Town of Oakville Stormwater Fee Feasibility Study

Council Workshop

September 10, 2024

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RECAP – Stormwater Fee Feasibility Study

- The Town of Oakville is reviewing its current stormwater funding model (property taxes) and exploring new ways to pay for stormwater services and support climate change resiliency.
- This was first mentioned in the town's 2015-2019 Stormwater Management Master Plan and is a critical aspect of the town's Rainwater Management Financial Plan.

Why do we need to consider new ways to pay for stormwater?

- The way we currently pay for stormwater services in Oakville is not fair or equitable, and it is not enough.
- It will ensure we adhere to Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure
- Many municipalities across Canada are moving towards new funding models.

RECAP – Guiding Principles for Selection of a Funding Method

- **Fair and Equitable** – fee is non-discriminatory amongst customers and sectors and considers the financial impact on various customer sectors.

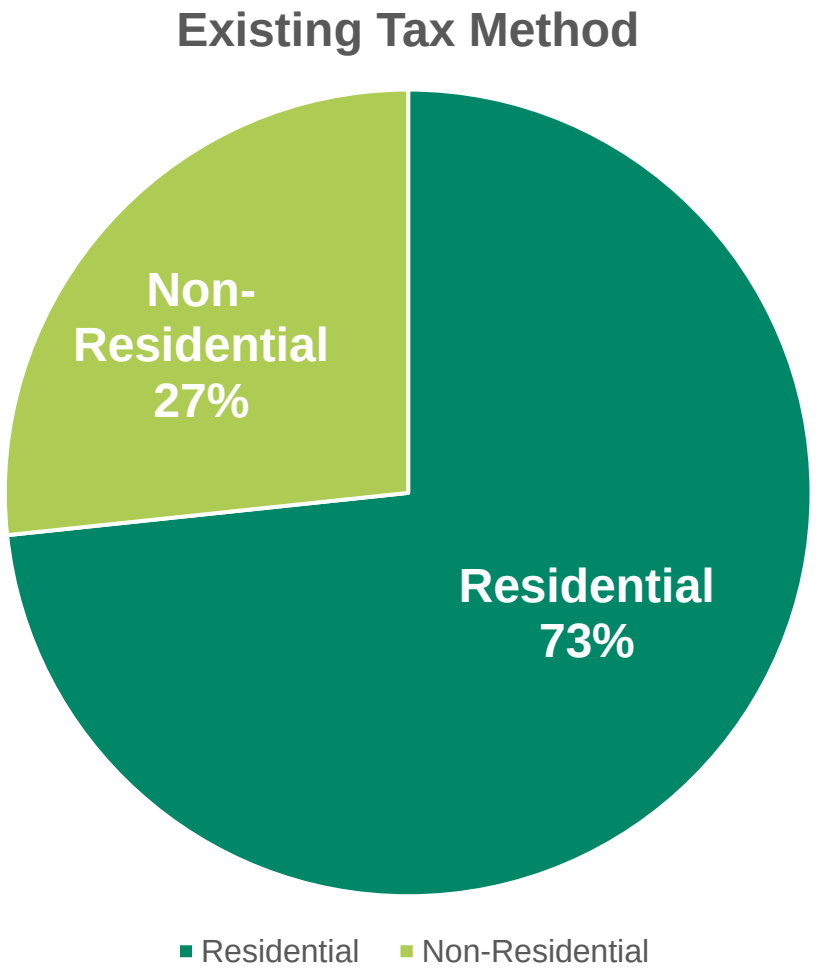
- **Affordable and Financially Sustainable** – provides sustainable, predictable and dedicated funding to address stormwater infrastructure needs and allows for regular fee reviews to adjust for cost-of-delivery and/or service level changes.

- **Justifiable** – residents and businesses understand why the fee is needed, how much the fee is and what the fee is being used for. Funding structure is justifiable and transparent.

- **Climate Change Resiliency** – encourages customers to be more resilient to climate change through on-site controls to reduce run-off while still providing the necessary funding for town stormwater infrastructure needs.

