

CITY OF HAMILTON

PUBLIC WORKS DEPARTMENT
Environment and Sustainable Infrastructure Division

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: February 14, 2011	
SUBJECT/REPORT NO: Terms of Reference for Stormwater Rate Review Sub-Committee (PW10085a) - (City Wide)	
SUBMITTED BY: Gerry Davis, CMA General Manager Public Works Department	PREPARED BY: Sharon MacPherson-Nemeth 905-546-2424, Extension 2087
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RECOMMENDATION

- (a) That the Terms of Reference for the Stormwater Rate Review Sub-Committee, attached as Appendix "A" to Report PW10085a, be received and approved;
- (b) That the Stormwater Rate Project Milestones, attached as Appendix "B" to Report PW10085a, be received.

EXECUTIVE SUMMARY

City Council, at its meeting held on October 13, 2010, requested the following:

That staff be authorized and directed to report back to the Committee of the Whole with a Terms of Reference for the Stormwater Rate Review Sub-Committee.

The completed Terms of Reference is attached as Appendix "A".

The function of the Stormwater Rate Review Sub-Committee (RSC) will be to review and provide feedback on proposed policies and approaches related to establishing a new stormwater funding strategy. The RSC will guide the Consultation Stage of the Phase 2 Stormwater Rate Study and, upon acceptance by Council, aide the Implementation Stage. The Phase 2 Study is broken down into two stages. Stage 1 will involve additional public consultation and rate recommendations. After Stage 1 is completed, staff will report back to the General Issues Committee on their recommendations for the appropriate stormwater funding strategy, whereby Council will decide whether or not to move forward to Stage 2; the preparation of data, software, policies and workflows for the implementation of the Stormwater Rate.

The RSC's goals are to provide stakeholder input on key issues related to the development of a formula/mechanism that will generate revenue for the City's provision of Stormwater Management services and infrastructure. As part of the development of the mechanism, the RSC will assist in development of an implementation program that reflects a balance between the desired level of service, associated budget and affordability.

Up to nine (9) workshops will be scheduled for the RSC between February and June, 2011. The RSC will guide the Project Team in defining broader public consultation. In the second stage of the study, from June to December 2011, the RSC will convene to ensure the implementation is consistent with the approved approach and as the Stormwater Rate is refined, guide the Project Team in resolving any issues. Pending Council endorsement, the Stormwater Rate will be targeted for January 2012.

Alternatives for Consideration - See Page 7

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial: The establishment of the Terms of Reference for the Stormwater Rate Review Sub-Committee does not have financial implications.

Staffing: Existing staff resources will be utilized at this stage of the project. There are no long term staffing implications related to the recommendation.

Legal: N/A

HISTORICAL BACKGROUND

The City of Hamilton owns and operates one of the largest, oldest, and most complex stormwater drainage systems within the Great Lakes basin. Recent financial reporting of tangible capital assets through the Public Sector Accounting Boards legislation reported estimated replacement values (at December 2009) as follows.

- \$1,702,222,000 - Stormwater Linear Assets
- \$2,810,547,000 - Wastewater Linear Assets (66% sanitary, 34% combined)
- \$132,000,000 - CSO Tanks/Tunnel Assets
- \$15,694,000 - CSO Gates Assets
- \$58,854,000 - Woodward Raw Water Pumping Station Asset (25% dry, 75% wet)

The City's Stormwater Management (SWM) Services program is currently funded through the water and wastewater rate, property taxes, and development charges. The City has experienced financial challenges under the present funding system, particularly during wetter than average years. The cost to convey and treat stormwater and combined sewage flows drastically increases during wet years (i.e., energy, chemical, operations and maintenance costs). Stormwater revenue drawn from these funds must compete with many other City services and is often inadequate to provide the level of service demanded by federal/provincial regulatory agencies, citizens, businesses, other community organizations, and a changing climate. Further, given the high treatment costs during wet periods, the City has a fundamental need for a stable and dedicated SWM funding mechanism; one that reduces or eliminates the current reliance on volatile metered water revenue.

In September 2005, City Council directed staff to establish an Independent Community Panel (ICP) whose mandate was to address the causes and effects of inclement weather on the stormwater management and drainage systems in Hamilton. The Panel members consisted of experts from the fields of Wastewater Engineering, Watershed Planning, Stormwater Management, Climate Change and Water Management, Insurance Issues and Landscape Management. The Panel's final report was published in September, 2006 with a Final Peer Review Report published in April, 2009. Recommendation 09-19, from the second report, comprised the following:

The City of Hamilton should continue to investigate the possibility of adopting a 'stormwater utility' model as a means of funding its stormwater and combined sewer infrastructure and programs in a sustainable, cost-effective and fair manner.

