their 2026 wastewater costs would decrease by approximately 14% (an approximate annual decrease of $164).

Financial Considerations

In January 2023, Council directed that all aspects of the City’s stormwater services are to be funded from the revenues associated with the dedicated stormwater user fee.

During the 2025 Rate supported budget process, staff proposed an annual SFU rate of $270.10 effective April 2026 (refer to Report FSC24055 for further details). In response to the direction received from Council, staff has since revised the recommended rate by considering the following:

- Updates to the 2026 forecasted operating and capital expenses for the City’s stormwater management program;
- Reviewing the impact of Recommendation (c) from Report FCS22043(b) related to the transfer of property tax levy funding related to stormwater expenditures to the Climate Change Reserve;
- The cost to administer the new stormwater fee;
- The cost of the new incentive programs, which is described below.

Currently, the City Stormwater management program is funded through a combination of wastewater revenues and the property tax levy. In June 2023, Council approved Recommendation (c) to Report FCS22043(b) which directed that property tax levy funding, related to stormwater expenditures to be funded by the new stormwater rate structure, be transferred to the Climate Change Reserve (108062) and applied to climate change / environmental initiatives in conjunction with the introduction of the Stormwater Rate Structure.

Recommendation 1 to Report FCS22043(d) recommends that the property tax levy funding related to stormwater expenditures be transferred to the Stormwater Reserve (108010).

Recommendation (a) of FCS22043(d) effectively reduces the need of incremental stormwater revenue equivalent to value of the transfer to the Stormwater Reserve, resulting in a forecasted daily SFU rate of $0.55 ($200.75 per annum) effective April 1, 2026. With the introduction of the new stormwater fee, wastewater rates will be reduced in April 2026 by approximately 25%. Refer to the Analysis section of Report FCS22043(d) for the net impact analysis by dwelling type.

Approval, in principle, of a 2026 SFU rate will allow all property owners to be informed of their future stormwater fee charges by utilizing the Stormwater Fee Estimator inquiry tool (currently under development) that is estimated to be available in April 2025.

The current rate supported financial model approved by Council is premised upon the objective that Stormwater capital and operating programs are fully self-funded and financially stable, without excessive year-over-year fluctuations in the fee over the long term.

The introduction of a dedicated stormwater fee requires untying the stormwater management operating and capital programs and their funding from the adopted water and wastewater / stormwater budget, with the premise that the total of the two components would remain largely revenue neutral, with the exception of administration, green space credit program and billing costs, as these programs are user fee funded and are full cost recovered. Stormwater management capital and operating programs would be funded by the stormwater fee, while all other water and wastewater programs would continue to be funded by the water and wastewater rates, respectively.

Background

The stormwater funding review (refer to Report FCS22043(b)) provided an evaluation of seven stormwater fee models. The approved SFU stormwater fee structure most closely aligns with the approved Guiding Principles.

The new stormwater funding model is planned to be implemented in April 2026. Currently, the City uses revenues collected through wastewater bills and property taxes to fund stormwater management. Under the dedicated stormwater fee model properties will be charged based on the load (or use) they place on the stormwater system. The stormwater fee per dwelling unit for a given category is calculated based on the average amount of impervious area for properties within that category.

The approved rate structure divides properties into two categories:

(i) Residential with six or fewer units

(ii) Industrial, Commercial, and Institutional (ICI), agricultural, mixed-use properties and multi-residential with greater than six units

For additional information on the approved Stormwater Rate structure refer to Appendix “A” to Report FCS22043(b).

When this new funding model is implemented, wastewater rates will be reduced as they will no longer be used to fund stormwater management activities and the stormwater fee will be broken out as a separate line item on utility bills.

When implemented, the dedicated Stormwater Rate Structure will apply to all developed properties within the City and, therefore, will include properties currently not contributing to the City's Stormwater Management Program through a current utility bill, by virtue of not being connected to the City's wastewater system (examples include parking lots, storage facilities and properties outside the urban boundary and rural settlement area boundaries without access to the municipal wastewater systems).

Table 1 of Report FCS22043(d) provides the revised timeline for the Stormwater Funding Review that, based on staff recommendations, would culminate with the implementation of the approved Stormwater Rate Structure in April 2026.

