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SUBJECT INFORMATION BRIEFING – STORMWATER UTILITIES

OVERVIEW

Purpose of Report:

To provide information to Council about the role and function of stormwater utilities for equitable cost-recovery.

BACKGROUND

The City of Nanaimo (the City) delivers stormwater services throughout the municipality. The range of management techniques and maintenance approaches depend on the conditions, infrastructure, and circumstances across local neighborhoods as needs arise. Rural properties, high-density urban properties, intensive industrial work zones, sites adjacent to waterways, and ocean-fronting parcels all impact stormwater runoff differently. There is a growing industry trend to assess the service impacts from parcels which can be linked very closely to their land use, location, use of public infrastructure, and their built form. Potable water and sanitary sewer are two common utility examples which consider these factors in assigning costs.

Today, the primary method for cost-recovery for drainage is through property taxes which are generated based on property value. With an eye on the not-too-distant future, climate change, ecological protection, asset renewal, and land development can create additional cost pressures on stormwater management services. Enhanced cost-recovery, such as a stormwater utility, separate from property taxes, can be a strategy of the City to distribute the costs equitably across its customers.

Staff engaged Urban Systems to support exploration of context and rationale for local stormwater cost-recovery models. This included a review of the methods, experiences, and strategies employed by other jurisdictions. That process resulted in a wide array of high-level observations and service possibilities that can be later developed into formal model-options. Staff documented some preliminary considerations to advance stormwater funding in ways that could be practical and purposeful in Nanaimo. This briefing note explains some of the results to date which are provided to Council as background information for future discussion on the subject.

DISCUSSION

Stormwater utilities often derive from a short-list of common drivers:

- Need for new and dedicated funds for stormwater services including asset renewal
- Solidify a level of service
- Build program awareness and value for service with customers

- Respond to public interest and safety

The primary aim is to develop practical means for equitable cost recovery. Cost headings for stormwater vary but generally relate to drainage operations, flood control, infrastructure renewal, water quality and species protection, and climate change programs including new works and natural assets. The cost and service context in Nanaimo is like that of other municipalities, some of which have already developed stormwater utilities. For Nanaimo, initial considerations for developing dedicated cost-recovery means and a more formal utility-like service relate to:

- City policies that guide Staff to develop integrated service delivery models which expands the costing envelope for stormwater services to consider much more than traditional pipes and ditches. This is reinforced with the policies and strategies outlined in the *2008 Official Community Plan* and the *1998 Council Policy for Integrated Stormwater Management*, namely: resource protection, working with partners, managing development, protecting habitat and ecology, managing risk of flooding, and implemented integrated capital projects. These are also being further developed through ReImagine Nanaimo.
- A regional liquid waste management plan which mandates that participant municipalities contribute to watershed services and investigate ways to limit their impact on watershed health.
- Asset renewal and asset expansion are rising in their costs including a looming spending need for drainage infrastructure over the next 30 years. Any new assets, or additional hazards, that cause earlier-than-planned upgrades (e.g., more variable storm events) will raise tangible capital asset valuations and cause higher spending needs.
- Climate change, flood protection and biodiversity development will generate new expenditures not related to property taxation and will likely require modified funding sources and techniques.

The exploratory review of utilities in other jurisdictions revealed a wide range of approaches and levy structures. Most other stormwater utilities start with the same premise: to improve stormwater cost-recovery and to tie land use conditions with the cost of service. A quick summary of stormwater utility structures in BC reveals four mini-case studies across a broad spectrum of choices:

- An Island municipality (Campbell River), which exhibits a simple form of cost-recovery for all costs related to stormwater management where each property is charged an identical parcel tax, regardless of land use.
- A Metro Vancouver municipality (White Rock) which levies an annual user fee against all properties to pay for drainage services, based on their zoning and land area.
- A Metro Vancouver municipality (Surrey) which often describes itself as a drainage utility, but is a simplified annual parcel tax, based on land use categories (of which there are only seven) used to fund most capital and operations needs for drainage works.
- An Island municipality (Victoria), which describes itself as a utility, and levies an annual charge to cover flood control, water quality, some operations, and asset planning/ renewal, using a four-part, property-specific calculation.

The total annual levies of these four mini-case studies cover a broad range from about \$48 per year to more than \$600 per parcel. Also of note, there are approximately 28,500 properties inside the Urban Containment Boundary in Nanaimo. Any structure for a utility must consider its primary aim and the local context for stormwater to develop a practical and sustainable model.

Additionally, principles guide the formation and implementation of a utility. Principles should make direct links between the rationale behind a plan and the methods that are intended to accomplish the goals. In engaging with other municipalities, it has become clearer how the definition and weighting for each of their service principles creates a distinct outcome. Principles for future consideration by Nanaimo include ease of administration, degree of understanding, conservation and restoration, equitability (user-pay philosophy), and cost-recovery sustainability. A utility feasibility and development study will explore the role each principle has on a future stormwater utility for Nanaimo.

Staff propose to conduct financial and stormwater technical analysis in 2022 and 2023. Funding for the study is included in the draft 2022-2026 Financial Plan. The goal of the analysis is to review utility structures, including costs and principles, in more detail prior to presenting a business case for a potential stormwater utility including recommendations to Council.

NEXT STEPS

Upon confirmation of the budget allocation for stormwater utility analysis in 2022, Staff will initiate the study and retain a qualified consultant to undertake the analysis and reporting. Business case development will occur throughout 2022 and aim for a recommendation to Council to proceed (or not) with implementation later into 2023.

SUMMARY POINTS

- Climate change, ecological protection, asset renewal, and land development can create new cost pressures on stormwater management services.
- Stormwater utilities are becoming more common in BC as a way to equitably distribute the costs of modern stormwater services.
- Nanaimo aims to study the needs and possibilities of a stormwater utility to provide Council and the community options for an informed decision at a future date.

ATTACHMENTS

Attachment A – Presentation: Exploring a Stormwater Utility |

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