- **Simple to Understand and Manage** – fee structure is simple to understand by staff, Council and customers. The administration of the fee can be efficiently managed by town staff.

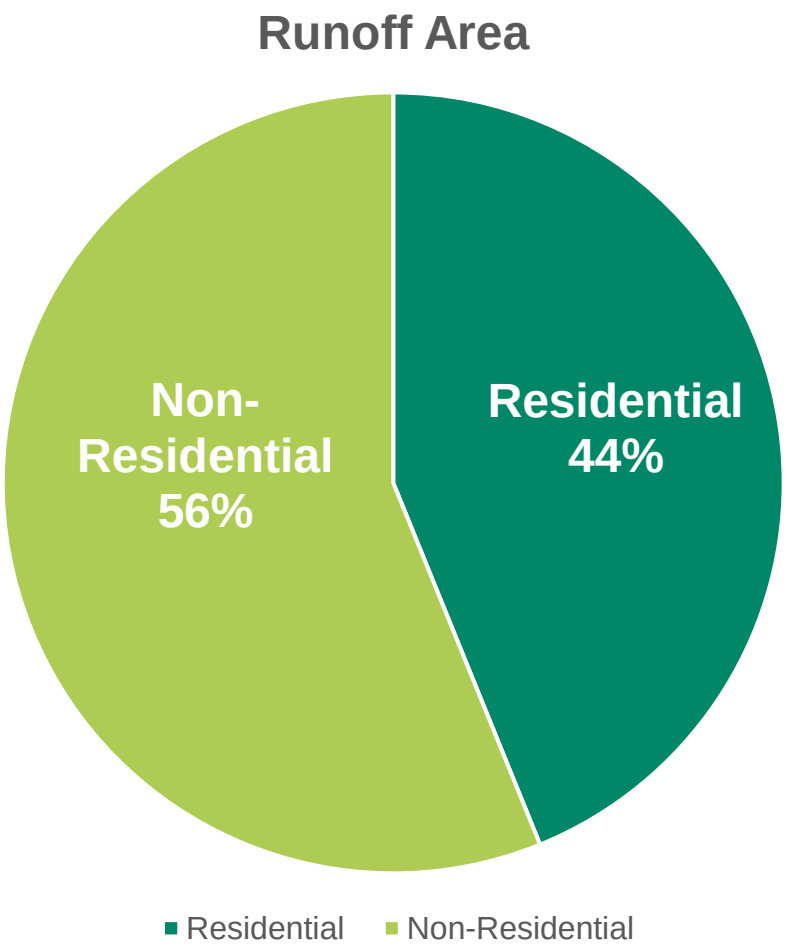
RECAP – How is Oakville's Stormwater Infrastructure Currently Funded?



- The town currently allocates taxes collected to stormwater infrastructure needs
- Currently, approximately 4% of total taxes collected go toward funding the town's $8.9M SWM program*
- This means that residential properties fund over 70% of the total property taxes collected.

*Based on the 2023 Budget and Tax Levy

RECAP – How do Oakville Properties Contribute to Stormwater Runoff?



Distribution of costs by runoff area can be used for Stormwater Fee

Based on land area and land use:

- Residential properties contribute to 44% of the total runoff area
- Non-residential properties contribute 56% of the runoff area
- SWM costs can be distributed to better represent contribution to stormwater system.
- Runoff area ratios can be used to determine what proportion of funding should be collected from different property types.

RECAP – Ways to Fund Stormwater Management

Tax Revenue: Allocating a portion of the general municipal taxes collected or a separate dedicated levy.

Development-Related Charges: Imposing charges on new developments to cover the costs of stormwater infrastructure necessary for growth.

Fees & Charges: Like the Region's Water Rate Charge

Property owners are charged based on their relative contribution to the town's stormwater system.

Types of stormwater fees:

1) Flat Fee – every property pays the same fee
2) Fee based on Property Area and Land Use
3) Fee based on Impervious Area

Grants and Subsidies: Applying for provincial and federal grants, such as the Ontario Community Infrastructure Fund (OCIF), Green Municipal Fund (GMF) & Disaster Mitigation and Adaptation Fund (DMAF).

