RECOMMENDATIONS

That Council receive the Study of Kitchener-Waterloo Stormwater Management Program and Funding Review on October 5, 2009 and approvals be sought from Council on during the 2010 budget deliberation process for the recommendations listed below.

i. That Council approve Alternative 1: Tiered Flat Rate stormwater funding model while maintaining the present level of funding for the stormwater management program.

ii. That Council approve a phased-in implementation approach to blend the tiered flat rate and tax contribution to achieve the initial required budget for the current stormwater management program, which will eventually be transformed into a 100% tiered flat rate model over a number of years.

iii. That Council direct staff to incorporate the stormwater funding model and implementation for July 2010.

iv. That Council approve a reduction in property tax equivalent to the amount shifted over to a user rate at the time of implementation.

APPROVALS

General Manager, PWS  Date  Other  Date

Legal  Date  Director  Date
v. That Council direct staff to report back in July 2011 with a stormwater funding status report and to identify a timeframe to implement the tiered SFU funding model as recommended in the study.

EXECUTIVE SUMMARY:

Stormwater management systems represent valuable public assets that provide a number of benefits to many users. By controlling floodwaters and preventing pollutants from reaching our rivers, lakes and coastlines, stormwater management systems can protect the health and safety of the public and the environment. In so doing, clean and healthy water resources support public drinking water supplies and can attract local investment through increased land values. Furthermore, clean and healthy water resources can support recreational activities, tourism, and basic manufacturing that rely on clean water.

Stormwater management has been under-funded for many years due to cost-cutting measures to balance budgets. It is a service that keeps a low profile, but if left un-maintained, causes serious problems that will only get worse over time unless steps are taken now.

In November 2004, Council directed staff to proceed with undertaking a Stormwater Management Program and Funding Review Study collaboratively with the City of Kitchener as part of the Shared Services Initiative. Totten Sims Hubicki Associates (now known as AECOM) was retained by the Cities as consultants for the Study. In addition, a committee known as the Stormwater Advisory Committee (SWAC), with representation from various sectors of the community, including approximately 25 members from industrial, commercial, institutional, regional government, conservation authority and citizens at large, have provided input into the study.

While the study was triggered due to a variety of stormwater management (SWM) program needs for both Cities, the primary purpose of the study is to determine if the current stormwater management program can be modified to reflect the public service values of fairness and equity. In other words, is there an advantage in adopting a different funding model for a stormwater management program that would involve charging community members a rate based on the amount of impervious area a citizen or business owns as opposed to the current method of apportioning stormwater funding based on property assessment values for eligible taxpayers (many properties are tax-exempt).

Impervious areas include all surfaces that water cannot penetrate such as roofs, driveways, parking lots and sidewalks. Water travelling over these surfaces is transported to the stormwater system moving more quickly and accumulating more pollutants than from an equivalent, more natural area such as a lawn, garden or green roof. The more impervious area an individual owns, therefore, the greater the demand on the stormwater management system.

The study findings have demonstrated that there are a number of public service values that can be brought into the system by introducing a stormwater rate structure. First and foremost
one can bring fairness and equity into the program by placing more burden of cost on the individuals who impact the service the most. Further, incentives can be built in easily to promote environmental awareness around the importance of keeping our stormwater systems clean and reducing the amount of impervious space we use in developments. The rate structure would also bring:

1. a dedicated funding source to stormwater management, hence sustainability;
2. a rate based on the user’s amount of runoff contribution as opposed to property value;
3. a funding mechanism that would include all contributors to the stormwater system (including tax-exempt properties);
4. a potential incentive for property owners to reduce stormwater runoff and pollutant discharge.

**Sustaining Our Stormwater Management Program**
The other need for the undertaking of the Stormwater Management Program and Funding Review is to identify the City’s current level of service, compare this to the legislated requirements and guidelines, and develop a sustainable level of service to support these needs.

A sustainable level of service represents an intermediate alternative between the current and ultimate desired service levels that ramp up existing services to meet the capital and operational needs as well as regulatory requirements over a realistic timeframe. The sustainable service level quantifies City staff’s assessment of future SWM program activities and expenditures required to:

- provide a more proactive and preventative maintenance program;
- provide additional activities to provide capacity to adapt to climate change and meet provincial and federal water quality requirements and;
- manage assets in a more sustainable manner; and meet service expectations of the public.

In October, 2008 the final draft report of the study was completed which recommended that a rational nexus based user rate approach be applied to fully fund the stormwater management program within the City of Waterloo. In other words, the study has successfully demonstrated that an equitable and defendable rate structure for stormwater is feasible.

This report discusses the results of the study and the options available to Council regarding an approach to funding stormwater management activities.

A number of funding model alternatives were investigated. These included:

I. Taxes or maintaining status quo;
II. Fees and special charges;
III. Special levies that have specific designations and limitations for usage;
IV. Other means i.e. fines, debentures, grants, bonds & loans;
V. Combinations of the above.

In addition to the above, staff at City of Waterloo also have considered two other alternatives separately that are not part of the Study Terms of Reference.

These two alternatives are:

- **Dedicated Levy**: A portion of the City’s tax rate is itemized on the property owner’s annual tax bill and applied specifically for stormwater management (SWM) services provided by the City.
- **Tiered Flat Rate**: A separate flat charge based on zoning/landuse considerations (as it correlates to impervious factors) for the City’s SWM services is itemized on the monthly water bill for customers.

These additional options were applied to the City of Waterloo to identify the rate structure details and distribution of potential revenue generated with the two additional funding scenarios. These additional alternatives were analyzed after the completion of the study due to the following considerations:

- Impact of the study recommended user rate to various community sectors in the current economic climate
- Ease of implementation and administrative costs

Finally, a phase-in rate model conversion approach is proposed over a number of years to smooth the transition process as we move from the present tax model to a tiered flat rate structure. The phase in approach can be introduced through a blend of user rate and tax contribution that can be used to achieve the initial required budget at the current level of service, which will reach the 100% user rate at a Council approved pace.

**BACKGROUND:**

The City maintains approximately 340 km of storm sewers, 46 stormwater management ponds and 43 km of creek systems. The total asset value of the Storm System is in the range of $125 million. The current annual Operating and Capital cost on these assets is approx. $3,060,000, which is 2.4% of the total asset value. The City of Waterloo’s current stormwater (SWM) program consists of four general components: operation and maintenance, environmental compliance, capital improvement projects and planning and management.

Stormwater management is the planning and controlling of stormwater runoff from rain and melted snow for the purposes of reducing downstream erosion, water quality degradation, and flooding. It also serves to reduce the impact of changes in land use on the aquatic environment.
The City is responsible for managing all aspects of stormwater. However, the City’s ability to effectively and adequately perform its duties are limited by the available funding. Factors that are impacting the stormwater system include:

- **Urbanization**: Growth and development alters the amount of runoff and pollution discharged into the system.
- **Aging infrastructure**: Pipes, culverts and outfalls have a limited life expectancy and must be repaired and replaced.
- **Design standards**: Regulatory requirements are always changing such that systems designed to previous criteria may be inadequate with respect to current standards.
- **Inadequate planning**: Problems will result if programs do not proactively plan the appropriate resources, measures, and improvement projects to address needs and problems.
- **Inadequate maintenance**: Problems will also result if programs do not actively operate facilities, maintain watercourses, sweep streets, collect leaves and debris, etc.
- **Poor design and faulty construction**: Development site plans must be properly reviewed and adequately inspected during construction to minimize the potential for hazards.
- **Intensity and frequency of rainfall events as a result of climate change.**

Many of the best management practices (BMPs) that have been constructed within the City (e.g. Storm ponds, oil/grit separators, etc.), are not only designed to prevent against flooding and erosion, but improve water quality for aquatic and terrestrial habitat as well as downstream drinking water recipients. All of the stormwater flow within the City of Waterloo is directed towards the Grand River with the ultimate receiver being Lake Erie.

Stormwater related works are subject to such legislation as the Ontario Water Resources Act, Canadian Environmental Protection Act, the Fisheries Act and several guidelines published through the Ministry of Environment and Ministry of Natural Resources. The Grand River Conservation Authority (GRCA) also provides a significant role in the permitting and approvals process as well as being a lead on the new Clean Water Act which will have municipal impacts as work related to this Act evolves.

Review of the existing stormwater program indicates that the City is struggling to meet Provincial and Federal regulations and guidelines with respect to stormwater management operations and maintenance and it is generally reactive with respect to capital projects/expenditures and other program elements.

In November 2004, Council directed staff to proceed with undertaking a Storm Drainage Utility Feasibility Study collaboratively with the City of Kitchener as part of the Shared Services Initiative.

Totten Sims Hubicki Associates (now known as AECOM) was retained in June 2005 to conduct the study following a formal consultant selection process. The costs for the project to date have been shared equally by both Kitchener and Waterloo.
In May, 2007 City staff presented the interim findings of the study which identified the City’s current level of service and identified a suggested level of service based on Federal and Provincial legislative requirements and guidelines.

This component of the study reviewed operations and maintenance frequencies to the available guidelines and it is evident that both Cities are falling short on many of its practices. A review of the current City practices and programs identified the following elements that require improvement:

- Identification of deficiencies in the current levels of service and with respect to legislative requirements;
- Inability to fund current SWM infrastructure needs (both construction and maintenance);
- Desire to consolidate and coordinate SWM activities and services that are currently spread across multiple departments and budgets;
- Need to improve the existing level of service, better plan, schedule and proactively manage their respective SWM programs; and
- Develop an appropriate and sustainable source of funding (i.e., consistent from year to year) to support the improved SWM program and protect the existing stormwater infrastructure with funds that are dedicated solely to SWM and generated on a fair and equitable basis.

**Funding Models**
The Study used year 2007 Stormwater program budget as its existing funding level which was $3,060,000. The Study also recommended that the future sustainable funding level be $4,500,000. However, staff recommends through this report that the existing funding level remain the same as the 2009 funding level of $2,120,000 during the transition to a new funding model. This way the only change in the Stormwater program is its funding source while keeping the level of service unchanged. Although the level of service is inadequate to current industry standards, it is proposed to be the funding level at present conditions. Further, it is to be noted that the considerable reduction in the 2009 budget from past years was possible (from $3,060,000 to $2,120,000) partly due to the reduction in the program level and also through reallocation of the program costs to other non tax funding sources.

The study further goes on to investigate the viability of various funding mechanisms in order to support the recommended level of service. Funding mechanisms that will be investigated include taxes, fees and special charges or other means such as partnerships, grants, etc. Property taxes are the primary source of funding for stormwater management programs in Ontario.

At least three municipalities in Ontario (i.e., London, St. Thomas, and Aurora) have implemented a special stormwater user fee that charges a flat rate to residential properties and an area-based charge to commercial/industrial properties. Other municipalities in Ontario are known to be evaluating various stormwater rate structures including the Cities of Brantford, Hamilton, and Markham. There are approximately a dozen municipalities in western Canada that have either adopted a flat rate user fee or have implemented a stormwater rate based on
zoning and intensity of development. Over 600 stormwater rates have been implemented in communities throughout the U.S.

**Alternative 1 – Tiered Flat Rate Funding Model (Staff Recommended Model)**

The Tiered Flat Rate funding model apportions a flat rate charge to a property based on the property’s zoning/landuse classification. The rationale for assigning stormwater charges based on zoning is that there is generally a correlation between zone type and percent imperviousness of a property. This generalization is an accepted engineering practice for stormwater management planning and designs and, as such, is applicable for a stormwater rate.

**Rate Structure Details**

**Table 1** compares the dedicated tax levy and flat rate options for the City of Waterloo for the revenue requirement scenario described above.