Table 1

Timeline	Process Step
Sept. 2022	Retained AECOM through the use of the Roster and City Policy # 9 – Consulting and Professional Services to support Review
Nov. 30, 2022	Report to GIC obtained approval of Guiding Principles to be used to evaluate stormwater funding models and develop alternative stormwater rate structures for Council's consideration
Dec. 2022 – Jan. 2023	AECOM conducted Stormwater Funding Review
Feb. 2023	Council Education Sessions – provided information related to how the City's stormwater funding structure compares with other municipalities and best practices
May 2023	Provided information presentations to Environment Hamilton and the Hamilton Industrial Environmental Association
Feb. – May 2023	Incorporated feedback from Council Education Sessions to develop a recommended Stormwater Rate Structure
Jun. 28, 2023	Council Approval of the new Stormwater Rate Structure
Oct. 2023 – Jan. 2024	Community Engagement with Stakeholders and the creation of a Financial Incentives Program for property owners
May 2024 to Q1 2026	Coordinate with City's Utility Billing Transition Program to integrate required stormwater billing and implement a plan for customer communications

Timeline	Process Step
Jun. 12, 2024	Council Approval of the Stormwater Incentive Program
July 2024 – Q2 2025	Developed the Stormwater Incentive Program application process and impervious area assessment of all non-residential properties and multi-residential (>6 units)
Q1 2025	Implementation of Residential Stormwater Subsidy Program administered by Green Venture
Q1 2025	**Report to GIC with recommended 2026 SFU Rate**
Q2 2025	Stormwater Credit Program applications available and launch a Stormwater Estimator Tool. Report to Council with the stormwater fee By-Law
Q4 2025	2026 Water, Wastewater and Stormwater Rate budget and Tax supported budget incorporating the approved Stormwater Rate Structure
Apr. 1, 2026	Stormwater Rate Structure implemented

Analysis

Single-Family Unit (SFU) Rate

The SFU rate represents the base bill rate:

$$\text{SFU} = \frac{\text{total stormwater program cost}}{\text{number of billable units}} \quad \frac{(A + B + C + D)}{E}$$

Total program stormwater costs are the sum of:

A) Capital and operating expenses for the City's stormwater management program, currently included in the wastewater rate supported budget
B) Catch basin / culvert maintenance and conservation authority levies, currently funded through the tax levy
C) Cost to administer the new dedicated stormwater fee
D) Cost of the new stormwater incentive programs
E) The number of billable units (BU) is equal to the total SFU units

Council was presented with an estimated 2025 SFU rate in Report FCS22043(b) of $170 annually. With a revised implementation date of April 2026, through the 2025 Rate Budget (Report FCS24055), a revised SFU rate of $270 was proposed. As a result of the Council direction, staff is now proposing a SFU of $200.75 through Recommendation 2 of Report FCS22043(d). Table 2 to Report FCS22043(d) describes the difference in the calculation of these rates given the changes to the implementation date, forecasted stormwater program costs and the Council approved incentive program.

Table 2

	Total Program Cost (000s) A + B + C +D	Total Billable BUs E	Annual SFU Rate
FCS22043(b) (Jun 2023)	$ 55,230	324,488	$ 170
FCS24055 (Nov 2024)	$ 79,520	294,000	$ 270
FCS22043(d) (Mar 2025)	$ 56,758	283,935	$ 201

*The Program costs of $57 M reflects an annual reserve transfer of $11 M (2026$)

Anomalies due to rounding.

Report FCS22043(b) June 2023

- Based on the 2022 forecasted 2025 budget with a stormwater fee implementation date of September 1, 2025

Report FCS24055 – November 2024

- Implementation date revised to April 1, 2026
- Increase to the rate supported operating stormwater budget, includes a larger capital investment in the stormwater system
- Greater estimated number of BUs for total Stormwater Credit Program (now a three-stream credit program)

Report FCS22043(d) – March 2025

- Transfer from the Stormwater Reserve of $11 M as per Recommendation 1 to Report FCS22043(d)
- In early 2025, AECOM completed their parcel analysis of all non-residential properties to measure each properties' impervious area resulting in the confirmed amount of BUs for the Stormwater Credit Program

