



City of
Peterborough

To: Members of the Budget Committee

From: Sandra Clancy, Director of Corporate Services

Meeting Date: November 27, 2017

Subject: Report CPFS17-073
Implications on the 2018 Draft Budget of the Elimination of the Stormwater Protection Fee

Purpose

A report to provide Council with updated information for the 2018 Draft Budget due to the elimination of the Stormwater Protection Fee at the November 14, 2017 Council meeting.

Recommendations

That Council approve the recommendations outlined in Report CPFS17-073 dated November 27, 2017, of the Director of Corporate Services as follows:

- a) That the 2018 Draft Budget be amended by replacing Chart 2 on page 9 of the Highlights Book with the new Chart 2 in Report CPFS17-073; and
- b) That the 2018 Draft Budget be amended, as applicable, to indicate the Stormwater Protection Fee is not included as part of the 2018 Budget.

Budget and Financial Implications

There are no budget and financial implications to approving the report.

The \$620,000, identified as the Stormwater Protection Fee, was not used to provide new or improved levels of service related to stormwater. For 2018, the funds were simply transferred from taxation revenue to revenue collected under the description of

Stormwater Protection Fee. The purpose of doing this was to be more transparent about the cost of maintaining the City's stormwater system, to identify a distinct stormwater funding arrangement and to better prepare the City to respond to future funding opportunities within the area of stormwater protection/rehabilitation.

Elimination of the Stormwater Protection Fee means that \$620,000 will now come from the net tax levy to undertake the same work that has been ongoing for many years such as maintenance of catch basins, stormwater sewers, non-winter street cleaning and new work required to maintain the existing stormwater ponds, and to improve the quality of stormwater entering our creeks and rivers.

The 2018 All-inclusive tax increase included in the 2018 Draft Budget remains at 2.85%.

With respect to the property tax bills to property owners, community consultation clearly indicated that maintenance and improvement of the stormwater system are important to Peterborough residents. Those in support noted the need to address climate change, reduce flood and water pollution risks and protect public health and safety. The methodology proposed for the Stormwater Protection Fee would have connected the amount of the fee with the stormwater runoff on a property and would have reduced the billing to approximately 70% of the property owners versus what would be billed under current value assessment (CVA). Property owners would have had the incentive to participate in practices that would reduce their impact to stormwater runoff which would reduce their bills and improve the City's overall stormwater infrastructure, ultimately reducing the City's costs and meeting provincial mandates.

Background

Council Resolutions up to November 6, 2017

Council, at its meeting of February 13, 2017 in considering Report USEC17-001, approved the following:

"That Council approve the recommendations, subject to the draft budget approval process, outlined in Report USEC17-001, dated February 6, 2017 of the Director of Utility Services as follows:

- a) That the presentation from XCG on the Water Resource Protection Funding Feasibility Study be received;
- b) That Council endorse the Stormwater Quality Management Master Plan as detailed in Appendices 1 and 2 of Report USDIR15-003, dated September 28, 2015, the Summary of which is included as Appendix A in Report USEC17-001;
- c) That related to a dedicated stormwater protection fee:

- i) Council recognize the need to, over time, increase the annual stormwater funding allocation by an additional \$6.2M, subject to annual budget discussions; and
 - ii) In the first year, being 2018, an additional amount up to \$620,000 be included in the "All Inclusive" budget, subject to budget discussions and final budget approval.
 - iii) Storm water protection fee charges to individual properties based on the Variable Rate Option which considers the impervious surface associated with the property;
 - iv) Incentive programs including subsidies and stormwater credit programs that allow property owners to reduce their runoff and possibly receive credit for doing so;
- d) That, related to an increased need to maintain the City's sanitary sewer system:
- i) Council recognize the need to, over time, increase the annual sanitary sewer funding by an additional \$3.5M, subject to annual budget discussions; and
 - ii) In the first year, being 2018, an additional amount up to \$350,000 be included in the "All Inclusive" budget, subject to budget discussions and final budget approval.
- e) That an additional 1.0 FTE for implementation of the Stormwater Quality Master Plan be approved for 2017 funding for which to come from the existing Capital Budget for Stormwater projects; and
- f) That staff prepare public education material before implementation of any fee or fee increases described in Recommendations c) and d)."

The 2018 Budget Guideline (Report CPFS17-037, dated July 24, 2017) as approved by Council on July 31, 2017 included the following:

"That the Draft 2018 Operating Budget reflect an estimated 0.65% all-inclusive (Municipal, Education, Sanitary, and Storm Sewer Surcharge) increase for increased support for the sanitary and storm sewer operating and capital costs, comprised of:

- i) An annual charge of \$14.89 on the property tax bill for the median assessed home for a Stormwater Protection Surcharge, and
- ii) An increase in the Sewer Surcharge rate of 2.08% from 95% of the Water Rate to 97.1% of the Water Rate."