<table>
<thead>
<tr>
<th>Parcel Type</th>
<th>Present Tax Contribution</th>
<th>Tiered Flat Rate at Current Funding Level</th>
<th>Tiered Flat Rate at Sustainable Funding Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Type</td>
<td>Amount (Month)</td>
<td>Tax (%)</td>
</tr>
<tr>
<td>Single Family</td>
<td></td>
<td>$1,372,818</td>
<td>64.8%</td>
</tr>
<tr>
<td>Multi Family</td>
<td></td>
<td>$191,742</td>
<td>9.0%</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td>$335,902</td>
<td>15.8%</td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td>$150,756</td>
<td>7.1%</td>
</tr>
<tr>
<td>Tax Exempt + PILOT</td>
<td></td>
<td>$68,782</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$2,120,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Notes:**
1. Tax levy revenue based on 2009 budget.
2. Present number of water meter accounts based on the parcel types. The number of accounts will be refined at implementation.
3. Approx. monthly rates, using the land use based tiered and assuming 100% collection rate.
4. Desired funding level impact for a tiered flat rate stormwater charge compared to tax levy funding.

An example of the annual financial impact for the **average single family residential property** for present tax contribution versus the tiered flat rate contribution is provided.

The average single family residential property (Class RTEMP Assessed at $214,000 in 2009) would contribute approximately $36.71(4.05% x $906.16) from property tax to the stormwater management program on a yearly basis. Under the tiered flat rate at the current stormwater program funding level the yearly contribution would be $32.52 ($2.71 x 12). If the stormwater management program was funded to the sustainable level of service the tiered flat rate yearly contribution would be $69.12.
Table 2:

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Low administration cost (i.e., compared to an impervious area based stormwater rate);</td>
<td>• Charge has less correlation with the runoff contribution from each property;</td>
</tr>
<tr>
<td>• Maintains constant revenue stream for the City’s SWM program; and</td>
<td>• There could be a potential for occasional inequity as the customers are charged based on their zoning and not based on the imperviousness or size of the property</td>
</tr>
<tr>
<td>• Minimal database management system required to implement the charge.</td>
<td>• Property owners have limited ability to reduce their charge (i.e., no incentive to adopt source controls); and</td>
</tr>
</tbody>
</table>

Unlike the Study recommended stormwater rate, based on impervious area, both the dedicated tax levy and staff recommended tiered flat rate options have their own inherent drawbacks. Nevertheless, the tiered flat rate model does depict some level of fairness by being inclusive of all users of the public stormwater system and hence achieving the principles of fairness, and further it shows some level of reasonableness over equity than the present tax model.

However, the tiered flat rate has little financial incentives for property owners to provide on-site controls to reduce stormwater and pollutant loads to the municipal SWM system. On the other hand, these additional options (i.e. tax levy and tiered flat rate models) are relatively easier to implement as they both offer significantly lower administrative costs and remove many of the obstacles in obtaining buy-in from all sectors of the public.

**Alternative 2 – User Rate Funding Model (Study Recommended Model)**

A stormwater user rate is calculated based on the contribution of stormwater runoff from each property to the municipal drainage system (ditches, sewers) and end of pipe infrastructure (ponds, creeks) as measured by the amount of impervious area contained on each property. The fee is typically applied on a monthly basis. Revenues generated through the rate can be used for any Stormwater Management program related costs.

The primary advantage of a user fee is that it is a more equitable funding mechanism than any other funding sources. Fees are assessed to each parcel of land based on usage of the drainage system rather than property value. The secondary advantage associated with a stormwater rate is that all parcels; including tax-exempt properties (e.g., federal, provincial) can be assessed a user fee that reflects their relative stormwater contribution to the municipal stormwater management system. For example, each tax-exempt parcel could be charged a stormwater user fee. Table 3 provides a summary of the advantages and disadvantages of the User Fee model.

Apart from the above advantages, the other objective that can be achieved through the user rate model is to increase the level of service and hence will help meet the following impacts:
• New and more stringent regulatory requirements that are continually introduced
• Urbanization and intensification that are exceeding the capacity of the existing system, not only making profound changes on the area being developed but also causing significant impact to the downstream natural creek system
• Aging infrastructure requiring capital upgrades
• Rapidly evolving types of “state of the art” infrastructure requiring more frequent monitoring, maintenance and specialized staff knowledge
• Increasing environmental awareness and public expectation regarding the quality of receiving waterbodies.
• Intensity and frequency of rainfall events as a result of climate change.

Table 3: Summary of Advantages and Disadvantages of a Stormwater User Rate Model

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated funding source hence a stable funding source for all Stormwater Management program activities to allow long-range planning, large-scale capital improvements, and leverage for debentures</td>
<td>Additional implementation costs (e.g. database management, billing and customer service). However this could be minimized through the use of other existing billing systems such as water/sewer</td>
</tr>
<tr>
<td>Fair and equitable fee that is based on runoff contribution rather than property value</td>
<td>The possibility that a new fee may not be well received by the public</td>
</tr>
<tr>
<td>Costs for municipal Stormwater Management services are equitably distributed to all privately and publicly owned developed properties within the Cities</td>
<td>There is no way to remove or discontinue services for non-payment. Secondly, the service is provided to all properties without choice</td>
</tr>
<tr>
<td>Introduction of a credit program will induce incentive to property owners to reduce stormwater runoff and pollutant discharge hence creating environmental awareness</td>
<td>The actual service rendered to the property is often difficult to quantify</td>
</tr>
<tr>
<td>Provides a mechanism to ensure privately owned Stormwater Management infrastructure is properly maintained.</td>
<td></td>
</tr>
</tbody>
</table>

**Alternative 3 – Dedicated Tax Levy Option**

A dedicated tax levy can be administered specifically to raise revenue for stormwater services, such that a fixed property tax rate is applied and itemized on the property owner’s annual tax bill. A by-law would be required to dedicate these funds specifically to the stormwater management program.
### Table 4: Summary of Advantages and Disadvantages of a Dedicated Stormwater Tax Levy

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Property-tax-based revenues are already accepted as the primary existing source of revenue for municipalities</td>
<td>• Property taxes are based on a property's assessed value, which may not equate to its runoff contribution, so the fairness and equity of this revenue source is low (Charge does not correlate with the runoff contribution from each property).</td>
</tr>
<tr>
<td>• Can be used to fund all Stormwater Management program activities</td>
<td>• Property owners have limited ability to reduce their charge (i.e., no incentive to adopt source controls).</td>
</tr>
<tr>
<td>• The billing system is already established for property taxes</td>
<td>• Tax-exempt properties contribute very little or nothing to support the Stormwater management program</td>
</tr>
<tr>
<td>• Maintains status quo for property owners (maintains tax exemption and PILOT contributions for currently eligible properties)</td>
<td>• Inequitable among parcels, since charge is based on property value not runoff;</td>
</tr>
<tr>
<td>• Additional administration costs are negligible;</td>
<td>• Tax exempt parcels do not contribute to the City's SWM services;</td>
</tr>
<tr>
<td>• Maintains constant revenue stream for the City’s SWM program; and</td>
<td>• When revenue requirements change, it is difficult to equitably increase the charge commensurate with runoff.</td>
</tr>
<tr>
<td>• No additional database management system required to implement the charge.</td>
<td></td>
</tr>
</tbody>
</table>

### Alternative 4 – Do nothing option

The forth alternative is the do nothing option or maintain the status quo which will maintain the current funding model of property tax.

Tax-exempt properties generally do not contribute to the municipality’s Stormwater Management program. Tax exempt properties include governmental parcels (e.g., municipal, regional, provincial, and federal buildings) as well as institutional parcels (e.g., schools, hospitals, and churches) and other charitable organizations that are registered with the Canada Revenue Agency and therefore exempt from taxation under the Income Tax Act.

The Municipal Act authorizes a “heads and beds” charge to institutions (e.g., hospitals, postsecondary schools, and correctional facilities), where payments of $75 per person/year or per bed/year are made under this program out of which the City gets approximately 35% of the contribution.
Table 5: Summary of Advantages and Disadvantages of Maintaining the Status Quo

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Property-tax-based revenues are already accepted as the primary existing source of revenue for municipalities</td>
<td>• Property taxes are based on a property’s assessed value, which may not equate to its runoff contribution, so the fairness and equity of this revenue source is low.</td>
</tr>
<tr>
<td>• Can be used to fund all Stormwater Management program activities</td>
<td>• There is no incentive for property owners to reduce stormwater runoff and pollutant discharge.</td>
</tr>
<tr>
<td>• The billing system is already established for property taxes.</td>
<td>• Tax-exempt properties contribute very little or nothing to support the Stormwater management program.</td>
</tr>
<tr>
<td></td>
<td>• It is not a dedicated funding source.</td>
</tr>
<tr>
<td></td>
<td>• There is an annual competition for general tax funds to support other community services and can therefore prove difficult to sustain the Stormwater Management program.</td>
</tr>
</tbody>
</table>

**STORMWATER USER RATE ANALYSIS:**

The Study provided additional analysis on the Stormwater user rate concept to determine the rate structure, legal considerations and financial considerations. A summary of this analysis is provided below.

**Rate Structure Analysis Summary:**

The estimated rate structure was based on the total areas of imperviousness. In order to determine the estimated stormwater rate for different types of properties for the purposes of the feasibility study, the following steps were taken:

I. Parcel Analysis- determines the impervious characteristics of a sampling of properties to determine the estimated number of billing units

II. Stormwater Billing Unit Analysis- Uploads the master data of customer information and coding in for rate set up

III. Sample Property Impacts- a sample of specific properties was analyzed to compare financial impacts of a stormwater rate versus tax.

The analysis provided estimated rates, however further precise measurements of individual properties would be required at the time of implementation. The estimated values are adequate for the purpose of evaluation. The estimated stormwater rate is provided in Table 6.
Table 6: Estimated Stormwater Rate by Property Type

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Waterloo Stormwater Rate-$/month</th>
<th>Kitchener Stormwater Rate-$/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family small (≤170 m² impervious area)</td>
<td>$4.09</td>
<td>$3.94</td>
</tr>
<tr>
<td>Single Family medium (170 - 340 m² impervious area)</td>
<td>$6.82</td>
<td>$6.56</td>
</tr>
<tr>
<td>Single Family large (&gt;340 m² impervious area)</td>
<td>$8.87</td>
<td>$8.53</td>
</tr>
<tr>
<td>Duplex (per dwelling unit)</td>
<td>$2.73</td>
<td>$2.62</td>
</tr>
<tr>
<td>Townhouse (per dwelling unit)</td>
<td>$4.77</td>
<td>$4.60</td>
</tr>
<tr>
<td>Multi-Family 3-5 Units (per dwelling unit)</td>
<td>$2.73</td>
<td>$2.62</td>
</tr>
<tr>
<td>Multi-Family &gt;5 Units (per dwelling unit)</td>
<td>$1.36</td>
<td>$1.31</td>
</tr>
<tr>
<td>Non-residential (per every 259 m² (2,788 ft²) of impervious area)</td>
<td>$6.82</td>
<td>$6.56</td>
</tr>
</tbody>
</table>

Additional analysis was performed on random sample properties to provide examples of individual property monthly rate contribution. A summary of this analysis is provided in Table 7.
### Table 7: Comparison Showing Monthly Rate Charges versus Tax Charges for Selected Properties.