The Waterworks Asset Management Plan (2022) identified a significant infrastructure deficit, specifically within the City's stormwater program. In order to eliminate this deficit by 2034, the 10-year stormwater capital program has increased from $441 M in 2023 to $650 M in 2025. Report FCS24055 had developed the recommended SFU rate by considering the 2026 forecasted operating and capital expenses for the City's stormwater management program, the costs that would be transferred from the Tax Levy (Conservation Authorities and Road Maintenance), the cost to administer the stormwater fee and the cost of the incentive programs. The result of this review resulted in a forecast SFU rate of $270.10 per annum. In response to the direction, that staff identify any options that would further support the forecast stormwater management investments to realize a largely revenue neutral transition to a stormwater fee structure, Recommendation 1 of FCS22043(d) further supports revenue neutrality.

Like other municipalities who have implemented similar stormwater funding models (Ottawa, Mississauga, Kitchener and Guelph, to name a few), Council approved an incentive program in June 2024 (refer to Report FCS22043(c) for further details). This unique “made in Hamilton” incentive program includes a multi-stream credit program for ICI, agricultural and multi-residential properties with greater than six units.

Stormwater Credit Program

Hamilton has approved a unique multi-stream stormwater credit program for ICI, agricultural and multi-residential properties (with greater than six units). It is important to note that property owners will only be eligible for one stream of the credit program. The development of the credit program included an assessment of a variety of stormwater incentive programs utilized by different municipalities in Ontario, as well as, feedback from the community and interested parties. The approved three streams have been assessed for alignment against the Guiding Principles.

1. **Stormwater Management Infrastructure Credit:** Property owners can apply to get up to a 50% credit if they reduce stormwater runoff quantity or improve its quality. This applies to ICI, agricultural and multi-residential properties with more than six units. Owners must show that they have installed and maintained these measures.

2. **Hamilton Harbour Discharge Credit:** Properties using private pipes to send stormwater directly to Lake Ontario can apply for up to a 90% credit. These properties must meet Provincial regulations related to discharging to the natural environment, and they need to prove that the discharge does not enter the City’s stormwater system.

3. **Green Space Credit:** Farms, parks, and similar properties without a direct connection to the City’s stormwater system can qualify if their stormwater runoff goes to large green spaces. This credit will be automatically applied to the stormwater fee and the amount of the credit will be based on the ratio of hard surfaces to green space.

For further information on the Stormwater credit program, refer to Report FCS22043(c).

Table 3 of Report FCS22043(d) provides an array of different residential water user profiles in the City with the estimated annual water and wastewater / stormwater bill under both the current rate structure and the approved dedicated stormwater user fee. Profiles in Table 3 incorporate the combined water and wastewater rate increases that have been forecast for 2026.

Table 3: Residential Profile Impact Analysis

Residential User Annual Bill in 2026

Residential Type	Single-Family Dwelling			Townhome	Triplex	Single-Family Dwelling
Water User Profile	Average Residential User	Low Water User (Single Occupant)	Large Water User (Multi Generational Home)	Average Townhome	Average Triplex	Not connected to City System
Meter Size	meters < 25mm					N/A
Annual Consumption	200m3	100m3	300m3	170m3	250m3	N/A
Current Annual WWW Bill	$ 1,168	$ 702	$ 1,686	$ 1,013	$ 1,427	N/A
Restated WWW Bill, 2026	$ 1,003	$ 603	$ 1,448	$ 870	$ 1,226	N/A
WWW Bill, Net Change	**$ (165)**	**$ (99)**	**$ (238)**	**$ (143)**	**$ (201)**	**N/A**
Annual Storm Bill	**$ 201**	**$ 201**	**$ 201**	**$ 100**	**$ 181**	**$ 201**
Annual Net Change	$ 36	$ 102	$ (37)	$ (43)	$ (21)	$ 201
Annual Net Change %	3.1%	14.5%	(2.2%)	(4.2%)	(1.5%)	N/A

*Assumes forecasted rates are implemented for 2026

Profiles in Tables 4 and 5 demonstrate the impact of the new dedicated stormwater fee on various types of businesses. These Tables incorporate the combined water and wastewater rate increases that have been forecast for 2026. Those businesses that are larger water users will see the greatest decrease in their annual utility billings while those with less water consumption, but higher amounts of impervious area will be more impacted with the introduction of the dedicated stormwater fee.