Stormwater Fee Calculation Methods

The following 3 calculation methods for stormwater funding were evaluated:

- Existing Tax Method - this is important to show as an existing condition and option
- SW Fee - Flat Rate – this will showcase a very simple and straightforward method
- SW Fee - Variable Rate based on Property Size and Runoff Coefficient – this will demonstrate a more equitable approach that is still easy to understand and not overly complicated to calculate or administer

How are Property Types Divided into Tiers? (Distribution Options)

Land Use Types	Property Type Groups
Single-Family Detached	**Low Density Residential**
Sem-Detached	
Link Home	
Farms	
Duplexes-Six-plexes	**High Density Residential**
Townhouse	
Multi-Family	
Condominium	
Parks	**Non-Residential**
Commercial	
Industrial	
Institutional	
Government	
Mixed Use	
Miscellaneous	
Undeveloped	

How is Stormwater Runoff Calculated

Stormwater Runoff is Estimated using the town's Development and Engineering Guidelines.

A Runoff Coefficient maximum of 1 assumes that all stormwater becomes runoff; a minimum of 0 assumes no stormwater is runoff and is absorbed on the property.

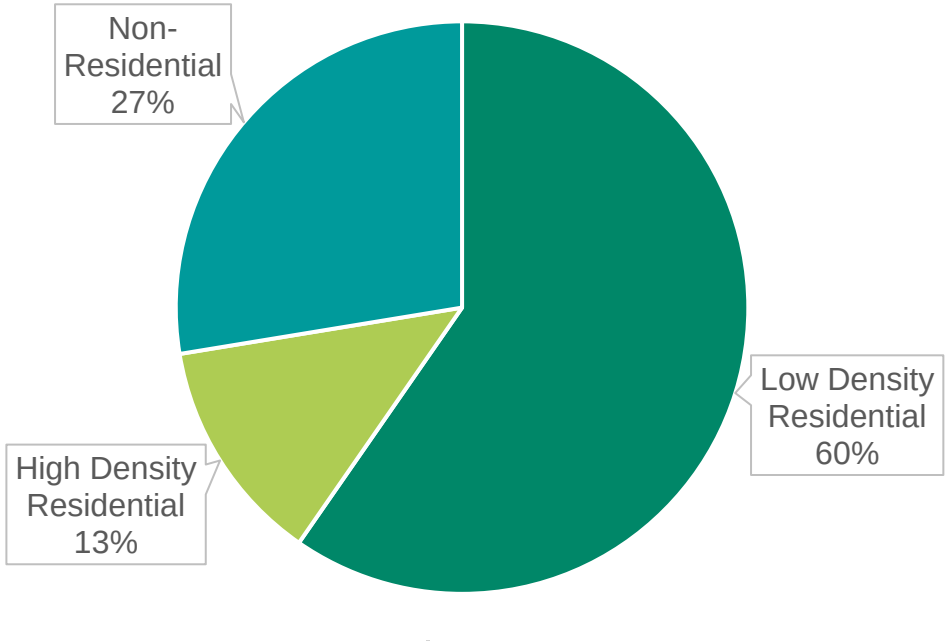
The runoff coefficient is then multiplied by the property area.

Land Use Types	Assumed Runoff Coefficient*
Low Density Residential	0.7
Farms, Parks[1], Miscellaneous, Undeveloped	0.0
High Density Residential2[2]	0.8
Industrial	0.9
Commercial	0.9
Institutional & Mixed Use	0.75