At Budget Deliberations on December 5, 2008 direction was given to report on the feasibility of a Stormwater Rate to fund the provision of Stormwater Services (FCS08108/PW08135).

(I) That staff be directed to report to Council in 2009, on the feasibility of introducing a stormwater utility rate, effective January 2010, in an effort to try to capture associated user fees from all beneficiaries;

Stormwater management in North America is in transition as demands of aging infrastructure, environmental stewardship, protection of the community from water related disasters and other costs of service combine to stretch scarce financial resources. In response, many cities are turning to a stormwater rate model in order to secure stable funding for operation of existing assets, infrastructure optimization, future improvement and enhancements, and to support watershed management goals.

A Stormwater Rate (also known as a Stormwater Utility in the U.S.) is an alternative financing mechanism to the City's existing processes, which offers a fair and equitable method for allocating the costs of a municipal Stormwater Management Services program. The existing formula for collecting funds is based on water consumption and as such is not commensurate with the services being provided resulting in over payment and underpayment. A Stormwater Rate funding mechanism would reallocate storm

system related costs to property owners based on the measured area of impervious ground cover (e.g. rooftops, driveways, and parking lots). This approach quantifies the relative contribution of stormwater runoff from each property to the municipal SWM system. This runoff is a function of the land use practices and surface treatment decisions of property owners. A Stormwater Rate would be administered in a similar fashion as the City's current Water and Wastewater Rate.

Phase 1 of the Stormwater Rate Feasibility Study began in June 2009 and ended in January 2010. The findings of the Phase 1 Study were presented to the Committee of the Whole at its meeting held on December 4, 2009. Report PW09099 was amended via Committee of the Whole with Follow-up Notice 09-034 on December 9, 2009 with the following specific direction:

1. Stormwater Advisory Committee

"That Council determine the membership criteria for the Stormwater Advisory Committee".

Council was not prepared to accept the recommendation of Report PW09099 to implement a Stormwater Rate effective January 2011 as additional consultation was preferred.

Following Council approval and amendments to recommendations of report PW09099, staff proceeded to tender a Request for Proposal (RFP) for Phase 2 of the study titled "*Additional Public Consultation and the Implementation of a Preferred Funding Strategy for Stormwater Management Services*".

The RFP for Phase 2 of the Stormwater Rate Study closed on August 12th, 2010 and in September; AMEC Earth & Environmental Inc. was determined to be the successful consultant. The scope of this Phase 2 project consists of enhanced Public and Industrial/Commercial/Institutional (ICI) stakeholder consultation with the provision for up to nine (9) Public Information Centres (PICs) and up to nine (9) Stormwater Rate Review Sub-Committee (formerly referred to as Stormwater Advisory Committee) meetings/workshops. A schedule depicting the project's critical path milestones is attached as Appendix "B".

Staff reported back to Council on October 12, 2010 (Report PW10085) with the following recommendations:

(a) *That the name of the Stormwater Rate Advisory Committee be changed to the Stormwater Rate Review Sub-Committee;*

(b) *That the Stormwater Rate Review Sub-Committee be composed of the following:*

(i) *Four Members of Council*

(ii) *Representation from the following areas: industrial, commercial, institutional, residential (rural and urban), agricultural, environmental and citizens-at-large;*

- (c) *That the Independent Community Panel participate in Phase 2 of the Stormwater Rate Study;*
- (d) *That staff be authorized and directed to advertise for citizens and stakeholders interested in serving on the Stormwater Rate Review Sub-Committee; and*
- (e) *That staff be authorized and directed to report back to the Committee of the Whole with the Terms of Reference for the Stormwater Rate Review Sub-Committee.*

Approval of these Terms of Reference will allow the Phase 2 Study to proceed with adherence to the critical path of the project as the Stormwater Rate Review Sub-Committee meetings/workshops are integral to the success of the Phase 2 Study.

POLICY IMPLICATIONS

Public Works Business Plan

Innovate Now - Communities - Services our communities connect with and trust

Establishment of the Stormwater Rate Review Sub-Committee ensures this Vision is fulfilled through workshops and Public Information Centres to communicate and obtain feedback with our residents and community partners.

Innovate Now - Processes - Smart process that match our needs

The Stormwater Rate Review Sub-Committee will ensure engagement of the right people in a transparent, user-friendly, information-sharing, and rigorous manner.