<table>
<thead>
<tr>
<th>Item</th>
<th>Current Funding</th>
<th>100% Tax</th>
<th>100% Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Stormwater Program Expense:</td>
<td>$3,060,000</td>
<td>$3,210,000</td>
<td></td>
</tr>
<tr>
<td>Program Expense paid by Tax Levy:</td>
<td>$3,060,000</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Program Expense paid by Stormwater Rate:</td>
<td>$0</td>
<td>$3,210,000</td>
<td></td>
</tr>
<tr>
<td>Stormwater Portion of Tax Levy:</td>
<td>6.4%</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Stormwater Rate Charge ($/SFU/mo):</td>
<td>n/a</td>
<td>$6.82</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sample Property / Monthly Charge</th>
<th>Tax</th>
<th>Tax</th>
<th>Rate</th>
<th>Total</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Res’l Taxpayer (Single Family – Small)</td>
<td>$2.1</td>
<td>$0.0</td>
<td>$4.1</td>
<td>$4.1</td>
<td>$1.9</td>
</tr>
<tr>
<td>Res’l Taxpayer (SF Medium, $150,000)</td>
<td>$3.2</td>
<td>$0.0</td>
<td>$6.8</td>
<td>$6.8</td>
<td>$3.6</td>
</tr>
<tr>
<td>Res’l Taxpayer (SF – Medium, $250,000)</td>
<td>$5.4</td>
<td>$0.0</td>
<td>$6.8</td>
<td>$6.8</td>
<td>$1.5</td>
</tr>
<tr>
<td>Res’l Taxpayer (SF – Medium, $350,000)</td>
<td>$7.5</td>
<td>$0.0</td>
<td>$6.8</td>
<td>$6.8</td>
<td>-$0.7</td>
</tr>
<tr>
<td>Res’l Taxpayer Single Family – Large)</td>
<td>$8.6</td>
<td>$0.0</td>
<td>$8.9</td>
<td>$8.9</td>
<td>$0.3</td>
</tr>
<tr>
<td>Res’l Taxpayer (Multi-Family)</td>
<td>$103.7</td>
<td>$0.0</td>
<td>$47.7</td>
<td>$47.7</td>
<td>-$59.9</td>
</tr>
<tr>
<td>Tax Exempt (Church)</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$88.0</td>
<td>$88.0</td>
<td>$88.0</td>
</tr>
<tr>
<td>Tax Exempt (Fire Station)</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$351.9</td>
<td>$351.9</td>
<td>$351.9</td>
</tr>
<tr>
<td>Non Res’l Taxpayer (Commercial)</td>
<td>$26.2</td>
<td>$0.0</td>
<td>$32.7</td>
<td>$32.7</td>
<td>$6.6</td>
</tr>
<tr>
<td>Non Res’l Taxpayer (Industrial)</td>
<td>$503.3</td>
<td>$0.0</td>
<td>$470.6</td>
<td>$470.6</td>
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<td>Non Res’l Taxpayer (Industrial)</td>
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<td>Non Res’l Taxpayer (Commercial)</td>
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<td>Non Res’l Taxpayer (Commercial)</td>
<td>$144.7</td>
<td>$0.0</td>
<td>$88.7</td>
<td>$88.7</td>
<td>-$56.0</td>
</tr>
</tbody>
</table>

**Financial Analysis:**

There would be an implementation cost for the initial programming of GIS software applications and other technological changes for grouping of account numbers and incorporating GIS property information. There would also be ongoing administrative support (customer service) and billing costs for the program that can be minimized by redeploying existing staff and retooling the existing water and sanitary billing format.
Public Consultation:

As part of the study a Stormwater Advisory Committee (SWAC) was formed consisting of various stakeholders from across the City of Kitchener and Waterloo. Representation included the school boards and universities, the Chamber of Commerce, other business representation and members of the public. Eight (8) meetings over the last four (4) years have been held with the SWAC as well as individual meetings with the various stakeholders to identify issues and concerns.

A Public Open House was also held for the general public to provide comment and insight as well. As a result of the input received, the study name was changed from the Stormwater Utility Feasibility Study to the Stormwater Management Program and Funding Review Study.

A series of Focus Group meetings were held with business groups, tax-exempt groups and residential groups from the City of Waterloo and Kitchener. Among the key findings were:

- SWM and related funding matters were not a high priority issue for most participants;
- Once informed about the current program and funding challenges, many expressed greater levels of interest in SWM and support for additional funding;
- There was a general consensus to support the concept that “those who contribute the most stormwater contribute the most funds toward managing it” (i.e., as achieved through a stormwater rate);
- A combination fee structure is seen by many to be a more palatable first step (i.e., blended revenue from tax and stormwater rate);
- Residential property owners support a stormwater rate (although this was likely influenced by the possibility that they would pay less for SWM compared to the current tax-based funding);
- Business owners and tax-exempts are concerned about a stormwater rate that would have them absorb additional costs;
- Tax-exempt properties experience unique and perhaps profound challenges under a rate, as revenue generation opportunities are limited;
- Skepticism was expressed by some participants that moving to a rate would result in any decrease in property taxes; and
- Education, incentives and credits are seen as key success factors for any SWM funding system.

The project team circulated the Draft Final Report to the SWAC members on October 22, 2008 for their review and comments. At the December 04, 2008 SWAC meeting, these comments were received and reviewed and the Draft Final Study Report was presented and the consultation process formally concluded at that meeting.

It is to be noted that Educational and Regional Government sector members of the Stormwater Advisory Committee (SWAC) prefer the tax based funding model option as stated above. In other words, their preferred option is to maintain the status quo. Representation from the
GRCA and the community at large members preferred the user rate model (see appendix C for SWAC members response to their preferred funding model).

**Study Recommendations:**

1. Develop a stormwater rate to meet the annual stormwater management (SWM) program funding requirements based on the current level of service (LOS) for the most recent fiscal year.

2. Consider increasing the stormwater rate in future years in order to achieve the sustainable LOS expenditures.

3. Develop a stormwater rate based on the Tiered Single Family Unit (SFU) billing unit method.

4. Phase-in the stormwater rate program over a four-year period to ease the transition from the current property tax based funding.

5. Reduce the property tax levy by the corresponding stormwater rate revenue amount in each year of the recommended phase-in period in Item 6.

6. Adopt a stormwater rate credit policy for all property types.

7. Adopt a rebate policy for tax-exempt properties currently contributing Payment In-Lieu-Of Taxes (PILOT, e.g., post-secondary schools and hospitals). The rebate will deduct the stormwater component of their PILOT charge from their stormwater bill, which will vary in proportion to the stormwater rate revenue during the phase-in period.

**Staff Recommended Approach**

Staff are in agreement with the study recommendations to implement a user rate based funding model however there is recognition that moving to this model represents a philosophical shift in how stormwater is viewed by the community, as well as, represents an economic impact to the tax-exempt sector of the community. Therefore staff is recommending the tiered flat rate model as an interim approach to advance the concept of having all stormwater runoff contributors (i.e. property owners) contribute financially into the stormwater management program at a lesser impact to the tax-exempt sector.

**CONCLUSION:**

The City of Waterloo has stormwater management assets valued at approximately $125,000,000. Review of the existing stormwater program indicates that the City is currently not meeting Provincial and Federal regulations and guidelines with respect to stormwater
management operations and maintenance is generally reactive with respect to capital projects/expenditures and other program elements.

The purpose of the study is to identify the deficiencies within the program, develop a suggested level of service with respect to stormwater and explore and recommend a preferred funding mechanism to fund the suggested program. The study has successfully demonstrated that an equitable and defendable rate structure for stormwater is feasible.

If a tiered flat rate is approved, staff would like to move forward with the implementation so that the program will be implemented for July 2010. During the implementation phase a more detailed financial analysis will be completed along with establishing the necessary system changes and policies to support the stormwater rate structure. Staff continues to review and prioritize needs within the stormwater management program for both operating and capital budget requirements to support the stormwater management programming needs. Staff is recommending that the report be received for information by Council on October 5, 2009 and that a decision to initiate a stormwater rate implementation be deferred until the 2010 budget deliberation process.

**FINANCIAL IMPLICATIONS:**

The implementation cost of the tiered flat rate funding model is anticipated to be a minor one-time cost. Implementation cost savings are achieved through the in-house billing of water and sanitary utilities and the relatively low program administration requirements of a flat rate model.

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Kitchener-Waterloo Stormwater Management Program - Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Description</td>
<td>Kitchener-Waterloo Stormwater Management Program - Implementation</td>
</tr>
<tr>
<td>Funding Source</td>
<td>Operating Budget Contingency Reserve</td>
</tr>
<tr>
<td>Expenditure Request</td>
<td>$20,000</td>
</tr>
<tr>
<td>Projected Reserve Balance</td>
<td>$125,000</td>
</tr>
</tbody>
</table>

**LEGAL CONSIDERATIONS:**

If a rate or a dedicated tax levy approach is implemented there needs to be a by-law enacted in order to charge special rates or taxes and then allocate these to stormwater management program. Under the authority of the Municipal Act (2001) the City has authority to pass a “Fees and Charges” By-law for the purpose of funding stormwater management. As such, tax exempt property owners would be required to pay the stormwater management fee. Additionally staff have retained external legal counsel to seek advice on this matter and their opinion supports the user rate option recommended in the Study.
Submitted by:

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Signature

Name: Sunda Siva, MBA, P. Eng.
Position: Director, Capital Projects and Services
PWS2009-16
APPENDIX A

EXECUTIVE SUMMARY OF DRAFT FINAL REPORT
Appendix A:  
DRAFT FINAL REPORT

EXECUTIVE SUMMARY

ES.1 Background

The Kitchener-Waterloo Stormwater Management Program and Funding Review study is a collaborative effort between the Cities of Kitchener and Waterloo as part of their joint services initiative. The overall study features two key components:

- An identification of the stormwater management (SWM) program needs and expenditures; and
- An evaluation of the appropriate funding mechanisms to support these needs.

The Stormwater Management Needs and Expenditures Interim Report was prepared in April 2007 and documents the findings of the first project component. This report documents findings of the second project component and is intended to summarize the evaluation of available SWM financing mechanisms, the parcel and stormwater rate analysis, and the implementation plan recommendations for both Cities.

This study was prompted by a variety of SWM program needs for both Cities, including:

- Identification of deficiencies in the current levels of service and with respect to legislative requirements;
- Inability to fund current SWM infrastructure needs (both construction and maintenance);
- Desire to consolidate and coordinate SWM activities and services that are currently spread across multiple departments and budgets;
- Need to improve the existing level of service, better plan, schedule and proactively manage their respective SWM programs; and
- Develop an appropriate and sustainable source of funding (i.e., consistent from year to year) to support the improved SWM program and protect the existing stormwater infrastructure with funds that are dedicated solely to SWM and generated on a fair and equitable basis.

Study Objectives

The overall objective of this study is to quantify an appropriate level of service, and evaluate potential funding sources as a means to support and enhance the respective SWM programs in the Cities of Kitchener and Waterloo in a sustainable manner. Specific study objectives include:

1. Detailed quantification of the current operations and capital SWM program elements;
2. Detailed quantification of the projected SWM program needs, as identified by an appropriate and affordable level of service;
3. Recommendation of the financial mechanisms to meet these needs; and
4. An implementation plan identifying the key activities and corresponding schedules to implement the recommended funding option.

Project Highlights

The project was initiated in July 2005. Activities that took place throughout the course of the study included data collection efforts, meetings and interviews with City staff, presentations to City Council and corporate management, and regular progress meetings with the project Steering Committee. In addition, key project highlights included:

- Kickoff workshop in August 2005 that included presentations, interviews, and related discussion sessions with key staff from various City departments;
- A series of seven facilitated Stormwater Advisory Committee (SWAC) meetings from October 2005 through March 2008;
Appendix A:
DRAFT FINAL REPORT:

- Two public open house forums in February 2006 (i.e., one for each City), featuring summary presentations, informational poster boards, and activities targeted to specific groups (i.e., residential taxpayers, non-residential taxpayers, tax-exempt entities);
- Individual discussion meetings in March 2006 with SWAC members (i.e., residents, business, and education groups);
- Interim report describing the SWM needs and expenditures issued in April 2007;
- Research focus group meetings held in November 2007; and
- Technical memorandum describing the draft rate structure analysis and recommended implementation strategy issued in March 2008.