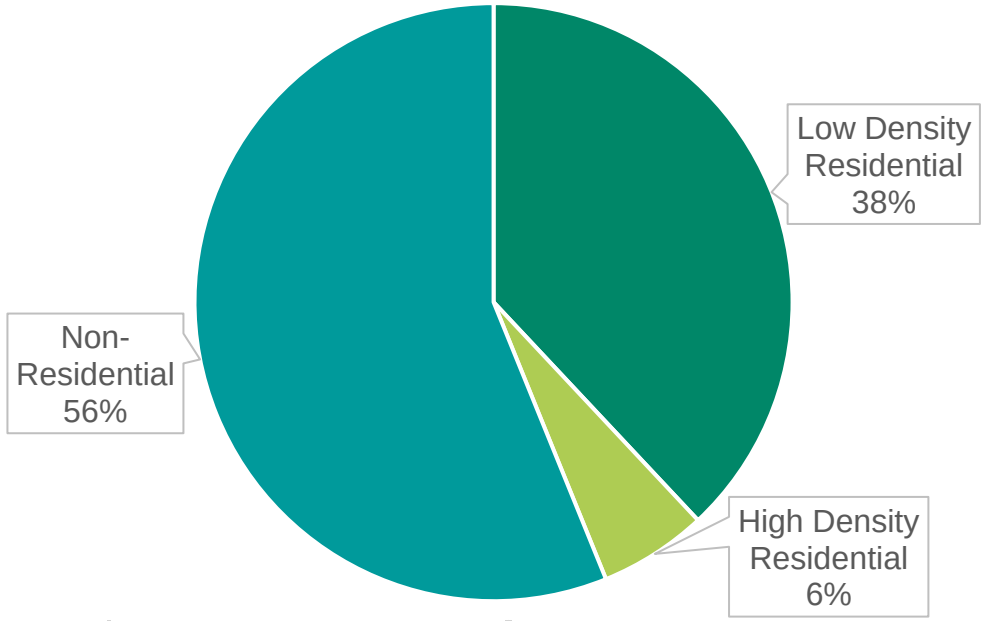
1. Farms & Parks altered to 0.0 from 0.35
2. The average of Medium and High Density Residential RC values (0.75 & 0.85)

Stormwater Cost Distribution – Existing Tax Method vs Fee Methods

Distribution Based on Tax Assessment Value



Distribution Based on Runoff Area



Total Annual Need **$ 24.4**

Property Type Category	Tax Method	Runoff Method
Low Density Residential	$ 14.6	$ 9.3
High Density Residential	$ 3.2	$ 1.5
Non-Residential	$ 6.6	$ 13.7

Stormwater Fee Calculations

$$\text{Rate} = \frac{\text{Total Revenue Requirements}}{\text{Total Number of Billing Units}}$$

The billing unit denominator is calculated differently based on the method (one billing unit = one property, or one water meter or one tax account)

Option 1: Dedicated Tax Levy

- A new levy for Stormwater infrastructure
- Property pays based on assessment value

Option 2: Tiered Flat Fee

- Low-Density Residential pay X fee.
- High-Density Residential pay Y fee
- Non-Residential pay Z fee

Option 3: Variable Fee Based on Area & Runoff Coefficient

- The rate is determined by the total runoff area of the property distribution grouping
- Fee calculated based on property size and runoff coefficients where
  - Low Density residential pays X rate*area
  - High Density residential pays Y rate*area
  - Non-Residential pays Z rate*area

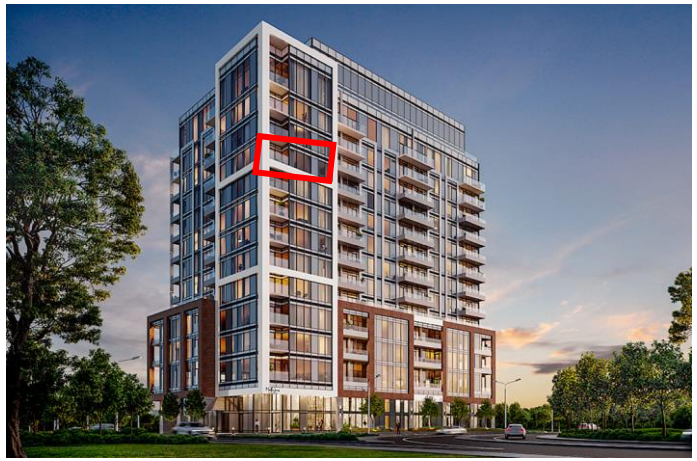
Fee Result Comparison – High Density Residential

