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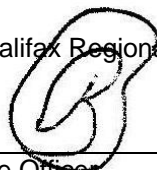
Item No. 8.1

Halifax Regional Council

June 16, 2015

June 23, 2015

TO: Mayor Savage and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: May 27, 2015

SUBJECT: Right-of-Way Stormwater Charge Options

ORIGIN

Motion by Regional Council, April 28, 2015, that Regional Council rescind the motion passed at the January 14, 2014 meeting to approve that Regional Council:

1. Levy a new Stormwater Charge for Right-of-Way costs of \$39 per Property on those properties that pay the Halifax Water Stormwater Charge, and,
2. Request that Halifax Water collect the new Stormwater Charge for HRM through the Halifax Water billing process, commencing with the 2014-15 fiscal year.

Motion by Regional Council, April 28, 2015, requesting a staff report to be completed before the end of June to look at options for Stormwater Charges for Right-of-Way costs for future fiscal years.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, 2008, c.39, references to estimates, tax rates, area rates and uniform charges excerpts below.

Section 93 (Estimates of Required Sums)

- (1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.
- (8) The tax rates must be those that the Council deems sufficient to raise the amount required to defray the estimated requirements of the Municipality.

Section 94 (Tax Rates)

The Council shall set separate commercial and residential tax rates for the area of the Municipality determined by the Council to be

- (a) a rural area receiving a rural level of services;
- (b) a suburban area receiving a suburban level of services; and
- (c) an urban area receiving an urban level of services.

Section 96 (Area Rates and Uniform Charges)

- (1) The Council may spend money in an area, or for the benefit of an area, for any purpose for which the Municipality may expend funds or borrow.
- (2) The Council may recover annually from the area the amount required or as much of that sum as the Council considers advisable to collect in any one fiscal year by an area rate of so much on the dollar on the assessed value of the taxable property or occupancy assessments in the area.
- (3) The Council may provide
 - (a) a subsidy for an area rate from the general rate in the amount or proportion approved by the Council.
- (4) The Council may, in lieu of levying an area rate, levy a uniform charge on each (a) taxable property assessment; (b) dwelling unit, in the area.

RECOMMENDATION

It is recommended that Halifax Regional Council maintain the Stormwater Right-of-Way charge as is, collected by Halifax Water from those properties that are charged the Halifax Water Stormwater Charge, at a rate of \$41 per property for 2015-16.

BACKGROUND

Prior to the stormwater service being transferred to the Halifax Regional Water Commission (HRWC), the service was provided by HRM Public Works and almost entirely funded by the Pollution Control charge on the water bill. Similarly, until the stormwater funding decision of the NSUARB in June 2013, all HRWC stormwater services were funded entirely by HRWC wastewater customers, not through property tax.

In the HRWC's Compliance Filing to the NSURB dated June 26, 2013, the stormwater charges to HRM are outlined in section 7(2) which states "Effective July 1, 2013 HRM shall pay annually to the Commission for the fiscal year commencing April 1, 2013, for stormwater service associated with the HRM-owned street right of way (ROW) the amount of \$3,561,766, which amount is pro-rated from July 1, 2013 to be \$2,671,324. This amount is calculated based on the impervious area within the HRM owned ROW. Effective April 1, 2014 HRM shall pay annually to the Commission for stormwater service associated with the HRM owned Street Right of Way (ROW) the amount of \$3,881,408."

On August 6, 2013, Regional Council directed that the uncommitted surplus from fiscal 2012-13 be used to fund the 2013-14 cost of the stormwater service within the HRM-owned right-of-way, and that staff "return with a report on funding stormwater right-of-way system costs in the context of a broader discussion on tax structure issues."

Framework for Area Rates

On October 22, 2013, a tax structure report, including a Framework for Area Rates, was presented to Regional Council at Committee of the Whole. The Framework was accepted by Regional Council and was used to evaluate the options for funding stormwater costs.

The Framework is not intended to provide an immediate answer as to the funding of specific services. Rather, it provides guidance as to the key factors to be considered and interpreted when making such taxation decisions.

As its chief principle, the "service standards and levels" should determine the tax status for a service, rather than the reverse. Where Council is introducing a new service or evaluating an existing service, details of that service need to be well understood before trying to establish its tax status.

Recent Funding Decisions

On January 14, 2014, Regional Council was provided with three alternatives for the funding of the ROW Stormwater cost. Regional Council approved a motion to:

1. Levy a new Stormwater Charge for Right-of-Way costs of \$39 per property on those properties that pay the Halifax Water Stormwater Charge, and,
2. Request that Halifax Water collect the new Stormwater Charge for HRM through the Halifax Water billing process, commencing with the 2014-15 fiscal year.

This approach was used to collect the Halifax ROW Stormwater charge in 2014-15.

On April 15, 2014, Regional Council requested staff to: “bring back options in the 2015-2016 budget process dealing with the right of way stormwater charges including, but not limited to, the use of the Halifax Regional Water dividend.” An information report was provided February 24, 2015.

On April 28, 2015, Regional Council approved the 2015/2016 Capital and Operating Budget which included item i):

“the Stormwater Right-of-Way charge shall be set at \$41 per property for those properties that are charged the Halifax Water Stormwater Charge.”

Later, during the same April 28, 2015 meeting, Regional Council rescinded the motion they had approved January 14, 2014 (shown above), and passed a motion requesting:

“a staff report to be completed before the end of June to look at options for Stormwater Charges for Right-of-Way costs for future fiscal years.”

DISCUSSION

On February 24, 2015, three revenue options were provided to Regional Council:

- 1) a “per property” charge to be collected by Halifax Water (HW),
- 2) an area rate on the HRM tax bill for those who benefit from the HW stormwater service,
- 3) funding from HRM’s general revenue (e.g. HW dividend and general tax rates).