ES.2 Stormwater Needs and Expenditures

Stormwater management in Kitchener and Waterloo represent major public investments, with an estimated total asset value of $300,000,000 and $125,000,000, respectively. These programs are currently funded through property taxes, with development related capital projects currently funded by development charges. Stormwater funding drawn from the general tax fund must compete with other vital City services and is often inadequate to provide an acceptable level of service demanded by citizens, businesses, and other organizations within the community. Stormwater program funding has also been inadequate in achieving regulatory requirements, such that current guidelines are not being met.

Existing Stormwater Management Programs

Each City’s SWM program can generally be categorized into four main areas:

- Operations and Maintenance (O&M);
- Environmental Compliance;
- Capital Improvement Projects; and
- Planning and Management.

The average annual SWM program expenditures in Kitchener are currently $4.5 million dollars/year, which represents approximately 5.1 percent of the City portion of property taxes (i.e., 2007 total tax levy). The average annual SWM program expenditures in Waterloo are currently $2.8 million dollars/year, representing approximately 5.7 percent of the City portion of property taxes (i.e., 2007 total tax levy).

Future Stormwater Management Programs

A “sustainable” level of service was investigated as the future SWM program within the Cities of Kitchener and Waterloo. This was the recommended alternative in the 2007 Interim Report (dated April 2007). A sustainable level of service represents an intermediate alternative between the current and ultimate desired service levels that ramps up services to meet the capital and O&M needs and regulatory requirements over a realistic timeframe. The sustainable service level quantifies City staff’s assessment of future SWM program activities and expenditures required to:

- Provide a more proactive and preventative maintenance program;
- Provide additional activities to meet provincial and federal water quality requirements;
- Manage assets in a more sustainable manner; and
- Meet service expectations of the public.

The average anticipated stormwater expenditure in Kitchener is $9.9 million dollars/year, representing approximately 12.0 percent of the City portion of property taxes. The average anticipated stormwater expenditure in Waterloo is $4.5 million dollars/year, representing approximately 9.5 percent of the City portion of property taxes.
Appendix A:
DRAFT FINAL REPORT

ES.3 Stormwater Funding Options

The funding options that were investigated as part of this study included:

- **Property Tax** which allocates charges to property owners based on assessed value. Funding a municipal SWM program with revenue from property taxes is the most common method of financing in Ontario. As an alternative, a dedicated levy could be administered specifically for SWM. The primary advantages of using property taxes to support the municipal SWM program, either through the general tax fund or dedicated levy, is that this method is already accepted as the primary existing source of revenue for municipalities and the billing system is already established. The primary disadvantages are that the fairness and equity in allocating charges is low, it is not a sustainable revenue stream, there are no incentive opportunities to reduce stormwater runoff and pollutant discharge, and many large properties do not contribute to the funding (i.e., tax-exempt).

- **Development Related Charges and Fees** which allocates charges to developers to fund eligible growth-related costs. Development charges are used to pay for capital costs of SWM facilities in specific areas. Cash-in-Lieu charges can be applied to both capital and O&M costs of SWM facilities in redevelopment/infill situations, and not necessarily in the location where the development is occurring. Subdivision agreements can also be used to pay for area-specific capital works and anticipated future O&M activities. The primary advantage is that these methods are currently accepted by the development community. The primary disadvantages are that these methods are limited by the amount of developable land within municipality and are directly dependent on growth and economic conditions.

- **Stormwater Rate** which allocates charges to property owners based on the measured area of impervious ground cover (e.g., rooftops, driveways, and parking lots), which is a common indicator of the relative contribution of stormwater runoff and pollutant loading to the municipal SWM system. Funding through a stormwater rate has the primary advantages of a fair and equitable allocation of charges to property owners, it is a sustainable and dedicated funding source, provides incentive opportunities to reduce stormwater runoff and pollutant discharge, and it provides a mechanism to charge tax-exempt properties for municipal SWM services. The primary disadvantages include additional costs for rate implementation and the possibility that a new fee may not be well received by the public.

Property taxes are the primary source of funding for SWM programs in Ontario. At least three municipalities in Ontario (i.e., London, St. Thomas, and Aurora) have implemented a special stormwater user fee that charges a flat rate to residential properties and an area-based charge to commercial/industrial properties. Other municipalities in Ontario are known to be evaluating various stormwater funding options. There are approximately a dozen municipalities in western Canada that have either adopted a flat rate user fee or have implemented a stormwater rate based on zoning and intensity of development. Over 600 stormwater rates have been implemented in communities throughout the U.S.

ES.4 Conclusions and Recommendations

A stormwater rate based on impervious area was identified as the most fair, equitable and sustainable funding mechanism, because the costs are allocated based on the relative contribution of stormwater runoff and pollutant loading from all properties.
Appendix A:

DRAFT FINAL REPORT

Key Benefits of a Stormwater Rate
The implementation of a stormwater rate represents more than a mere reallocation of municipal SWM program costs compared to current property tax based funding, it also supports the Cities’ overall Environmental, Planning, and Engineering/Infrastructure goals and objectives on three key fronts. That is, the implementation of a stormwater rate offers the following key benefits:

- Achieves the shared City principles of fairness, equity and sustainability;
- Provides a flexible mechanism to support the current and future needs of the SWM program; and
- Offers financial incentives for property owners to provide on-site controls to reduce stormwater and pollutant loads to the municipal SWM system, through the adoption of a credit policy.

Key Challenges of a Stormwater Rate
The key challenges of a stormwater rate include:

- Additional implementation costs. There is a common misconception that a stormwater rate entails significant implementation costs and that there is a need to reorganize the City’s administrative structure to implement a stormwater rate. A critical success factor is addressing these misconceptions at an early stage in the rate study by presenting factual accounts of the anticipated administration costs. Although a stormwater rate does not generally result in organizational restructuring, it does force a change in financial reporting methods towards better cost accounting. Itemizing specific SWM labor and equipment expenditures is a good business practice and not necessarily a challenge.
- Explaining the new fee to all sectors of the public. A structured public consultation program is a critical success factor in the implementation of a stormwater rate, since a new funding mechanism may not be well received by the public. A key feature of the public consultation program in this study was the development and facilitation of a Stormwater Advisory Committee (SWAC), whose members represented different segments of the community and brought to the discussion the interests and concerns of each group. Given the typically low profile and level of understanding of the municipal SWM program by the general public, the formation of an advisory committee is a critical undertaking in a stormwater rate. Experience has shown that a successful SWAC process will address the more contentious issues of key stakeholder groups at an early stage. On the contrary, avoiding opponents during the course of the study could result in the rate being defeated during Council deliberations, depending on the tactics of a delegation of those opposed to the rate.

Recommended Implementation Strategy
The recommended implementation strategy described below was developed based on results of the stormwater rate analysis, discussions with the project Steering Committee, and in consideration of feedback received during the public consultation program:

1. Develop a stormwater rate to meet the annual SWM program funding requirements based on the current level of service (LOS) for the most recent fiscal year.

2. Consider increasing the stormwater rate in future years in order to achieve the sustainable LOS expenditures identified in Section 2.3. The ultimate goal of this study is to identify the most fair and equitable funding mechanism to support a sustainable SWM program in the respective Cities. Item 1 is the first step in achieving this goal, as it provides a flexible foundation for increasing SWM program activities to the sustainable LOS. The sustainable LOS represents City staff’s assessment of future SWM program activities and expenditures required to provide a more proactive and preventative maintenance
program, additional activities to meet provincial and federal water quality requirements, manage assets in a more sustainable manner, and to meet service expectations of the public.

3. Develop a stormwater rate based on the Tiered Single Family Unit (SFU) billing unit method. The Tiered SFU rate structure is the recommended option for both the City of Kitchener and Waterloo. From a practical standpoint, this option offers the optimal balance between equitability and administration requirements. Based on an initial assessment, it is estimated that the rate for an average residential property will be:
   - Kitchener – $6.56 per month for a property with an impervious footprint of 259 m² (2,788 ft²); and
   - Waterloo – $6.82 per month for a property with an impervious footprint of 266 m² (2,863 ft²); and

4. Develop a stormwater rate structure in Kitchener for all properties, regardless of tax status.

5. Develop a stormwater rate structure in Waterloo for all properties, regardless of tax status.

6. Phase-in the stormwater rate program over a specified time period to ease the transition from the current property tax based funding. The suggested phase-in is over a four-year period.

7. Reduce the property tax levy by the corresponding stormwater rate revenue amount in each year of the recommended phase-in period in Item 6.

8. Adopt a stormwater rate credit policy for all property types.

9. Adopt a rebate policy for tax-exempt properties currently contributing Payment In-Lieu-Of Taxes (PILOT, e.g., post-secondary schools and hospitals). The rebate will deduct the stormwater component of their PILOT charge from their stormwater bill, which will vary in proportion to the stormwater rate revenue during the phase-in period.

10. Adopt a tax subsidy for tax-exempt properties that do not currently contribute Payment In-Lieu-Of Taxes (e.g., elementary/secondary schools, churches, and charitable organizations that are defined as exempt from taxation under the Income Tax Act).

11. Continue to identify and evaluate efficiencies in stormwater services provided by Kitchener, Waterloo, Grand River Conservation Authority, and the Region of Waterloo. Joint initiatives that can offer services on a multi-jurisdictional basis (e.g., operations and maintenance activities, capital projects, and administrative/management services) can help to reduce the overall SWM program costs.
### APPENDIX B
SUMMARY OF SWAC COMMENTS

<table>
<thead>
<tr>
<th>SWAC Comments</th>
<th>Project Team Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>A user fee structure would result in less transparency than a tax based system</td>
<td>● A user fee structure would actually require additional scrutiny than the current tax based system. This is because all program costs must be accounted for in a user fee including direct and indirect costs so that the true program costs are identified. Furthermore, any rate increases are subject to approval by Council and as it is program specific the opportunity to receive greater scrutiny than a tax based program exists. It is also common practice to hold public meetings on rate increases and advertise in advance so that any stakeholder can have input into the user fee.</td>
</tr>
<tr>
<td>Rates would increase in future years well above the current funding level. This would effectively increase costs without control.</td>
<td>● Rate increases are subject to approval by Council and therefore are not uncontrolled.</td>
</tr>
<tr>
<td>If a user rate is established it should be fair and equitable with no user group granted exemptions, rebates or subsidies</td>
<td>● Specific details related to exemptions, rebates or subsidies would be investigated at the implementation stage. The comment is noted and will be retained for future efforts.</td>
</tr>
<tr>
<td>Application process to obtain a credit appears to be onerous for both applicant and administrator</td>
<td>● The goal of the credit process is not to be onerous to the applicant and administrator. Specific details on the requirements of the credit application process will be identified at the implementation stage.</td>
</tr>
</tbody>
</table>
| There is no clear understanding of costs associated with establishing a user fee structure (i.e. one time set up fees as well as ongoing administrative fees) | ● For Kitchener, it is currently estimated that one time set-up fees would be approximately $200,000 and yearly administrative fees would be approximately $250,000.  
● For Waterloo, it is currently estimated that one time set-up fees would be approximately $150,000 and yearly administrative fees would be approximately $150,000. |
| Establishing a rate structure based on imperviousness provides a logical physical connection and education perspective to the impacts and costs | ● Comment noted |
| Credit approach provides a required mechanism or incentive to encourage at source control of stormwater | ● Comment noted |
## APPENDIX B
### SUMMARY OF SWAC COMMENTS