Average Townhome

Runoff Coefficient: 0.8
Property Area: 212 m^2
CVA: $593,000

Annual Charge	
New Tax Charge	$193
Tiered Flat	$57
Variable	$71

Average Condo



Runoff Coefficient: 0.8
Property Area: 126 m^2
CVA: $431,000

Annual Charge	
New Tax Charge	$142
Tiered Flat	$57
Variable	$43

Average Plex

Runoff Coefficient: 0.8
Property Area: 715 m^2
CVA: $1,038,000

Annual Charge	
New Tax Charge	$341
Tiered Flat	$57
Variable	$240

CVA: Current value assessment

Fee Result Comparison – Low Density Residential

Small Single-Family Home

Runoff Coefficient: 0.7
Property Area: 335 m^2
CVA: $654,000

Annual Charge	
New Tax Charge	$215
Tiered Flat	$216
Variable	$99

Average Single-Family Home

Runoff Coefficient: 0.7
Property Area: 688 m^2
CVA: $1,007,000

Annual Charge	
New Tax Charge	$331
Tiered Flat	$216
Variable	$197

Large Single-Family Home

Runoff Coefficient: 0.7
Property Area: 1,050 m^2
CVA: $1,892,000

Annual Charge	
New Tax Charge	$621
Tiered Flat	$216
Variable	$309

CVA: Current value assessment

Fee Result Comparison – Non-Residential Properties

Small Business

Runoff Coefficient: 0.9
Property Area: 165 m^2
CVA: $450,000

Annual Charge	
Tax	$262
Tiered Flat	$2,927
Variable	$63

Medium Sized Commercial Lot

Runoff Coefficient: 0.9
Property Area: 8,091 m^2
CVA: $4,146,00

Annual Charge	
Tax	$2,415
Tiered Flat	$2,927
Variable	$3,064

Large Commercial Lot

Runoff Coefficient: 0.9
Property Area: 33,100 m^2
CVA: $14,086,000

Annual Charge	
Tax	$8,203
Tiered Flat	$2,927
Variable	$12,528

CVA: Current value assessment

Stormwater Funding Options - Summary

Property Distribution Group	Average Fees		
	Tax Method	Tiered Flat Fee	Variable Fee
Low Density Residential(LDR)[1]	$330	$216	$195
High Density Residential(HDR)[2]	$153	$57	$65
Non-Residential (ICI) Small Property	$262	$2,927	$63
Non-Residential (ICI) Med Property[3]	$2,415	$2,927	$3,064

Note: 1 For a LDR property with an area of ~660 m^2.
2 For an HDR property with an area of ~160 m^2.
3 For an ICI property with an area of ~8,100 m^2.