During Regional Council discussions on April 28, 2015, a fourth option was debated. Since, the new option is similar in geography to option 1), above, it will be referred to as option 1b):

- 1a) a “per property” charge to be collected by Halifax Water,
- 1b) a municipal charge – on all properties within the HW stormwater service boundary – that would appear on the HRM property tax bill,
- 2) an area rate on the HRM tax bill for those who benefit from the HW stormwater service,
- 3) funding from HRM’s general revenue (e.g. HW dividend and general tax rates).

The **basic philosophy** of each approach is summarized below:

- 1a) Municipal roadway maintenance (including stormwater drainage) principally benefits those who abut the roadways, so those within the HW stormwater service boundary should pay.
- 1b) Municipal roadway maintenance (including stormwater drainage) benefits, primarily, those closest to the municipal streets and roads receiving the service. Therefore, only those within the HW service area (see Attachment 1) should pay the Halifax ROW Stormwater charge.
- 2) Municipal roadway maintenance (including stormwater drainage) benefits all those who travel on municipal streets and roads – including those who travel into the stormwater service area

for work, shopping or other reasons – so, all those within the Halifax commutershed should pay.

- 3) Public road maintenance (including stormwater drainage) is a shared responsibility between the Municipality (including Halifax Water) and the Province. Public roadways benefit all those in the Halifax region and are paid for broadly through municipal (general rate) property taxes and well as Provincial consumption and income taxes.

Impacts (of the four options):

- 1a) Due to a slight reduction in Halifax Water stormwater clients – as the result of a number of appeals – the “per property” charge would need to be \$41 for 2015-16.
- 1b) There are approximately 3,500 properties which are HW clients, but do not pay property tax to the municipality – e.g. government buildings, schools, universities and churches – so the required “per property” charge would need to be \$42. All taxable properties within the HW service area would pay the Stormwater ROW charge, including some properties not currently paying the Stormwater ROW charge (because they are exempt from Halifax Water’s Site-Generated Flow charge).
- 2) An area rate would vary based on the specific area. However, if the Regional Transportation boundary were used – reflecting those who travel regularly within the Halifax Water stormwater service area and benefit from the well-drained roadways – the rate would be approximately \$0.0075 on the general residential rate (approx. \$17 per average home) and \$0.021 on the general commercial rate, or \$0.010 on all taxable properties.
- 3) Funding of 2015-16 ROW Stormwater costs would require \$0.007 on the general residential rate (approx. \$16 per average home) and \$0.020 on the general commercial rate, or \$0.0095 on all taxable properties.

Pros & Cons (of the four options):

- 1a) Pros: It is straight-forward for the Halifax Water customer, since both the “Site-Generated Flow” and “Right-of-Way” stormwater charges appear on the same Halifax Water bill.
Cons: It doesn’t charge all those who benefit from the ROW stormwater service.
- 1b) Pros: Easy to understand and explain, since those with frontage on roads (or would use these roads to access their properties) with HW stormwater service would pay the charge. The charge, if shown as an area rate, would have high transparency, i.e. be visible on the tax bill.
Cons: Others who use or benefit from the roads with HW stormwater service will not pay for the service.
- 2) Pros: It applies the charge to those who benefit, directly and indirectly from the ROW stormwater service. It provides a similar allocation between residential and commercial properties as the general and transit rates: a 62% residential, 38% commercial split. The area rate would be transparent.
Cons: It adds further complexity to the HRM tax bill.
- 3) Pros: Similar to option 2), however it also recognizes the shared responsibility of roadway and stormwater service delivery across the region. It best matches the current tax structure (for streets and right-of-way services).
Cons: It has low transparency, i.e. the specific ROW stormwater cost becomes one of many streets and right-of-ways costs in HRM’s transportation budget.

Options for \$3.9m Stormwater ROW Charge

Option	What Type of Tax	Where is it Levied	Who Collects It	Tax Rate
1a	Per Property Charge (HW)	Properties that pay the " <u>Site-Generated Flow Charge</u> "	Halifax Water Commission	\$41
1b	Per Property Charge (HRM)	Properties that are in the <u>Stormwater Service Area</u> (incl. those who don't pay the Site-Generated Flow Charge)	HRM	\$42
2	Area Tax Rate	entire <u>Commutershed</u> (like the Regional Transportation Tax)	HRM	1.0 cents (residential and commercial) <u>or</u> 0.75 cents (residential) and 2.1 cents (commercial)
3	General Tax Rate	<u>All of HRM</u>	HRM	0.95 cents (residential and commercial) <u>or</u> 0.7 cents (residential) and 2.0 cents (commercial)

Conclusion

Halifax Regional Council may continue with the approach to collecting the ROW Stormwater charge they approved in January 2014, was implemented in 2014-15, and was included in the 2015-16 budget at \$41 per property, Option 1a).

However, should Regional Council decide that the charge be placed on the HRM tax bill, Option 1b) provides a similar "flat rate" of \$42 per property on a similar group of properties, allowing a relatively straight-forward transition from the status quo. This option is provided as Alternative 1, below.

FINANCIAL IMPLICATIONS

Each option continues to raise approximately \$3.9 million, annually, i.e. the amount currently being collected through Halifax Water.

COMMUNITY ENGAGEMENT

No community specific community engagement is planned for this potential change. However, a new billing approach would need to be communicated to Halifax residents, through appropriate HRM and/or Halifax Water channels.

ALTERNATIVES

1. Halifax Regional Council may levy the Stormwater Right of Way Charge on the "Stormwater Service Area" at \$42 per property, with collection by HRM commencing in 2016-17.

ATTACHMENTS

Attachment 1: Halifax Water Stormwater Service Area map

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Attachment 1: Halifax Water Stormwater Service Area map