2018 Draft Budget

The 2018 Draft Budget was distributed to Council on November 6, 2017. Within the Draft Budget was \$14.89 identified as a Stormwater Protection Fee, following the recommendation of Council in February 2017. The fee is included in the overall 2.85% All-inclusive tax increase following the recommendation of Council in July 2017.

The Stormwater Protection Fee is shown in Chart 1 (see below) which was included on page 9 of the 2018 Budget Highlights Book. The Stormwater Fee is on line 9.0.

**Chart 1
Comparative All-Inclusive Tax and Sewer Surcharge rates and Levies for Median Single Family Dwelling included in 2018 Draft Budget**

Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies For Median Single Family Dwelling (Not on Waterfront)					
Ref C1	Description C2	2017 C3	2018 C4	Change from 2017	
				Amount C5	% C6
1.01	Gross Expenditures	264,220,154	270,918,188	6,698,034	2.5%
1.02	Amount raised from taxation (see note 3)	123,156,926	126,793,039	3,636,113	3.0%
1.03	Effect of tax ratio plan on change in all-inclusive rate				0.4%
1.04	Effect of 2018 Real Assessment Growth on change in all- inclusive rate				-0.5%
2.00	<u>Residential Tax Rates</u>				
2.01	Municipal	1.2564280%	1.2507790%	-0.0056490%	-0.4%
2.02	Education (estimate)	0.1790000%	0.1709450%	-0.0080550%	-4.5%
2.03	Total	1.4354280%	1.4217240%	-0.0137040%	-1.0%
3.00	<u>Average Annual Water Rates</u>	458.75	472.51	13.76	3.0%
4.00	Sewer Surcharge Effective Rate	95.0%	97.1%	2.1%	2.2%
	<u>Levies / Collected</u>				
5.00	Water Revenues	16,940,500	17,511,500	571,000	3.4%
5.01	Sewer Surcharge	15,449,700	16,320,200	870,500	5.6%
6.00	Estimated Median Assessed Value - SFD Not on Waterfront	236,500	243,800	7,300	3.1%
7.00	<u>Residential Tax Levy on Assessment</u>				
7.01	Municipal	2,971.45	3,049.40	77.95	2.6%
7.02	Education	423.34	416.76	-6.57	-1.6%
7.03	Total	3,394.79	3,466.16	71.38	2.1%
7.04	<i>Per month</i>	282.90	288.85	5.95	2.1%
8.00	Sewer Surcharge Payable	435.81	458.71	22.90	5.3%
8.01	<i>Per Month</i>	36.32	38.23	1.91	5.3%
9.00	Stormwater Protection Surcharge payable	0.00	14.89	14.89	N/A
9.01	<i>Per Month</i>	0.00	1.24	1.24	N/A
9.00	Total Municipal Tax, Sewer and Stormwater	3,407.26	3,523.00	115.74	3.4%
9.01	<i>Per Month</i>	283.94	293.58	9.65	3.4%
10.00	Combined Mun and Ed Tax Plus Sewer Surcharge & Stormwater	3,830.60	3,939.76	109.17	2.85%
10.01	<i>Per Month</i>	319.22	328.31	9.10	2.85%

Notes

1 The tax levies shown are for the median single family dwelling unit (not on waterfront) assessed at \$ 236,500 for 2017 and \$ 243,800 for 2018. Individual tax levies and percentage changes will vary depending on actual assessed values each year.

2 A \$1,592,748 change in net tax levy for 2018 equates to a 1% change in the Combined Municipal and Education Tax on Assessment plus Sewer Surcharge. For example, to lower the 2018 proposed 2.5% increase to 1.5%, \$1,592,748 net tax levy funded expenditures would have to be cut.

Council Resolution of November 6, 2017

The Committee of the Whole, at its meeting of November 6, 2017 in considering Report USED17-026, recommended the following for adoption by Council:

“That Council approve the recommendations outlined in Report USEC17-026, dated November 6, 2017 of the Director of Utility Services as follows:

- a) That Council receive the presentation on the matter of the Stormwater Protection Fee;
- b) That By-Laws 93-18 and 83-46 be repealed and replaced with a By-law To Establish and Implement the Collection of a Sanitary Sewer Surcharge and Stormwater Protection Fee appended as Appendix A to Report USEC17-026;
- c) That Council approve a Stormwater Sewage Rate of \$0.054 per square metre of Effective Runoff Area for 2018;
- d) That By-law 15-076 be repealed and replaced with a By-law to Appoint Provincial Offences Officers appended as Appendix B to Report USEC17-026;
- e) That By-law 15-075, which regulates the discharge of sewage and land drainage in the City, be repealed and replaced with a By-law to Regulate the Discharge of Sewage and Land Drainage appended as Appendix C to Report USEC17-026.”