Stormwater Funding Options - Observations

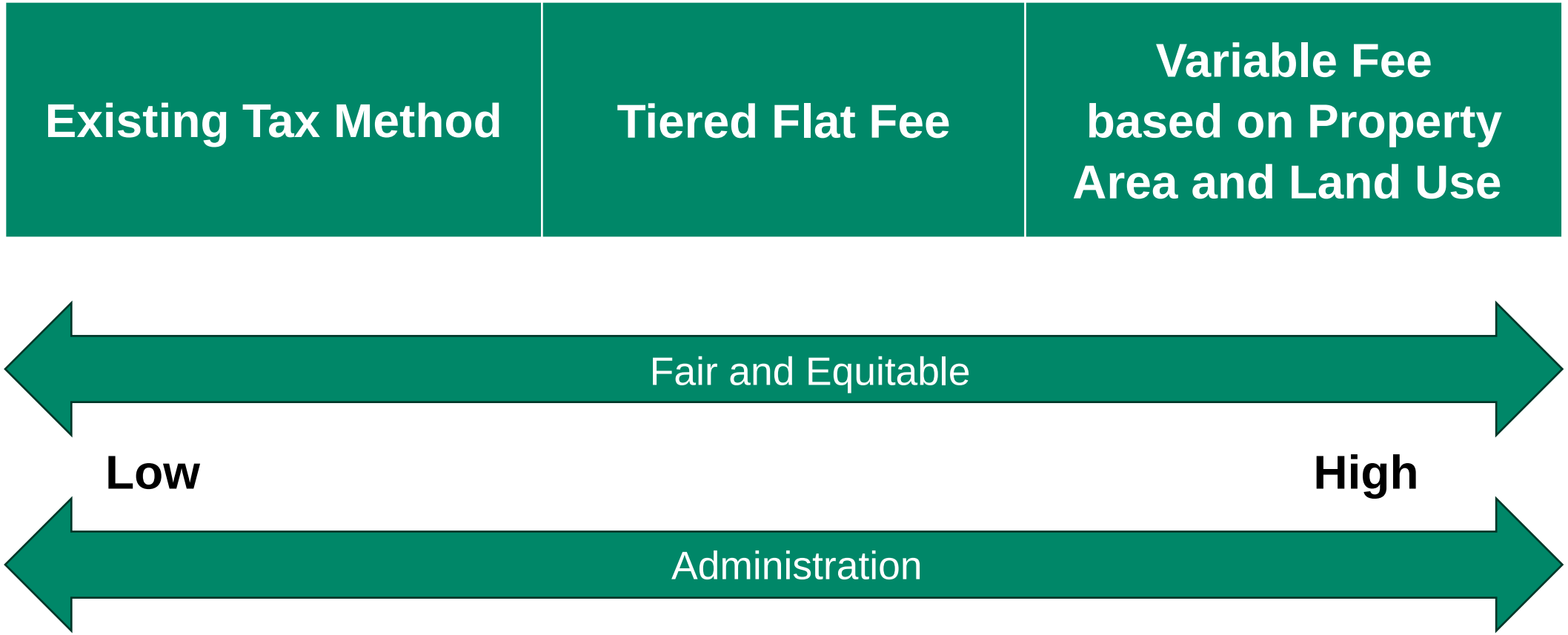
- Using estimated **Runoff Area** to distribute stormwater costs is a **fairer** way to allocate fees to properties that contribute more stormwater runoff.
- **Both Flat Fees** and **Variable Fees** result in **lower fees** for **Low Density Residential** vs Tax Method
- **Both Flat Fees** and **Variable Fees** result in **lower fees** for **High Density Residential** vs Tax Method
- **Variable Fees** result in **lower fees** for **Small Non- Residential** vs Tax Method
- **Flat Fee** is **not equitable** for application across all **Non-Residential** Property Types (Small, Med, Large)
- Based on sample, the **Variable Fee** is **most equitable** for all three Property Type Groups
- Based on sample, **the difference** between Flat Fee and Average Variable Fee for Low Density and High Density Residential is small (less than $20).

Evaluation - Guiding Principles

Calculation Method	Fair and Equitable	Affordable and Financially Sustainable	Justifiable	Climate Resiliency	Simple to Understand and Manage
Tax Method	No	Partly	Partly	Partly	Yes
Tiered Flat Stormwater Fee	Partly	Yes	Yes	Yes	Partly
Variable Stormwater Fee	Yes	Yes	Yes	Yes	Partly

The variable method may be preferred based on the guiding principles but requires the most administrative effort to implement.

