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TAMRMS#: B06

Stormwater Rate Model - Recommendation for Implementation Delay

Presented by: Stephen Graham, Senior Business Analyst, Finance & Assessment

RECOMMENDATION(S)

1. That the Stormwater Revised Rate Model Implementation be postponed until January 1, 2023;
2. That the remaining approved funds of \$37,700 be approved for carry forward during the normal year end processes over the next two years to support the implementation.
3. That in Q1 of 2022, Administration schedule a Council Training Workshop to review the program goals and details and share updates on the project.

PURPOSE OF REPORT

This report proposes a postponement of the implementation of the Stormwater Revised Rate Model and accompanying communication plan. The COVID-19 emergency has made adherence to the original implementation date of January 1, 2021 a virtual impossibility. In light of this event and other issues that will be discussed in this report, a two year postponement is being recommended.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

Environmental Protection and Stewardship

Service Name: Storm Water Drainage Services

Service Definition:

Operation and maintenance of the storm water collection systems, management facilities and outfalls that support the flow of rainfall and snowmelt through the city to the Sturgeon River.

Front Counter Services

Service Name: Utility Accounts Management

Service Definition:

Management of Utility accounts for water, wastewater, storm water and solid waste (organics and recycling)

Service Component: Utility Customer Billing Issuance and Payment

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On October 26, 2015 Council passed the following motion:

(C528-2015)

1. That Administration design a new rate setting methodology for the stormwater utility that calculates rates based on property lot size.
2. That \$15,000 be allocated to the project from the Stormwater utility reserve on a one-time basis.
3. That Administration report back to Standing Committee of the Whole in Q2 2016 with the proposed model, rates and an implementation plan for a decision to proceed to implementation

On June 20, 2016, Council passed the following motion:

(C399-2016)

That the deadline of Q2, 2016 for motion (C528-2015) be extended to September 12, 2016 Standing Committee of the Whole meeting.

On September 12, 2016 Standing Committee of the Whole passed the following motions:

AR-16-114

1. That the September 12, 2016 Standing Committee of the Whole agenda report titled "Stormwater Rate Model and Implementation Plan", be received as information.
2. That Standing Committee of the Whole recommend to Council that the unused portion (approximately \$8,000) of the previously approved project budget (of \$15,000) for the Storm Water Rate Model Implementation Plan be allocated to the investigation of alternatives to the currently proposed stormwater rate model, with the objective of incorporating an impermeable surfaces factor into the solution, and that an additional \$40,000 be allocated from the stormwater reserve to fund the hiring of a term Senior Analyst position.
3. That Administration report back to Council in Q3 of 2017 with a revised rate model that includes all properties that are currently exempt from stormwater charges.

On September 11, 2017 Council passed the following motions:

AR-17-123

That Administration develop a proposal for a stormwater rate system based on an impervious surface factor, complete with an implementation and communication plan by Q2 2018, and that the final proposal include a recommendation and possible alternatives for addressing outlier properties, competitiveness issues that may arise, and include an alternative for a phased implementation in 2 to 5 years.

On May 22, 2018 Council passed the following motions:

CM-18-031

That the timeline for the stormwater rate model report and recommendations be rescheduled to September 24, 2018 and;

That the ongoing rate model project incorporate an option to fund Stormwater operating and capital costs through the municipal tax base.

On September 24, 2018 Council passed the following motion:

AR-18-238

That effective January 1, 2021, and phased in over a four-year period, the stormwater rate structure be amended to incorporate property size and impervious surfaces as follows:

- a. Residential properties based on average imperviousness per planning zone with a gross area cap of 1,000 m²
- b. Non-residential (commercial/Industrial) properties based on actual property imperviousness with a gross area cap of 25,000 m² and;

That \$30,000 be approved from the Stormwater reserve to support the implementation of the rate structure and;

That all policies and bylaws impacted by this change be amended and brought to the Governance, Priorities and Finance Committee on November 9, 2020.

That a credit system be designed to recognize investments in on-site storm mitigation for non-residential properties.

BACKGROUND AND DISCUSSION

The Stormwater Revised Rate Model implementation was scheduled for a go-live date of January 1, 2021. Given the municipal business interruption caused by the COVID-19 this is no longer possible given the work that still needs to be done.

Accepting the fact that the project needs to be delayed, the next question is how long to delay the implementation. With the current state of the provincial economy and unknown implications of reopening, the optics of implementing this project in January of 2022 warrant consideration especially given that significant public communications would need to be initiated in early 2021 while residents and businesses are still likely adapting to a new normal.

Based on the comprehensive review and analysis undertaken, Administration has concluded that this new rate model is the right thing to do, providing a fair and transparent rate system, but we cannot ignore the fact that many businesses have suffered badly during these last few months and will potentially continue to endure hardship for many months to come. Knowing that some larger non-residential customers will experience significant cost increases under this new rate system, further consideration should be given as to whether we should introduce it so soon after the severe economic turbulence caused by the COVID-19 virus. In addition, the introduction of this new system will be accompanied by a lengthy communication program to stakeholders. If this communication were to occur while businesses are struggling to recover from the shutdown, this could severely impair the City's ability to sell this new rate system to utility customers.

There are also other issues that are affecting this project. As we began working on details of how we would implement this new rate model it became apparent that we need to automate the calculation processes to ensure the program remained administratively viable from a cost and human resource perspective. Working through the automation processes has highlighted some data issues. Initial implementation work has uncovered a problem with land title data producing inconsistencies in City databases that this rate system will depend on to automate the setting of rates and we have further determined that modification to some City processes will also be required to effectively support the new model. Council's approval of this project was also based on a commitment that an incentive credit system would be available to non-residential customers to encourage property changes that would alleviate pressure on the stormwater infrastructure. Given the lack of capacity during 2020, the details of this credit system have not yet been defined.

Taking all these issues into account, Administration is proposing a two-year postponement of the go-live date from January 1, 2021 to January 1, 2023. All other elements of the previously approved rate system will remain in place including the four-year phase-in.

Given the Municipal election in 2021, administration recommends that a Council Training workshop be scheduled in early 2022 for the purposes of educating any new Council members and/or refreshing returning Council members as to the goals, the detailed plan and the progress of the project.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

A communication strategy will be executed beginning in the 1st quarter of 2022 pending a go-live date of January 1, 2023 for the new rate system.

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

This project has been allocated a total of \$85,000 from the stormwater reserve fund of which \$37,700 remains available to support the ultimate implementation of the program and will need to be carried forward into future years.

Legal / Risk:

None at this time.

Program or Service:

None at this time.

Organizational:

None at this time.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

If Council does not wish to support the recommendation, the following alternatives could be considered:

Alternative 1. The implementation could be delayed by one year to January 1, 2022. This would not be advisable for two reasons. First, The City is not yet back to regular operation and it could be many months before this occurs. This will make it difficult to deal with the challenges related to this project implementation. Perhaps more importantly, a January 1, 2022 go-live date would mean that the communication program would have to begin shortly after the end of 2020. Businesses and residents may still be facing challenges in terms of recovering from the economic fallout of the pandemic while we are trying to communicate and sell this new rate program.

Report Date: August 31, 2020

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