Council, at its meeting of November 14, 2017 in considering this matter, amended the Committee recommendations with the addition of:

- f) “That staff report back by September 2018 on options for businesses to participate in a storm water protection fee credit program.”

Although the motion to amend the initial motion was carried, when it came to a final vote on all 6 recommendations, it was lost and not approved by Council.

Separate Fee not Approved but Expenditure still in 2018 Draft Budget

The Stormwater Protection Fee was a fee to pay for an amount of \$620,000 that is included in the 2018 Draft Budget. No motion by Council has removed the \$620,000. With no separate Stormwater Protection fee approved, the \$620,000 becomes a net tax levy requirement. Chart 2 shows the resulting Comparative rates with the change. This chart will replace the one on page 9 of the 2018 Budget Highlights Book. Line 9.00 is zero. The amount has been added to Line 1.02 and the All-inclusive increase is still 2.85%.

In addition, there are other areas of the 2018 Draft Budget that make reference to the Stormwater Protection Fee or identify funding coming from the Stormwater Protection Fee that will need to be changed.

Chart 2
Revised Comparative All-Inclusive Tax and Sewer Surcharge rates and Levies for Median Single Family Dwelling without a Stormwater Protection Fee

Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies For Median Single Family Dwelling (Not on Waterfront)					
Ref C1	Description C2	2017 C3	2018 C4	Change from 2017	
				Amount C5	% C6
1.01	Gross Expenditures	264,220,154	270,918,188	6,698,034	2.5%
1.02	Amount raised from taxation (see note 3)	123,156,926	127,413,039	4,256,113	3.5%
1.03	Effect of tax ratio plan on change in all-inclusive rate				0.4%
1.04	Effect of 2018 Real Assessment Growth on change in all- inclusive rate				-0.5%
2.00	<u>Residential Tax Rates</u>				
2.01	Municipal	1.2564280%	1.2568950%	0.0004670%	0.0%
2.02	Education (estimate)	0.1790000%	0.1709450%	-0.0080550%	-4.5%
2.03	Total	1.4354280%	1.4278400%	-0.0075880%	-0.5%
3.00	<u>Average Annual Water Rates</u>	458.75	472.51	13.76	3.0%
4.00	Sewer Surcharge Effective Rate	95.0%	97.1%	2.1%	2.2%
	<u>Levies / Collected</u>				
5.00	Water Revenues	16,940,500	17,511,500	571,000	3.4%
5.01	Sewer Surcharge	15,449,700	16,320,200	870,500	5.6%
6.00	Estimated Median Assessed Value - SFD Not on Waterfront	236,500	243,800	7,300	3.1%
7.00	<u>Residential Tax Levy on Assessment</u>				
7.01	Municipal	2,971.45	3,064.31	92.86	3.1%
7.02	Education	423.34	416.76	-6.57	-1.6%
7.03	Total	3,394.79	3,481.07	86.29	2.5%
7.04	<i>Per month</i>	282.90	290.09	7.19	2.5%
8.00	Sewer Surcharge Payable	435.81	458.71	22.90	5.3%
8.01	<i>Per Month</i>	36.32	38.23	1.91	5.3%
9.00	Stormwater Protection Surcharge payable	0.00	0.00	0.00	N/A
9.01	<i>Per Month</i>	0.00	0.00	0.00	N/A
10.00	Total Municipal Tax, Sewer and Stormwater	3,407.26	3,523.02	115.76	3.4%
10.01	<i>Per Month</i>	283.94	293.59	9.65	3.4%
11.00	Combined Mun and Ed Tax Plus Sewer Surcharge & Stormwater	3,830.60	3,939.78	109.19	2.85%
11.01	<i>Per Month</i>	319.22	328.32	9.10	2.85%

Notes

1 The tax levies shown are for the median single family dwelling unit (not on waterfront) assessed at \$ 236,500 for 2017 and \$ 243,800 for 2018. Individual tax levies and percentage changes will vary depending on actual assessed values each year.

2 A \$1,592,756 change in net tax levy for 2018 equates to a 1% change in the Combined Municipal and Education Tax on Assessment plus Sewer Surcharge. For example, to lower the 2018 proposed 2.5% increase to 1.5%, \$1,592,756 net tax levy funded expenditures would have to be cut.

Submitted by,

Sandra Clancy
Director of Corporate Services

Contact Person:

Richard Freymond
Manager of Financial Services
Phone: 705-742-7777 Ext 1862
Toll Free: 1-855-738-3755
Fax: 705-876-4607
E-mail: rfreymond@peterborough.ca