Innovate Now - Finances - Sound financial management for the long haul

The establishment of a Stormwater Rate is itself consistent with the Vision of the Finances driver. The tenants of this policy will guide the Stormwater Rate Review Sub-Committee as well as the development and implementation of the Stormwater Rate.

RELEVANT CONSULTATION

Through the Public Information Centres and Industrial/Commercial/Institutional Workshop consultation that was undertaken in the Phase 1 Study, the project received many stakeholder requests to participate on the Stormwater Rate Review Sub-Committee. These stakeholders will have the opportunity to participate by responding to the public advertisements for Stormwater Rate Review Sub-Committee volunteers.

Staff members from the Financial Planning & Policy Section of Corporate Services are on the Project Team.

ANALYSIS / RATIONALE FOR RECOMMENDATION

The rationale for recommending a Stormwater Rate Review Sub-Committee (RSC) is based on the fact that many of the City's key initiatives are directly dependent on the

success of implementing the recommendations identified through the Independent Community Panel (ICP). A RSC will offer an invaluable resource to the Project Team which ultimately will allow for successfully achieving City objectives to the satisfaction of Council and the City as a whole.

The recommendation for the Terms of Reference for the Stormwater Rate RSC is in response to specific direction from Council. Public and Stakeholder consultation was identified as a key success factor in the Phase 1 Study which identified the need for additional comprehensive consultation in the Phase 2 Study. The Phase 2 Study is broken down into two stages. Stage 1 will involve additional public consultation and rate recommendations. After Stage 1 is completed, the City will present their findings to the General Issues Committee and Council in June 2011 whereby the Committee will decide whether or not to move forward to Stage 2, the potential implementation of a Stormwater Rate.

Consultation with internal and external Stakeholders will provide valuable direction for the Study Team and ultimately recommendations to Council. Up to nine (9) meetings, from February to June 2011, will allow the RSC to establish recommendations of the various needs assessments, policies, financial requirements, and proposed fee structure. In June 2011, the RSC will report back to Council on their recommendations for the appropriate stormwater funding strategy. Up to three (3) meetings from June to December 2011 will provide the Project Team with a forum to communicate back to the Sub-committee on all project updates. Stakeholders will guide the study via a Triple Bottom Line approach to the development of a Stormwater Rate for Hamilton.

In addition to the RSC, project communication and consultation will take place via Public Information Centres, Project Website, Stakeholder List, Ad Hoc Communications (e.g. Web-TV, Cable 14, social media outlets) and Council/Committee scheduled meetings.

The Stormwater Rate Phase 2 Study will provide Council with the following deliverables:

- A thorough inventory of the activities and associated costs required to deliver: (a) stormwater management services to current level of service, and (b) ultimately, sustainable stormwater management service;
- A funding mechanism that is fair and equitable based on a metric/parameter that reflects the amount of stormwater service received, rather than the current metric that is based on the amount of metered water which is not reflective/proportional; and
- A Phased Implementation Strategy that will ensure Council controls the impact of implementation on the bottom line to property owners in the broad context of all fees and taxes through its annual budget deliberation cycles.

ALTERNATIVES FOR CONSIDERATION

The impact of not proceeding with the recommendations will prohibit the continuation of the Phase 2 Study as they are in the critical path. Not being able to undertake the Phase 2 Study will prohibit the development of a sustainable and equitable funding system for the provision of Stormwater Services as directed on December 5, 2008 (FCS08108/PW08135).

(I) That staff be directed to report to Council in 2009, on the feasibility of introducing a stormwater utility rate, effective January 2010, in an effort to try to capture associated user fees from all beneficiaries;

Staff does not recommend the alternative of not proceeding with the Phase 2 Study.

CORPORATE STRATEGIC PLAN

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative & Respectful Organization

- ◆ More innovation, greater teamwork, better client focus

The Stormwater Rate Review Sub-Committee will ensure residents and stakeholders in the City can contribute to the development of the Stormwater Rate in a consultative team environment.

- ◆ Council and SMT are recognized for their leadership and integrity

Ensuring representation on the Stormwater Rate Review Sub-Committee is Council endorsed via the acceptance of the membership criteria meets this criteria.