<table>
<thead>
<tr>
<th>SWAC Comments</th>
<th>Project Team Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>The operation and maintenance of stormwater infrastructure is a conventional municipal responsibility and as such is no different than other tax supported services.</td>
<td>• Yes, the operation and maintenance of stormwater is a conventional municipal responsibility which is similar to the service delivery for collection of sanitary flow. Sanitary service is currently paid through a user fee structure and stormwater services have a significant number of common elements with sanitary sewer services.</td>
</tr>
<tr>
<td>• Yes, the operation and maintenance of stormwater is a conventional municipal responsibility which is similar to the service delivery for collection of sanitary flow. Sanitary service is currently paid through a user fee structure and stormwater services have a significant number of common elements with sanitary sewer services.</td>
<td>• Under the Municipal Act, both sanitary and stormwater have been defined as swage flow and no distinction is made. As a result aligning the funding method of sanitary and stormwater is appropriate.</td>
</tr>
<tr>
<td>Proposed recommendations for a user fee seem to have relied on a focus group which did not provide representation of the education sector</td>
<td>• The intent of the use of Focus Groups was to connect with as many remaining community groups as possible that were not included in the SWAC community forum. The effort of the Focus Group was to supplement the SWAC’s contribution for the Study. Engagement with many different forms of public outreach methods is to be considered as complementary to each other rather than to outweigh or to overshadow the same.</td>
</tr>
<tr>
<td>The operations of the two school boards, their properties and provincial education levy are region-wide however this proposal shifts the school boards’ expenditures to 2 of the 7 municipalities. Since the Province does not recognize this ‘rate’ as a specific operating cost, the significant expenditure</td>
<td>• This concern will have to be addressed collaboratively among all the parties involved at the time of implementation by quantifying the cost and services rendered and hence make the appropriate adjustments to that effect.</td>
</tr>
<tr>
<td>Universities and Colleges, while ‘tax exempt’, provides payments in-lieu-of taxes (PILOT), which are intended to offset the services utilized by the institutions, provided on their behalf by the municipalities. This is the appropriate revenue source for the storm water responsibility. The report arbitrarily allocates the PILOT payments in the same manner as the general tax base. That results in approximately 2.5% of the PILOT being presented as the contribution to storm water management on the assumption that the institutions are also proportionally paying for all other city services whether utilized by the institutions or not.</td>
<td>• Our recommendation to Council will be to decrease the taxes and redistribute it in the form of a user fee to those who use the system. There should be a similar arrangement to be made to accommodate changes in heads and beds levy.</td>
</tr>
<tr>
<td>• Our recommendation to Council will be to decrease the taxes and redistribute it in the form of a user fee to those who use the system. There should be a similar arrangement to be made to accommodate changes in heads and beds levy.</td>
<td>• However, the heads and beds levy which is received in lieu of property tax has been frozen at $75 per student since 1987. A report to the Region of Waterloo Council (dated Nov 14, 2007) was submitted to this effect and recommended a request to the Minister of Finance to amend the prescribed amount for the purposes of section 323 of the Municipal Act to allow for inflation over the past 20 years. It further states that indexed for inflation, the levy should be $121. If based on the assessed value of the property, as is the case with other provincial properties, the payment to the municipality for municipal services would be higher still.</td>
</tr>
<tr>
<td>• However, the heads and beds levy which is received in lieu of property tax has been frozen at $75 per student since 1987. A report to the Region of Waterloo Council (dated Nov 14, 2007) was submitted to this effect and recommended a request to the Minister of Finance to amend the prescribed amount for the purposes of section 323 of the Municipal Act to allow for inflation over the past 20 years. It further states that indexed for inflation, the levy should be $121. If based on the assessed value of the property, as is the case with other provincial properties, the payment to the municipality for municipal services would be higher still.</td>
<td>• With the above reference, a user fee approach to recover the cost on stormwater program from post secondary institutions looks to be more equitable to counterbalance the above disparity.</td>
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</table>
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<tr>
<th>SWAC Comments</th>
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<tbody>
<tr>
<td>The move to a ‘rate based’ system could increase costs to property owners as</td>
<td>• The Study Team’s recommendation to Council will be to decrease taxes and redistribute it in the form of a user fee to those that use the system.</td>
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<tr>
<td>it is not guaranteed that the municipality would decrease the stormwater</td>
<td></td>
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<tr>
<td>related portion of taxes.</td>
<td></td>
</tr>
<tr>
<td>Costs to homeowners and businesses for true “rate based” program such as</td>
<td>• There is control however control is based on land use practices. Property owners can make changes to minimize either the amount of run-off or install modifying control devices so the net discharge into the public system is reduced.</td>
</tr>
<tr>
<td>water, hydro, natural gas are under the control of the user who pays based</td>
<td></td>
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<tr>
<td>on actual usage. There is no such control with the proposed “rate based”</td>
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<tr>
<td>program for stormwater.</td>
<td></td>
</tr>
<tr>
<td>The financial information does not appear to consider the costs of the</td>
<td>• Presently most of the control structures are placed as part of the development requirements, however subsequent maintenance is either being neglected or has not been properly addressed. The user fee structure will enable us to enforce required maintenance practices. The financial information has been developed to reflect the proposed rebates and credits and factored to reflect that information.</td>
</tr>
<tr>
<td>proposed rebates and credits which could be significant and could substantially reduce the amount of net revenue collected</td>
<td></td>
</tr>
<tr>
<td>Administration costs are likely to be significant including the establishment of a data base, the ongoing maintenance and assessment of the data base, the application of credits, the processing of rebates, billing and collections.</td>
<td>• Yes, there is potential for an increased level of administration, however, it brings significant value, control and fairness into the system. Further, there is no recreation of an established data base. We can utilize the existing sanitary/water service database and utilize the same administrative structure. It is not a new established administration, rather an incremental change on the existing system.</td>
</tr>
<tr>
<td>When all of the administration costs, credits and rebates are considered, will the proposed rate based structure achieve the revenue targets? It is quite possible that funding available for Stormwater Management could actually be less under the proposed model.</td>
<td>• The administrative cost will be minimized as there will be existing resources who will be utilized to run the administrative structure by retooling the methods &amp; procedures of the existing billing system (i.e. water and sanitary). Further, redistribution of revenue contributions among property owners, under common criteria will likely produce positive revenue. Lastly, there will be an increased number of customers that will pay rate structure rather than through tax contribution, which will result in an increase in revenue.</td>
</tr>
<tr>
<td>It is recommended that a ten-year projection be developed, including all associated costs and proposed rate increases as well as the 4 year transition from a property tax cost to a rate based cost, to show the public the actual impacts to homeowners and businesses and the expected net revenue available for Stormwater Management.</td>
<td>• A ten year forecast will be developed at implementation time.</td>
</tr>
<tr>
<td>The proposed “rate based” system would include properties that are fully exempt from taxation (churches, schools, municipal administration buildings) and properties that are exempt from taxation but make payments-in-lieu of taxes in the form of a “heads and beds” tax (colleges, universities, hospitals).</td>
<td>• Our initial legal review indicates that there appears a way to not jeopardize the existing heads and beds tax arrangement and at the same time not to lose the rate. We are currently looking at the legal implication of these special properties.</td>
</tr>
</tbody>
</table>
## APPENDIX B
### SUMMARY OF SWAC COMMENTS

<table>
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<th>SWAC Comments</th>
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| There appears to be very little benefit achieved as a result of the significant efforts and changes required to implement the proposal. | There is a significant benefit in planning for the scope and required resources for:  
• Increased operation and maintenance activities;  
• Inventory and assessment of watercourse and stormwater management facilities;  
• Accelerated capital improvement programs, including planning studies and coordination with Source Water Protection and Salt Management Plans; and  
• Assessment of value and condition of stormwater management assets. The advantages of having rate structure system include:  
• Dedicated funding source;  
• Fair and equitable fee that is based on runoff contribution rather than property value;  
• A mechanism to charge tax-exempt property for municipal stormwater management services;  
• With a credit program, provides an incentive for property owners to reduce stormwater runoff and pollutant discharge; and  
• A stable funding source for all stormwater management program activities to allow long-range planning, large-scale capital improvements, and leverage for debentures. However, like any other system, there are disadvantages too:  
• Requires, additional one time implementation cost.  
• It may not receive its fair assessment and due consideration among the community due to skepticism and unawareness of this concept. |
PWS2009-16
APPENDIX C

FORMAL COMMENTS SUBMITTED BY SWAC MEMBERS
K-W Stormwater Management Advisory Committee
Attention: Diane Marton
City of Waterloo
100 Regina Street S.
Waterloo, ON

Dear Ms. Marton:

Re: Stormwater Management Advisory Committee Recommendations

Region of Waterloo staff have reviewed the material presented to the Stormwater Advisory Committee (SWAC) on March 26th and the recommendations put forth by the Committee and have the following comments and concerns:

- The proposal to move to a “rate structure” appears to be based on getting more program funding for Stormwater Management than is currently provided in city budgets. We question how Stormwater Management is any different from other tax supported services. Funding should be based on need, council priorities and council approvals.

- The material notes that a move to a “rate based” system would actually result in property tax decreases. This can not be guaranteed as municipalities tend to move into budget decreases with new and expanded programs. It is quite possible that a move to a “rate based” system could actually increase costs to homeowners and businesses.

- Costs to home owners and businesses for true “rate based” programs such as water, hydro, natural gas are under the control of the user who pays based on actual usage. There is no such control with the proposed “rate based” program for stormwater management and without that control, the proposed rate structure is essentially just another tax.

- The financial information in the presentation does not appear to consider the costs of the proposed rebates and credits which could be significant and could substantially reduce the amount net revenue collected.

- The financial information in the presentation does not include any costs associated with the administration of the program. Administration costs are likely to be significant including the establishment of a data base, the ongoing maintenance and assessment of the data base, the application of credits, the processing of rebates, billing and collections.

- The data base will have to be developed and maintained on a property by property basis for all residential, multi-residential, commercial, industrial, exempt and PIL properties and the unique billing parameters will require a highly specialized billing system.
-2-

- When all of the administration costs, credits and rebates are considered, will the proposed rate based structure achieve the revenue targets? It is quite possible that funding available for Stormwater Management could actually be less under the proposed model.

- The report does allude to rate increases in the future however there is no specific information. In order to see the full impacts of the proposal and to ensure openness and transparency, it is recommended that a ten-year projection be developed, including all associated costs and proposed rate increases as well as the 4 year transition from a property tax cost to a rate based cost, to show the public the actual impacts to homeowners and businesses and the expected net revenue available for Stormwater Management.

- The proposed “rate based” system would include properties that are fully exempt from taxation (churches, schools, municipal administration buildings) and properties that are exempt from taxation but make payments-in-lieu of taxes in the form of a “heads and beds” tax (colleges, universities, hospitals). This could have significant impacts on these properties and as an owner of various exempt properties, the Region of Waterloo has some concerns over the financial impact of the proposal.

- The inclusion of exempt properties and properties that pay taxes in the form of “heads and beds” tax in the rate structure is unfair to those properties as they will have no corresponding decrease in property taxes to offset the stormwater management rate.

- The financial review shows limited increases in funding for stormwater management under the proposed system (particularly in the absence of specific information on future rate increases). There appears to be very little benefit achieved as a result of the significant efforts and changes required to implement the proposal.

- This proposed process will ultimately have no financial advantages when compared to an increase in property taxes. All things being equal, this new “tax” will simply cost taxpayers more.

In summary, the proposed move to a “rate based” system for Stormwater Management appears to be a very inefficient way to do business and it is difficult to justify for the reasons note above.

Thank you for the opportunity to comment. Should have any questions about our comments or require any additional information, please feel free to call Mr. Ryan at (519) 575-4545 or Ms. Hinchberger at (519) 575-4728.