Finding Balance

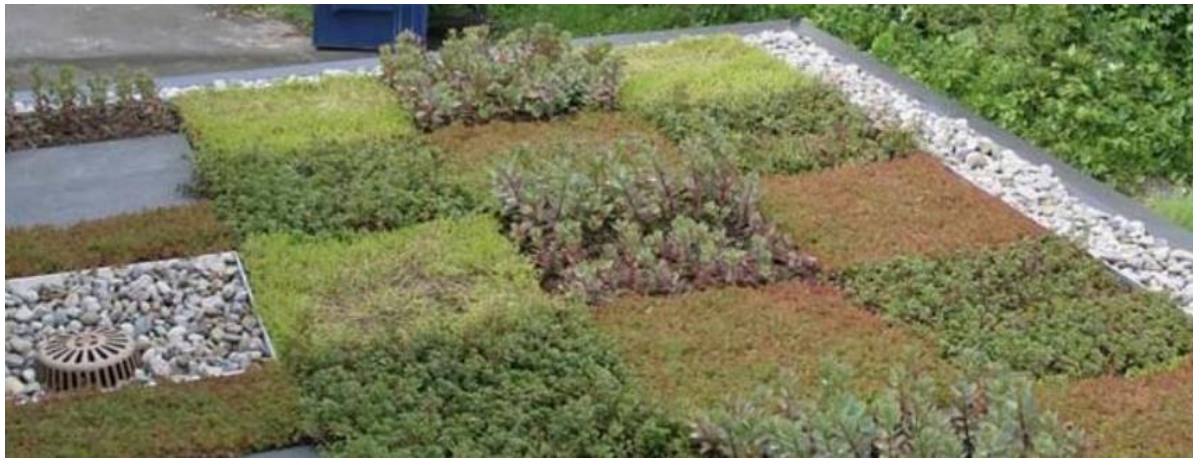


Using a mix of flat rate and variable rate maybe recommended to balance Equity and Administration. (i.e. Flat Fee for Residential, Variable Rate for Non-Residential)

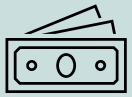
Incentive Programs

Many municipalities provide incentives to property owners to reduce their impact on the stormwater system by offering:

- **Credits**: an ongoing stormwater fee reduction
- **Rebates**: a one-time reward for implementing on-site measures



Stormwater Fee Credit Programs



Allows for stormwater fee reduction for landowners who implement on-site stormwater management practices

Provide credits for facilities that provide flooding and erosion protection, water quality treatment, and other environmental benefits or non-facility measures and activities that promote good “housekeeping” practices

Require certification that facilities have been properly designed, installed, operated, and maintained (some require property access to allow inspection by municipal staff)

Who qualifies?

Property owners who **reduce stormwater runoff** or who **improve the quality** of the stormwater runoff that discharges from their property into the municipal stormwater system and/or surrounding watercourses and waterbodies.

Stormwater Fee Credit Programs

Advantages

- Leads to reduction in the town's capital/operating costs
- Reduces development impacts on the environment
- Provides financial incentive to landowners
- Ensures maintenance of private property facilities
- Promotes stormwater education and understanding

Disadvantages

- Ongoing administration and enforcement costs/ resource requirements (with significantly higher administrative costs for a residential credit program)
- Effort to communicate application requirements and provide assistance
- Uncertainty with uptake and its impact on revenue. Higher than expected uptake forces a higher stormwater rate to achieve revenue requirements

Rebate Programs

Rebates/ Grants/ Subsidies:

- Rain barrels
- Downspout disconnections, backflow prevention valves, etc.
- In-person ‘how-to’ advisory services
- Published ‘how-to’ information
- Discounted prices for materials to construct rain gardens, permeable pavement, etc.

What qualifies for a rebate?

Reduce the quantity and improve the quality of stormwater runoff from properties

Rebate Programs

Advantages

- Town (alone or in partnership with the Region or CAs), can use its service expertise, resources, and bulk-purchasing power to offer materials at a discounted price.
- Town controls the amount of financial incentive available. Once the annual rebate amount is reached, then end the program until next year (i.e., first-come, first-served).
- Lower time/resource commitment of program administration (i.e., staff can also limit review with specific timing window).

Disadvantages

- Unknown uptake, staff/resource requirements, and revenue impacts.

Credit Program or Rebate Program – Considerations

- Many Ontario municipalities **limit the total maximum individual credit** and **restrict credits (or stormwater fee reductions) to only non-residential properties and multi-unit residential properties**.
- Rebate program seems to be best balance between financial incentive demands of residents with administrative cost concerns.

Example Credit Program Applications

Ontario Municipality	Applicable Property Types	Maximum Credit
Kitchener (2012)	Non-Residential Multi-Residential (>5 units) Residential	45%
Mississauga (2016, revised 2023)	Non-Residential Multi-Residential (>2 units)	50%
Guelph (2018)	Non-Residential Multi-Residential (>5 units)	50%

RECAP – Engagement Approach

Round 1

Education

- What is stormwater and stormwater management?
- How much do we need and how do we currently pay for stormwater management?
- Why are we exploring other ways to pay for stormwater management (Guiding Principles)?
- How else can we pay for stormwater management (i.e., stormwater fee)?