Table 4: ICI Profile Impact Analysis

Property Type	Institutional (Secondary School)	Commercial (Big Box Retailer)	Commercial (Car Wash)	Commercial (Fast Food Chain)
Meter Size	150mm	100mm	50mm	38mm
Annual Consumption	4,159m3	18,064m3	4,430m3	3,170m3
Impervious Area	27,696m2	55,200m2	1,800m2	3,300m2
Annual WWW Bill, Current Structure	$ 43,626	$ 104,613	$ 26,481	$ 18,629
Restated WWW Bill, 2026	$ 37,488	$ 89,875	$ 22,750	$ 16,005
WWW Bill, Net Change	**$ (6,139)**	**$ (14,738)**	**$ (3,730)**	**$ (2,624)**
Annual Storm Bill	**$ 19,135**	**$ 38,130**	**$ 1,246**	**$ 2,271**
Annual Net Change	$ 12,997	$ 23,392	$ (2,484)	$ (353)
Annual Net Change %	29.8%	22.4%	(9.4%)	(1.9%)

*Assumes forecasted rates are implemented for 2026

Table 5: ICI Profile Impact Analysis

Property Type	Industrial (Food Processing)	Institutional (Hospital)	Industrial (Large Industrial Water User)	Commercial (York Blvd Parkade)
Meter Size	250mm	Various Meters	Various Meters	N/A
Annual Consumption	505,000m3	301,940m3	947,144m3	N/A
Impervious Area	93,200m2	41,300m2	32,600m2	4,100m2
Annual WWW Bill, Current Structure	$ 2,666,690	$ 1,663,441	$ 4,950,371	N/A
Restated WWW Bill, 2026	$ 2,290,904	$ 1,429,061	$ 4,252,751	N/A
WWW Bill, Net Change	**$ (375,786)**	**$ (234,380)**	**$ (697,620)**	**N/A**
Annual Storm Bill	**$ 64,240**	**$ 28,522**	**$ 22,512**	**$ 2,834**
Annual Net Change	$ (311,546)	$ (205,858)	$ (675,108)	$ 2,834
Annual Net Change %	(11.7%)	(12.4%)	(13.6%)	N/A

*Assumes forecasted rates are implemented for 2026

Tables 3, 4 and 5 to Report FCS22043(d) reflect the net impact of implementing the approved stormwater fee on various property profiles with various meter sizes, water consumption patterns and number of BUs. Customers currently pay for water, wastewater and stormwater services based on water consumption and not based on the load (or use) it places on the stormwater system. The stormwater funding review (refer to Report FCS22043(b)) provided an evaluation of seven stormwater fee models. The approved SFU stormwater fee structure most closely aligns with the approved Guiding Principles.

The review did not evaluate alternative stormwater funding structures with an objective of increasing total revenues, however, the approved stormwater fee structure will impact various properties differently.

Small businesses or residential users with higher water consumption will see the greatest decrease in their annual water / wastewater / stormwater utility billings. Businesses or homes that don't utilize a high volume of water and, therefore, proportionately contribute less into the total stormwater program, will likely see the greatest impact from the shift to a dedicated stormwater fee based on impervious area. Businesses that are large water users will likely see a decrease due to the fact that the current structure is calculated based on water / wastewater consumption.

For further information on the stormwater fee structure refer to Report FCS22043(b).

- **Legal implications** – Under the authority of Sections 9, 10, 11 and 391 of the *Municipal Act, 2001*, the City has the authority to charge a user fee to cover the cost of a service, including stormwater management services. A key consideration is to ensure that there is a connection between the amount of the user fee and the cost of the service being provided, such that it is not categorized as a tax. Legal Services has been engaged during the stormwater fee implementation.
- **Corporate Policy implications** – Report FCS22043(d) proposes a SFU rate for the consideration of Council that supports the principle of a sustainable user-pay stormwater program.
- **Staffing Considerations** – Not applicable.