Financial Sustainability

- ◆ Financially Sustainable City by 2020
- ◆ Effective and sustainable Growth Management
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- ◆ Full life-cycle costing for capital
- ◆ Address infrastructure deficiencies and unfunded liabilities

Intergovernmental Relationships

- ◆ Maintain effective relationships with other public agencies

Growing Our Economy

- ◆ A skilled and creative labour pool that supports new employers

Environmental Stewardship

- ◆ Natural resources are protected and enhanced
- ◆ Reduced impact of City activities on the environment
- ◆ Remove Hamilton Harbour from Great Lakes area of concern list by 2015
- ◆ Reduce the impact of Hamilton's industrial, commercial Private and Public operations on the environment
- ◆ Aspiring to the highest environmental standards

Healthy Community

- ◆ Plan and manage the built environment
- ◆ An engaged Citizenry

The Stormwater Rate Review Sub-Committee will ensure that Citizens and Stakeholders are engaged in the development of the Stormwater Rate.

APPENDICES / SCHEDULES

Appendix "A" - Terms of Reference for the Stormwater Rate Review Sub-Committee
Appendix "B" - Stormwater Rate Phase 2 Project Milestones

**Appendix “A” to Report PW10085a
Terms of Reference
Stormwater Rate Review Sub-Committee**

Purpose: To raise awareness and understanding about the stormwater rate project and to provide a forum to discuss key community concerns and solicit comments for consideration to make better, more informed decisions about the stormwater services funding strategy.

Objective: To provide a sounding board and framework for engaging a diverse cross-section of stakeholders on:

- Guiding the consultation stage of the Stormwater Rate Study
- Stormwater Services Program goals and objectives
- Recommend an appropriate and affordable level of service for the Stormwater Management Program (SWM).
- Schedule for implementation of program elements
- Rate methodology and structure options
- Credit and incentive program
- Review and provide feedback on proposed policies and approaches

Membership: 20 members representing:

- Four (4) members of City Council – one representing rural areas (Council)
- One (1) representative recommended by the Chamber of Commerce (Industrial)
- One (1) representative from the water-front heavy industrial community (Industrial)
- One (1) representative representing the development community (Commercial)
- One (1) representative from a large retail owner/operator (Commercial)
- Two (2) members of the education community – one from an institute of higher education and one from a public or private secondary educational institution (Institutional)
- One (1) representative from medical services community (Institutional)
- One (1) representative representing the religious community (Institutional)
- Two (2) residents, one residing in the urban core in a flood impacted area, one residing in the rural area (Residential Urban/Rural)
- Two (2) members recommended by the Agricultural and Rural Affairs Advisory Committee (Agricultural)
- One (1) representative recommended by Environment Hamilton (Environmental)
- One (1) representative from the Bay restoration community i.e.: BARC or BAIT (Environmental)
- Two (2) citizens at-large (Citizens at Large)

Selection Criteria/Rules:

- City Council members to be approved by Council.
- Member selection will be interview based and focused on relevant knowledge, availability to attend meetings, and network connections to constituent groups.
- When more than one qualified candidate has expressed interest, member selection will be based on willingness to establish a connection with constituent groups.
- In the event that multiple representatives have qualified, a final decision will be made by the General Manager of Public Works to determine the successful candidate.

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Roles/Responsibilities of Members:

- Actively participate in meetings through attendance, discussion, feedback on recommended approaches, and review of minutes, public information centre materials, and other Committee documents.
- As members represent different segments of the community, they are required to contribute a range of viewpoints and the interests/concerns of each group.
- Maintain regular interaction and communication back and forth with their constituents or other group members.
- Guide and assist the Project Team in establishing overall stormwater goals.
- Gauge the level of interest in public participation in SWM program activities within the communities.
- Provide feedback and advice on the preliminary recommendations of the various needs assessments, policies, financial requirements, and proposed fee structure.
- Support open discussion and debate, and encourage fellow Committee members to voice their insights.
- As a group, report back to Council on their recommendations for the appropriate stormwater funding strategy.

Criteria for Success/Expected Outcomes:

- Alternatives that have been thoroughly debated and shaped by stakeholders.
- Committee's input and support on funding recommendations.

Schedule/Duration:Stage 1

Monthly or Semi-monthly Meetings
February to June 2011
3 p.m. to 5 p.m. on Thursdays
Up to Nine (9) Committee Meetings in Total
Optional Attendance for Project Related Public Information Centres
Dates to be determined

Stage 2

Meetings as required (up to three (3) in total)
July to December 2011*
3 p.m. to 5 p.m. on Thursdays
Dates to be determined

* If necessary, meeting duration may be extended to the first quarter of 2012.

Facilitator: Jean Haggerty, AMEC Project Manager

Reporting To: General Issues Committee

Stipend: No

Contact: Sharon MacPherson-Nemeth, Project Manager, Infrastructure & Source Water Planning, Strategic Planning, Environment & Sustainable Infrastructure Division

**Appendix “B” to Report PW10085a
Stormwater Rate Phase 2 Project Milestones**