L. Ryan  
Chief Financial Officer

A. Hinchberger  
Director of Treasury Services & Tax Policy

cc  John Hammer, Director of Transportation, Region of Waterloo
Dear Mr. Ryan, Ms Hinchberger:

RE: Stormwater Management Advisory Committee Recommendation

Please find below our response to your letter dated April 24, 2008 regarding the Stormwater Management Program and Funding Review. Our sincere apologies for taking a while to respond back. The delay is due to various factors primarily due to additional legal reviews.

We believe the following answers your questions however, in the event we have missed anything please let us know and we will do our best to provide the answers.

A. “The proposal to move to a rate structure..we question how Stormwater management is any different from other tax supported services..”

We see Stormwater services as having a significant number of common elements with sanitary sewer services than any other services delivered by municipalities. Currently sanitary service is provided based on a user fee structure. Further under the Municipal Act, both have been defined as sewage flow and no distinction made. As a result, the funding method could also be viewed in the same way.

B. “The material notes that move to a rate based system would actually result in property tax decreases..”

Our recommendation to Council will be to decrease the taxes and redistribute it in the form of a user fee to those who use the system.

C. Costs to home owners and business for true “rate based” programs such as water, hydro, natural gas are under the control of the user who pays based on actual usage. There is no such control with the proposed “rate based” program for Stormwater management and without that control, the proposed rate structure is essentially just another tax.

Yes, there is control; however control based on land use practice. Property owners can make changes to minimize either the amount of run-off or install modifying control devices so the net discharge to the public system is reduced.
D. The financial information in the presentation does not appear to consider the costs of the proposed rebates and credits which could be significant and could substantially reduce the amount net revenue collected.

Presently most of the control structures are placed as part of the development requirements, however subsequent maintenance is either being neglected or has not been properly addressed. The user fee structure will enable us to enforce required maintenance practices. The financial information has been developed to reflect the proposed rebates and credits and factored to reflect that information.

E. The financial information in the presentation does not include any costs associated with the administration of the program. Administration costs are likely to be significant including the establishment of a data base, the ongoing maintenance and assessment of the data base, the application of credits, the processing of rebates, billing and collections.

Yes, there is potential for an increased level of administration, however, it brings significant value, control and fairness into the system. Further, there is no recreation of an established data base. We can utilize the existing sanitary/water service database and utilize the same administrative structure. It is not a new established administration, rather an incremental change on the existing system.

F. The data base will have to be developed and maintained on a property by property basis for all residential, multi-residential, commercial, industrial, exempt and PIL properties and the unique billing parameters will require a highly specialized billing system.

This database already exists based on the water and wastewater utility customers. It will be up to the individual city as how specialized the billing would be. It could be very simple one on the water and wastewater bill or on the gas bill.

G. When all of the administration costs, credits and rebates are considered, will the proposed rate based structure achieve the revenue targets? It is quite possible that funding available for Stormwater Management could actually be less under the proposed model.

In theory, it is correct that there will likely be less revenue targets. However, the administrative cost will be minimized as there will be existing resources who will be utilized to run the administrative structure by retooling the methods & procedures (except there is likely one time implementation cost) of the existing billing system i.e. water and sanitary. Further, redistribution of revenue contributions among property owners under a common criteria will likely produce positive revenue. Lastly, there will be more number of customers to pay rate structure than through tax contribution which will enable to gain positive revenue.

H. The report does allude to rate increases in the future however there is no specific information. In order to see the full impacts of the proposal and to ensure openness and transparency, it is recommended that a ten-year projection be developed, including all associated costs and proposed rate increases as well as the 4 year transition from a property tax cost to a rate based cost, to show the public the actual impacts to homeowners and businesses and the expected net revenue available for Stormwater Management.

Ten year forecast can be developed at implementation time.
I. The proposed “rate based” system would include properties that are fully exempt from taxation (churches, schools, municipal administration buildings) and properties that are exempt from taxation but make payments-in-lieu of taxes in the form of a “heads and beds” tax (colleges, universities, hospitals). This could have significant impacts on these properties and as an owner of various exempt properties, the Region of Waterloo has some concerns over the financial impact of the proposal.

Our initial legal review indicates that there appears a way to not jeopardize the existing heads and beds tax arrangement and at the same time not to lose the rate. We are currently looking at the legal implication of these special properties.

J. The inclusion of exempt properties and properties that pay taxes in the form of “heads and beds” tax in the rate structure is unfair to those properties as they will have no corresponding decrease in property taxes to offset the Stormwater management rate.

Please refer to above, item I.

K. The financial review shows limited increases in funding for Stormwater management under the proposed system (particularly in the absence of specific information on future rate increases). There appears to be very little benefit achieved as a result of the significant efforts and changes required to implement the proposal.

There is a significant benefit in planning for the scope and required resources for:

- Increased Operation and maintenance activities;
- Inventory and assessment of watercourse and stormwater management T facilities;
- Accelerated capital improvement programs, including planning studies and coordination with Source Water Protection and Salt Management Plans; and
- Assessment of value and condition of stormwater management assets.

L. This proposed process will ultimately have no financial advantages when compared to an increase in property taxes. All things being equal, this new “tax” will simply cost taxpayers more.

Apart from the traditional benefits of financial & administrative aspects, there is an overall community based advantage in adopting the rate structure that is:

Fairness & equity, further incentives can be built-in to the program easily to promote environmental awareness.

Here are advantages of having rate structure system:

- Dedicated funding source;
- Fair and equitable fee that is based on runoff contribution rather than property value;
- A mechanism to charge tax-exempt property for municipal stormwater management services;
- With a credit program, provides an incentive for property owners to reduce stormwater runoff and pollutant discharge; and
- A stable funding source for all stormwater management program activities to allow long-range planning, large-scale capital improvements, and leverage for debentures.

However, like any other system, it has its own disadvantages too:
• Requires, additional one time implementation cost.

• It may not receive its fair assessment and due consideration among the community due to skepticism and unawareness of this concept.

We want to thank you for the time you have taken to put forward this memo. We will address any unanswered concerns at the time of implementation if this report is approved by the councils of Kitchener and Waterloo.

Yours truly,

Grant Murphy P.Eng.  
Director of Engineering  
City of Kitchener

Sunda Siva MBA P.Eng.  
Director of Capital Projects and Services  
City of Waterloo
May 2, 2008 (via email)

Sunda Siva, The City of Waterloo
Grant Murphy, The City of Kitchener

Re: Implementation Plan Joint Response (Education Sector)
Storm Water Advisory Committee

Please find below the response from the Waterloo Region District School Board, Waterloo Catholic District School Board, University of Waterloo, Wilfrid Laurier University and Conestoga College to the proposal by the Cities of Kitchener and Waterloo for an annual, separate property owner rate for storm water facilities maintenance.

We wish to make it clear, that we strongly object to the proposed ‘rate’ approach applied to all properties regardless of taxable status – particularly with respect to the education sector, which, as you well know, has limited access to financial resources for such a rate. In very simple terms, the parties object because:

- The operation and maintenance of storm water facilities is a conventional municipal responsibility.
- This scheme to develop an annual property specific rate for this particular responsibility is a tax substitution, and the parties noted are tax-exempt.

If this is the approach that the two municipalities wish to follow, then the education sector should be exempt. Exempting this sector from the proposed rate, as demonstrated by the project’s consultants, left the ‘residential’ mil rate about where it is now.

The position of the education sector, including the contents of this submission, has been well discussed and consistently stated throughout the process and at all Stormwater Advisory Committee meetings.

With respect to specifics in the consultant’s approach and analysis, we make the following comments:

- The proposed recommendations for a ‘rate’ seem to have relied on a focus group that did not include the three post secondary operations and the two school boards – however the proposed rate is based on the impervious surface area of these institutions’ properties.
- As the owners of the largest proportion of urban property, the education sector was not properly represented in the focus group.
- The proposal does not seem to reflect the complete discussion at the focus group, but rather selective positions that were cited which support the ‘rate’ approach.
The partial response to our concern over the tax-exempt issue is the credit process, which at this point is incomplete. The methodology/requirements to justify receiving credits is onerous and puts another annual cost on this sector. To this extent, the parties are preparing a legal opinion on the entire question of tax-exempt status vis-à-vis a municipal ‘rate’.

For school boards only:
The operations of the two boards, their properties and provincial education levy are region-wide. This proposal shifts boards’ expenditures to two of the 7 municipalities – inequitable for the balance of the municipalities. Since the Province does not recognize this ‘rate’ as a specific operating cost, the significant expenditure on it by school boards will divert operating dollars from other under-funded “regional” operational requirements.

For post-secondary educational institutions:
While ‘tax exempt’, this sector provides payments in-lieu-of taxes (PILOT), which are intended to offset the services utilized by the institutions, provided on their behalf by the municipalities. This is the appropriate revenue source for the storm water responsibility. The report arbitrarily allocates the PILOT payments in the same manner as the general tax base. That results in approximately 2.5% of the PILOT being presented as the contribution to storm water management on the assumption that the institutions are also proportionally paying for all other city services whether utilized by the institutions or not.

In general terms, property owners have no control over the initial storm water input – precipitation – therefore, the suggestion that a rate based on an area calculation is similar to existing municipal user fees is misleading. This approach is not a process parallel to “user” fees for consumption-based usage, as is the situation with a conventional utility – gas, hydro, etc.

And user fees at recreational facilities for example, are a very small percentage of actual operating and capitals costs and are often determined from the perspective of encouraging use; not a full cost recovery model.

Unfortunately, such an approach will also challenge the historic relationship with the education sector, which has formal and informal joint use arrangements with both municipalities. This new model has the potential to challenge our traditional collaborative working relationship in joint facility usage, resources and common institutional issues.

The proposed ‘rate’ approach also sets up the requirement for a specific bureaucratic component – collection, review/audit, credit, process in an (in-out) for municipalities, and for the tax-exempt sector to claim the credits, etc. Conversely, the current tax system requires NO change.

In this regard, municipalities need to plan, manage and budget for storm water operations in the way they do for other municipal services that benefit all property owners and residents.

In principle, all parties understand the goal of improving the quality of storm water and the need for moving from the traditional “flush” approach to detention and infiltration.
The proposed ‘rate’ does nothing to encourage this.

When we first were asked to engage in discussions about storm water operations, there was a discussion about creating a municipal utility for this purpose. When the question of why such a utility was needed, the response was that the higher standards for storm water management over the past 20 years has resulted in a municipal infrastructure that has increasing annual operating and long-term capital needs. As a relatively recent municipal responsibility, it was not being recognized adequately through the annual municipal budget process. As a result, storm water maintenance was under-funded vis-à-vis higher profile and more established services such as paving, parks, and winter maintenance. The utility model was being investigated because it had been adopted successfully in some U.S. jurisdictions (where municipal funding and authority can be vastly different than Ontario).

While the proposal is now for a ‘rate’ approach, the essential concept of separating out an individual municipal responsibility remains the same.

It seems to us, that a far better approach is to keep the storm water responsibility in the municipal public services portfolio and general tax budget……its annual allocation will allow each council to address and prioritize all their responsibilities through the annual budget process. If, however; a rate model is eventually adopted, we believe the education sector should be exempted as is contemplated in the various Acts and Regulations governing Ontario educational institutions.

Respectfully submitted,

The University of Waterloo
Wilfrid Laurier University
Conestoga College Institute of Technology & Advanced Learning
Waterloo Catholic District School Board, and
Waterloo Region District School Board
October 21, 2008

The University of Waterloo
Wilfrid Laurier University
Conestoga College Institute of Technology & Advanced Learning
Waterloo Catholic District School Board, and
Waterloo Region District School Board

Attention: Education Sector SWAC Members

Dear members:

RE: Implementation Plan Joint Response (Education Sector) Stormwater Advisory Committee

Please find below our response to your letter dated May 02, 2008 regarding the Stormwater Management Program and Funding Review. Our sincere apologies for taking a while to respond back. The delay is due to various factors primarily due to additional legal reviews.