Alternatives

Should Council not adopt Recommendation 1 to Report FCS22043(d), Table 6 below provides an impact analysis to several residential utility accounts. In these examples, the SFU rate would be approximately $243 annually as there is no transfer from the Stormwater Reserve to reduce 2026 stormwater capital and operating expenses and help offset the initial cost of the stormwater fee.

An SFU rate of $243 annually would increase the average residential user (200 cubic meters annual consumption) utility bill by 6.7%, effective April 2026, when the wastewater restatement occurs and residents receive their first stormwater fee on their utility bill.

Table 6

Residential User Annual Bill in 2026

Residential Type	**Single-Family Dwelling**			**Townhome**	**Triplex**	**Single-Family Dwelling**
Water User Profile	Average Residential User	Low Water User (Single Occupant)	Large Water User (Multi Generational Home)	Average Townhome	Average Triplex	Not connected to City System
Meter Size	meters < 25mm					N/A
Annual Consumption	200m3	100m3	300m3	170m3	250m3	N/A
Current Annual WWW Bill	$ 1,168	$ 702	$ 1,686	$ 1,013	$ 1,427	N/A
Restated WWW Bill, 2026	$ 1,003	$ 603	$ 1,448	$ 870	$ 1,226	N/A
WWW Bill, Net Change	**$ (165)**	**$ (99)**	**$ (238)**	**$ (143)**	**$ (201)**	**N/A**
Annual Storm Bill	**$ 243**	**$ 243**	**$ 243**	**$ 122**	**$ 219**	**$ 243**
Annual Net Change	$ 78	$ 144	$ 5	$ (21)	$ 17	$ 243
Annual Net Change %	6.7%	20.5%	0.3%	(2.1%)	1.2%	N/A

*Assumes forecasted rates are implemented for 2026

Relationship to Council Strategic Priorities

Sustainable Economic & Ecological Development
1.1. Accelerate our response to climate change
1.2. Protect green space and waterways

Sustainable Economic and Ecological Development – There are many different pressures on the stormwater system: urbanization, aging infrastructure, greater understanding of environmental impacts and the increasing impacts of climate change. Without proper financing and preventative maintenance, there is potential for disruptive failures and costly repairs. The Stormwater Incentive Programs encourages property owners to become more resilient to climate change through adoption of on-site controls to reduce run-off or improve quality, while providing the City with funding needed to increase system-level stormwater resiliency and protect natural resources and waterbodies from the impacts of stormwater and the harmful pollutants it can carry.

Previous Reports Submitted

- Stormwater Funding Review (FCS22043) (City Wide), June 13, 2022 - https://pub-hamilton.escribemeetings.com/Meeting.aspx?Id=bc971059-500e-4d12-8926-e651f5b69f70&Agenda=Merged&lang=English&Item=26&Tab=attachments

- Stormwater Funding Review (FCS22043(a)) (City Wide), November 30, 2022 - https://pub-hamilton.escribemeetings.com/Meeting.aspx?Id=d88616a8-98d9-4faf-aa28-3d7cc1d714a1&Agenda=Merged&lang=English&Item=34&Tab=attachments

- Stormwater Funding Review (FCS22043(b)) (City Wide), June 28, 2023 - https://pub-hamilton.escribemeetings.com/Meeting.aspx?Id=9a94a418-3c15-4911-928f-23fdedeb41d9&Agenda=Merged&lang=English&Item=19&Tab=attachments

- Stormwater Fee Financial Incentive Programs (FCS22043(c)) (City Wide), June 05, 2024 - https://pub-hamilton.escribemeetings.com/Meeting.aspx?Id=c6828ce3-aded-46a5-a005-38a9fac73148&Agenda=Merged&lang=English&Item=21&Tab=attachments

- Hamilton Stormwater Financial Incentive Program Communication Update (City Wide), April 25, 2024 - https://pub-hamilton.escribemeetings.com/Meeting.aspx?Id=a191e96c-5a52-4485-8f1f-168f33a8f738&Agenda=Merged&lang=English&Item=18&Tab=attachments

Consultation

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

Appendices and Schedules Attached

Not Applicable.

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