Round 2

Education

- How can we fund stormwater in the future?
- What funding methods are under consideration & how do they meet the Guiding Principles?
- How much will it cost me?
- What are the credit incentive program options?

Engagement

- Feedback and input into the **funding methods** and **credit incentive program options**

WE ARE HERE

Round 3

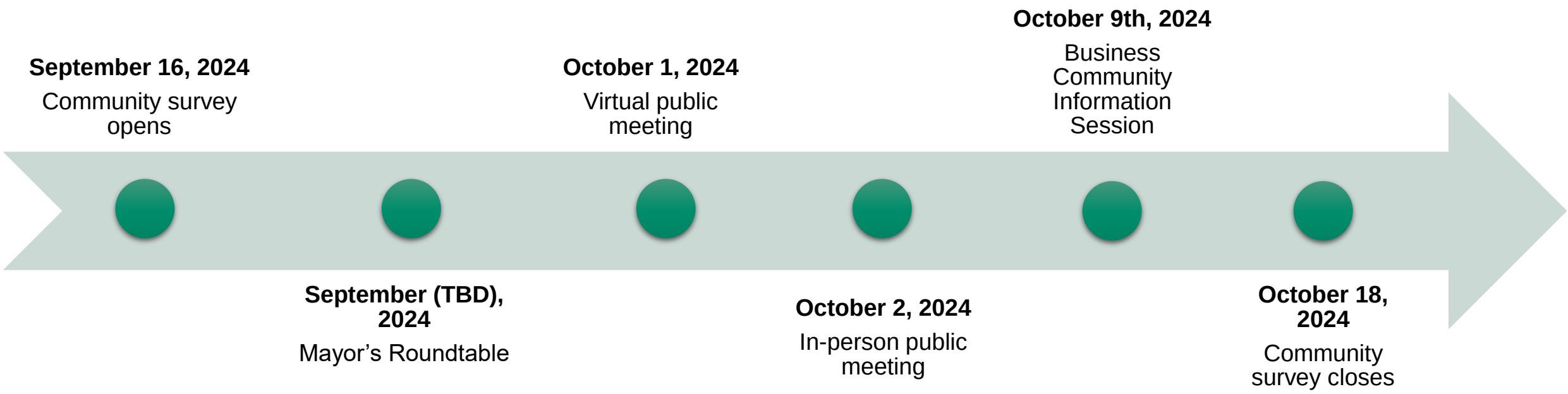
Education

- What is the recommended funding method and why? (what we heard)
- What are the recommendations for the credit incentive program and why? (what we heard)
- What are the implementation timelines and process?

Engagement

- Feedback and input into the **implementation plan**

Fall 2024 Community Engagement Plans



**Pop-up booths will occur throughout round 2 of public engagement and additional Stakeholder meetings will be scheduled as needed*

Key Engagement Topics

1. Understand community values regarding stormwater management and the town's 30-year needs

   Q's: How important are the town's stormwater management services to you? How important is it that the town implement stormwater improvements to increase resiliency to climate change impacts?

2. Get feedback on the short list of funding options

   Q's: Do you think that property owners with more hard surfaces that create more stormwater runoff should contribute more to the town's stormwater management costs? How should residential/ non-residential property owners pay for stormwater management?

3. Get feedback to inform possible financial incentive programs

   Q's: If the town offered a subsidy or rebate to help reduce the costs of implementing stormwater management measures (like rain barrels or rain gardens) on your property, how likely would you be do so? If the town offered credits to reduce the amount of a stormwater fee charge, how likely would you be to implement stormwater management measures (like storm ponds or treatment facilities) on your property?

How to Participate

- Complete the **online survey** by October 18
- Register for a **virtual public meeting** on October 1, from 6:30-8:00 pm
- Attend the **in-person public meeting** on October 2, from 6:00-8:00 pm at the Glen Abbey Community and Cultural Centre (presentation starts at 7:00 pm)
- Business Owners can register for a **virtual meeting** on October 9th (time tbd)

Visit oakville.ca and search ‘stormwater fee’

Thank you!

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