The project steering committee was authorized by the respective City Councils to review the stormwater program needs and expenditures and to identify an appropriate funding mechanism to support these needs. While we recognize your position and acknowledge your beliefs in this matter, we would like to respond to your concerns. The intent is not to alter your present position, rather to explain our mandate on this matter with a broader perspective and the underlying element of fairness associated with it.

A. “We wish to make it clear, that …In very simple terms, the parties object because:

- The operation and maintenance of storm water facilities is a conventional municipal responsibility.

- This scheme to develop an annual property specific rate for this particular responsibility is a tax substitution, and the parties noted are tax-exempt…”

It is true that operation and maintenance of stormwater is a conventional municipal responsibility which is similar to the service delivery for collection of sanitary flow. Sanitary service is currently being paid through a user fee system. We see Stormwater services as having a significant number of common elements with sanitary sewer services than any other service delivered by municipalities. Further under the Municipal Act, both have been defined as sewage flow and no distinction is made. As a result, the funding method could also be viewed in the same way

The primary differences between tax and user fee systems are:

1. A user fee is designed to defray the costs of a regulatory activity (or government service), while a tax is designed to raise general revenue;
2. A true user fee is proportional to the necessary costs of the delivery of service, whereas a tax is based upon value (e.g., property assessment, sales, or income); and
3. A user fee is adjustable based on the user’s choice, whereas a tax is not.

B. “With respect to specifics in the consultant’s approach and analysis, we make the following comments”:

- The proposed recommendations for a ‘rate’ seem to have relied on a focus group that did not include the three post secondary operations and the two school boards – however the proposed rate is based on the impervious surface area of these institutions’ properties.
- As the owners of the largest proportion of urban property, the education sector was not properly represented in the focus group.
- The proposal does not seem to reflect the complete discussion at the focus group, but rather selective positions that were cited which support the ‘rate’ approach…”

The intent of the creation of the Focus Group was to connect with as many remaining community groups as possible that were not included in the SWAC community forum. The effort of the Focus Group was to supplement the SWAC’s contribution for the Study. Engagement of many different forms of public outreach programs is to be considered as complementary to each other, rather than to outweigh or to overshadow the same.

C. For school boards only:

- The operations of the two boards, their properties and provincial education levy are region-wide. This proposal shifts boards’ expenditures to two of the 7 municipalities – inequitable for the balance of the municipalities. Since the Province does not recognize this ‘rate’ as a specific operating cost, the significant expenditure on it by school boards will divert operating dollars from other under-funded “regional” operational requirements.

This concern will have to be addressed collaboratively among all the parties involved at the time of implementation by quantifying the cost and services rendered and hence make the appropriate adjustments to that effect.

D. For post-secondary educational institutions:

- While ‘tax exempt’, this sector provides payments in-lieu-of taxes (PILOT), which are intended to offset the services utilized by the institutions, provided on their behalf by the municipalities. This is the appropriate revenue source for the storm water responsibility. The report arbitrarily allocates the PILOT payments in the same manner as the general tax base. That results in approximately 2.5% of the PILOT being presented as the contribution to storm water management on the assumption that the institutions are also proportionally paying for all other city services whether utilized by the institutions or not.
Our recommendation to Council will be to decrease the taxes and redistribute it in the form of a stormwater rate for those who use the system. There should be a similar arrangement made to accommodate changes in the “heads and beds” levy.

However, the “heads and beds” levy which is received in lieu of property tax has been frozen at $75 per student since 1987. A report to the Region of Waterloo Council (dated Nov 14, 2007) was submitted to this effect and recommended a request to the Minister of Finance to amend the prescribed amount for the purposes of section 323 of the Municipal Act to allow for inflation over the past 20 years. It further states that indexed for inflation, the levy should be $121. If based on the assessed value of the property, as is the case with other provincial properties, the payment to the municipality for municipal services would be higher.

With the above reference, a rate approach to recover the cost for stormwater program components from post secondary institutions looks to be more equitable to counterbalance the above disparity.

E. “In general terms, property owners have no control over the initial storm water input – precipitation – therefore, the suggestion that a rate based on an area calculation is similar to existing municipal user fees is misleading. This approach is not a process parallel to “user” fees for consumption-based usage, as is the situation with a conventional utility – gas, hydro, etc”.

Yes, there is control; however control is based on land use practices. Property owners have the choice to make changes to minimize either the amount of runoff or install modifying control devices so that the net discharge to the public system is reduced.

Currently sanitary service is provided based on a user fee structure which has a very similar approach. Further, under the Municipal Act, both storm and sanitary have been defined as sewage flow and no distinction made.

F. “And user fees at recreational facilities for example, are a very small percentage of actual operating and capitals costs and are often determined from the perspective of encouraging use; not a full cost recovery model”

The above recreational services could be viewed as soft services and hence there is no mandate to meet. However, there are regulatory requirements to fulfill stormwater program needs and choices on a voluntary basis are very limited. The intended rate structure is not meant to fund any growth/development-related Capital programs. It is intended to meet operation, maintenance and rehabilitation of stormwater assets and its functions. Additional capital assets for modifying existing systems and satisfying regulatory requirements would be included in the rate. The growth/development-related assets for expansion must come from other funding sources as you have suggested above.

G. “The proposed ‘rate’ approach also sets up the requirement for a specific bureaucratic component – collection, review/audit, credit, process in an (in-out) for municipalities, and for the tax-exempt sector to claim the credits, etc. Conversely, the current tax system requires NO change.”
To a large extent, the specific bureaucratic component is already in place with the existing billing system (i.e., water and sanitary sewage). In other words, there is no re-creation of a process; just reliance upon an existing process. We can utilize the existing sanitary/water administrative structure.

H. “When we first were asked to engage in discussions about storm water operations, there was a discussion about creating a municipal utility for this purpose. When the question of why such a utility was needed, the response was that the higher standards for storm water management over the past 20 years has resulted in a municipal infrastructure that has increasing annual operating and long-term capital needs. As a relatively recent municipal responsibility, it was not being recognized adequately through the annual municipal budget process. As a result, storm water maintenance was under-funded vis-à-vis higher profile and more established services such as paving, parks, and winter maintenance. The utility model was being investigated because it had been adopted successfully in some U.S. jurisdictions (where municipal funding and authority can be vastly different than Ontario)”.

While the proposal is now for a ‘rate’ approach, the essential concept of separating out an individual municipal responsibility remains the same.

The terminologies of ‘Utility’, ‘User Fee’ or ‘Rate’ are essentially the same. The intent has been always, from the beginning of the Study, to look at various funding mechanisms that would essentially provide a dedicated, sustainable funding method while maintaining fairness and equity.

I. It seems to us, that a far better approach is to keep the storm water responsibility in the municipal public services portfolio and general tax budget…….its annual allocation will allow each council to address and prioritize all their responsibilities through the annual budget process. If, however; a rate model is eventually adopted, we believe the education sector should be exempted as is contemplated in the various Acts and Regulations governing Ontario educational institutions.

We agree that the responsibility of stormwater program delivery should reside with municipalities and there was no intent to establish a separate administrative entity to run the stormwater management program. As suggested, the program should be under municipal public services portfolio. However, we believe there will be significant benefits in a stormwater rate approach:

- Dedicated funding mechanism will enable long term planning, whereas annual allocation in the general tax budget is uncertain;
- Fair and equitable fee that is based on runoff contribution rather than property value;
- With a credit program, an incentive is provided for property owners to reduce stormwater runoff and pollutant discharge; and
- It is a stable funding source for all stormwater management program activities.

Staff recommendations to Council will likely be a rate structure with a few modifications to address some of the stakeholders concerns. However, the staff report will include all the stakeholders’ concerns in the report for both Councils to reach an informed decision.

In the event that the staff recommendations are approved by the councils of Kitchener and Waterloo, we can ensure that each City’s administration will take the necessary time and effort to make the transition as smooth as possible for all the tax exempt properties.
We want to thank you for the time you have taken to put forward this memo. We look forward to receiving any additional comments you may have on the Draft Final Report and to discuss these issues during our next SWAC meeting, tentatively scheduled for the week of November 24, 2008.

Yours truly,


Grant Murphy P.Eng.
Director of Engineering
City of Kitchener

Sunda Siva MBA P.Eng.
Director of Capital Projects and Services
City of Waterloo
November 21, 2008 (via email)

Sunda Siva, The City of Waterloo
Grant Murphy, The City of Kitchener

Re: Implementation Plan Joint Response (Education Sector)
Draft Final Report
Storm Water Advisory Committee

On behalf of the Waterloo Region District School Board, Waterloo Catholic District School Board, University of Waterloo, Wilfrid Laurier University, and Conestoga College, we thank you for your follow up letter of October 21, 2008.

Unfortunately the letter and recently received Draft Final Report do not address our May 2, 2008 concerns regarding the changes to the current tax-funded storm water operations. We continue to object to the proposed ‘rate’ approach being applied to all properties regardless of taxable status.

We will be in attendance at the December 4, 2008 SWAC meeting, and look forward to your comments at that time. In the interim, we will bring the recommended implementation plan to the attention of our respective Executive to seek further direction.

Respectfully submitted,

SWAC Representatives of:

The University of Waterloo
Wilfrid Laurier University
Conestoga College Institute of Technology & Advanced Learning
Waterloo Catholic District School Board, and
Waterloo Region District School Board
November 24, 2008

Mr. Sunda Silva, P.Eng.  Mr. Grant Murphy, P.Eng.
Director Environmental Services  Director of Engineering Services
City of Waterloo  City of Kitchener
100 Regina St. S.  200 King St. W.
Waterloo  Kitchener, Ont.
N2J 4A8  N2G 4G7

Re: Stormwater Management Program and Funding Review - Draft Final Report

Please note below comments regarding the Draft Final Report for Stormwater Management and Funding Review by the Cities of Kitchener and Waterloo.

⇒ The recommendation to separate stormwater management maintenance and funding from municipal property taxes and establish a stormwater user rate creates concern there would be no transparency of costs and rates such as seen during council budget deliberations. There would also be no motivation to balance expenditures while examining total taxpayer costs.

⇒ Although the report suggests a reallocation of program costs and funding with a phased-in rate program [5.2 (6) and (7)], it is obvious from 5.2 (2) that rates would increase in future years well beyond the current funding level. This would effectively increase costs without control and increase the financial burden to taxpayers.

⇒ If the two city councils determine that a user rate be established, it should be fair and equitable, with no user group granted exemptions, rebates or subsidies, thereby increasing the cost burden to other groups.

⇒ The suggestion to adapt a credit policy [5.2 (8)] and Appendix G appears to be an onerous process for both the applicant and administrator.

⇒ There does not seem to be a clear understanding of the costs associated with establishing a separate user fee, billing structure as well as start-up and ongoing administrative expenses.

At this time of economic uncertainty, a major change in funding and municipal budget process seems inopportune. Now is the time to increase transparency and build consensus with all stakeholders working together.

Sandra D. Stone, CMD, CSM
General Manager
Conestoga Mall
December 3, 2008

K-W Stormwater Management Advisory Committee
Attention: Diane Marton, Administrative Assistant
City of Waterloo
265 Lexington Court
Waterloo ON N2J 4R4

Dear Ms. Marton:

Re: Kitchener-Waterloo Stormwater Management Program and Funding
    Funding Review: Stormwater Funding Analysis – Draft Final Report

We have had an opportunity to review the draft final Stormwater Funding Analysis report. Conservation Authority staff have been supportive of this initiative and commend the detail and the effort put into both the report and process, and are supportive of its findings.

Stormwater management infrastructure plays an integral role in the overall functioning of the city, both in supporting the day to day activities of its residents, to ensuring safety in times of flooding. Stormwater management also plays an important role in maintaining and restoring the environmental health of the Grand River and its tributaries. The proper long term operation of this infrastructure is critical in maintaining the functions originally intended to serve and as need for improvement is identified. Conservation Authority staff are supportive of the process initiated through this study in identifying the resources required to ensure the required level of service and sustainability of the program.

More specific comments are provided on the following items:

- Rate structure based on imperviousness - From a watershed management perspective, impervious area is one of the main driving factors in runoff to watercourses. Establishing a rate structure with a basis provides a logical physical connection and educational perspective to the impacts and costs.

- Property owner incentives - The report provides some good perspective on the application of incentives and credits for stormwater. We strongly support development of credit policy to encourage innovative on-site measures which may be in addition to municipal measures. Current issues in stormwater management and direction in Low Impact Development (LID) recognize the need and benefit of distributed controls on private lands for both new and existing development areas. The credit approach provides a required mechanism or incentive to encourage implementation and maintenance. It is noted that guidance is available from past watershed studies including the Laurel Creek Watershed Study, which have encouraged retrofit of Stormwater controls in existing developed areas and would benefit from an incentive program.

- Conservation Authority flood control dams and properties - The GRCA maintains and operates significant flood control reservoirs associated with their properties in both Waterloo and Kitchener. The Laurel Reservoir in particular provides watershed scale flood protection to the downtown core of Waterloo. We would like to further discuss the credit applied to these properties based on their benefit to the overall system in addition to consideration for improvement through the program. Also, several SWM ponds in Waterloo are located on GRCA lands adjacent to Laurel Reservoir. Operational and maintenance
• arrangements for these facilities should be reviewed. The attached figure shows GRCA properties in Kitchener and Waterloo.

• Additional Activities - Conservation Authority staff are committed to continued involvement in implementation of the plan.

Please do not hesitate to contact me for any further discussion on this project.

Yours truly,

[signature]

Gus Ranges, P.Eng.
Senior Water Resources Engineer
Grand River Conservation Authority

cc: Grant Murphy, City of Kitchener
    Sunda Siva, City of Waterloo
Mr. Simon Farbrother,
Chief Administrative Officer.
3rd Floor,
Waterloo City Centre
100 Regina Street South,
Waterloo, Ontario. N2J 4A8

RE: Storm Water Rate Implementation Plan

Dear Mr. Farbrother:

The Waterloo Region District School Board serves the educational needs of students in Junior Kindergarten through grade 12 in the Region of Waterloo. As a tax-exempt, provincially funded, local service provider, the Board’s school programming, staffing, operating and maintenance costs as well as administrative support are all sustained through various pupil based funding formulae. Historically, the Board has paid its share of utilities consumed at its various sites in the two cities, which include municipal water supply, electrical and natural gas consumption, as well as sanitary sewage. To date, the provincial finance formulae have matched these needs; however, that is done so based on typical standards across the province for utility consumption and rates.

The new initiative of the cities of Waterloo and Kitchener to charge school boards and other “tax-exempt” institutions a storm water rate, is the first step in assigning “new” costs to the Board that are outside its current tax-exempt status, and beyond its current financial capacity to accommodate. This is a shift of Kitchener and Waterloo’s municipal responsibilities onto these institutions. It is not consistent with the approaches utilized by Cambridge, Wilmot, Woolwich, Wellesley and North Dumfries where storm water is under the general tax levy; in effect, directing some of our regional education dollars to these two municipalities.

The original rationale for a Storm Water Rate Plan as expressed to the Study Working Group was to overcome the difficulty of securing approval for the funding of ongoing storm water maintenance and capital within the current municipal budget process. In fact, that is the best and most appropriate place for the discussion and setting of budget priorities to take place. The implications of those on local rate payers can then be considered by Council in a comprehensive manner.
Setting up a separate process and charge effectively removes one important municipal responsibility from this scrutiny.

As the attached letter will illustrate, our staff has communicated the Board’s concerns at various points throughout the development of the storm water rate proposal, and in concert with the other educational institutions, has strongly objected to both the principle and application of the rate.

The observation we made is that the option of simply keeping the responsibility for storm water operations within each municipality’s Engineering and/or Public Works budgets was not one available for consideration through the study process.

It is my understanding that the report and recommendations soon to be presented to your respective Councils will be for the approval of the concept of a storm water rate, and the establishment of the process for its implementation. On behalf of the Board, I wish to strongly urge you to reconsider the approach being recommended by your respective staffs. We request that the present form of storm water funding through general tax revenues be maintained.

The Board will be advised of staff’s position in this matter, and will be apprised of appropriate courses of action that may be taken to ensure that the Board’s current ability to operate its schools equitably across the Region is not unfairly compromised.

Thank you for considering the Board’s concern regarding this matter.

Sincerely,

Linda Fabi

Director of Education and Secretary.

cc-- Chair and Trustees, Waterloo Region District School Board
C. Ladd, Chief Administrative Officer, City of Kitchener
D. L. Johnston, President and Vice-Chancellor, University of Waterloo
M. Blouw, President and Vice-Chancellor, Wilfrid Laurier University
J. Tibbits, President, Conestoga College
Planning Department, Waterloo Region District School Board
May 2, 2008 (via email)

Sunda Siva, The City of Waterloo
Grant Murphy, The City of Kitchener

Re: Implementation Plan Joint Response (Education Sector)
Storm Water Advisory Committee

Please find below the response from the Waterloo Region District School Board, Waterloo Catholic District School Board, University of Waterloo, Wilfrid Laurier University and Conestoga College to the proposal by the Cities of Kitchener and Waterloo for an annual, separate property owner rate for storm water facilities maintenance.

We wish to make it clear, that we strongly object to the proposed ‘rate’ approach applied to all properties regardless of taxable status -- particularly with respect to the education sector, which, as you well know, has limited access to financial resources for such a rate. In very simple terms, the parties object because:

- The operation and maintenance of storm water facilities is a conventional municipal responsibility.
- This scheme to develop an annual property specific rate for this particular responsibility is a tax substitution, and the parties noted are tax-exempt.

If this is the approach that the two municipalities wish to follow, then the education sector should be exempt. Exempting this sector from the proposed rate, as demonstrated by the project’s consultants, left the ‘residential’ mil rate about where it is now.

The position of the education sector, including the contents of this submission, has been well discussed and consistently stated throughout the process and at all Stormwater Advisory Committee meetings.

With respect to specifics in the consultant’s approach and analysis, we make the following comments:

- The proposed recommendations for a ‘rate’ seem to have relied on a focus group that did not include the three post secondary operations and the two school boards – however the proposed rate is based on the impervious surface area of these institutions’ properties.
- As the owners of the largest proportion of urban property, the education sector was not properly represented in the focus group.
- The proposal does not seem to reflect the complete discussion at the focus group, but rather selective positions that were cited which support the ‘rate’ approach.
The partial response to our concern over the tax-exempt issue is the credit process, which at this point is incomplete. The methodology/requirements to justify receiving credits is onerous and puts another annual cost on this sector. To this extent, the parties are preparing a legal opinion on the entire question of tax-exempt status vis-à-vis a municipal 'rate'.

**For school boards only:**
The operations of the two boards, their properties and provincial education levy are region-wide. This proposal shifts boards' expenditures to two of the 7 municipalities – inequitable for the balance of the municipalities. Since the Province does not recognize this 'rate' as a specific operating cost, the significant expenditure on it by school boards will divert operating dollars from other under-funded “regional” operational requirements.

**For post-secondary educational institutions:**
While 'tax exempt', this sector provides payments in-lieu-of taxes (PILOT), which are intended to offset the services utilized by the institutions, provided on their behalf by the municipalities. This is the appropriate revenue source for the storm water responsibility. The report arbitrarily allocates the PILOT payments in the same manner as the general tax base. That results in approximately 2.5% of the PILOT being presented as the contribution to storm water management on the assumption that the institutions are also proportionally paying for all other city services whether utilized by the institutions or not.

In general terms, property owners have no control over the initial storm water input – precipitation – therefore, the suggestion that a rate based on an area calculation is similar to existing municipal user fees is misleading. This approach is not a process parallel to “user” fees for consumption-based usage, as is the situation with a conventional utility – gas, hydro, etc.

And user fees at recreational facilities for example, are a very small percentage of actual operating and capital costs and are often determined from the perspective of encouraging use; not a full cost recovery model.

Unfortunately, such an approach will also challenge the historic relationship with the education sector, which has formal and informal joint use arrangements with both municipalities. This new model has the potential to challenge our traditional collaborative working relationship in joint facility usage, resources and common institutional issues.

The proposed ‘rate’ approach also sets up the requirement for a specific bureaucratic component – collection, review/audit, credit, process in an (in-out) for municipalities, and for the tax-exempt sector to claim the credits, etc. Conversely, the current tax system requires NO change.

In this regard, municipalities need to plan, manage and budget for storm water operations in the way they do for other municipal services that benefit all property owners and residents.

In principle, all parties understand the goal of improving the quality of storm water and the need for moving from the traditional “flush” approach to detention and infiltration.
The proposed 'rate' does nothing to encourage this.

When we first were asked to engage in discussions about storm water operations, there was a discussion about creating a municipal utility for this purpose. When the question of why such a utility was needed, the response was that the higher standards for storm water management over the past 20 years has resulted in a municipal infrastructure that has increasing annual operating and long-term capital needs. As a relatively recent municipal responsibility, it was not being recognized adequately through the annual municipal budget process. As a result, storm water maintenance was under-funded vis-à-vis higher profile and more established services such as paving, parks, and winter maintenance. The utility model was being investigated because it had been adopted successfully in some U.S. jurisdictions (where municipal funding and authority can be vastly different than Ontario).

While the proposal is now for a 'rate' approach, the essential concept of separating out an individual municipal responsibility remains the same.

It seems to us, that a far better approach is to keep the storm water responsibility in the municipal public services portfolio and general tax budget.......its annual allocation will allow each council to address and prioritize all their responsibilities through the annual budget process. If, however; a rate model is eventually adopted, we believe the education sector should be exempted as is contemplated in the various Acts and Regulations governing Ontario educational institutions.

Respectfully submitted,

The University of Waterloo
Wilfrid Laurier University
Conestoga College Institute of Technology & Advanced Learning
Waterloo Catholic District School Board, and
Waterloo Region District School Board
February 27, 2009.

Ms. Carla Ladd, Chief Administrative Officer,
2nd Floor, Berlin Tower,
City Hall, P.O. Box 1118,
200 King Street West,
Kitchener, Ontario. N2G 4G7

RE: Storm Water Rate Implementation Plan

Dear Ms. Ladd:

The Waterloo Region District School Board serves the educational needs of students in Junior Kindergarten through grade 12 in the Region of Waterloo. As a tax-exempt, provincially funded, local service provider, the Board’s school programming, staffing, operating and maintenance costs as well as administrative support are all sustained through various pupil based funding formulae. Historically, the Board has paid its share of utilities consumed at its various sites in the two cities, which include municipal water supply, electrical and natural gas consumption, as well as sanitary sewage. To date, the provincial finance formulae have matched these needs; however, that is done so based on typical standards across the province for utility consumption and rates.

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Sincerely,

Linda Fabi,
Director of Education and Secretary.

cc-- Chair and Trustees, Waterloo Region District School Board
✓ S. Farbrother, Chief Administrative Officer, City of Waterloo
D. L. Johnston, President and Vice-Chancellor, University of Waterloo
M. Blouw, President and Vice-Chancellor, Wilfrid Laurier University
J. Tibbits, President, Conestoga College
Planning Department, Waterloo Region District School Board