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Item No. 9

**Halifax Regional Council
February 24, 2015**

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by Director

SUBMITTED BY:

Greg Keefe, Director, Finance & ICT / CFO

DATE: February 9, 2015

SUBJECT: Right-of-Way Stormwater Charge Options

INFORMATION REPORT

ORIGIN

Regional Council, 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."

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, 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.

BACKGROUND

In the Halifax Regional Water Commission's (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 system 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 will be used to evaluate the options for funding the 2014-15 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

Current Funding Approach

On January 14, 2014, Regional Council was provided with three alternatives for the funding of the ROW Stormwater cost. The options included:

- a charge of \$39 per property to be collected by Halifax Water (HW),
- an area rate on the HRM tax bill for those who benefit from the HW stormwater service,
- funding from HRM's general revenue (general tax rates).

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.

Interim Stormwater Infrastructure Funding

On February 26, 2013, Regional Council approved a 2-year interim funding solution, to address priority stormwater projects, with a maximum contribution of \$3 million per year from HRM general revenue, worded as "sourced from the annual Halifax Water dividend payment to Halifax Regional Municipality" in the Council resolution. In 2014-15, \$2,495,000 of municipal funds was budgeted to the project (CR000001). The Halifax Water "dividend", which is calculated similar to a Payment in Lieu of Taxes,

was budgeted at \$4,579,000 for 2014-15.

The interim stormwater funding ends in 2014-15, thus potentially creating some general revenue capacity (for multiple competing pressures) in 2015-16.

DISCUSSION

The three options for the collection of ROW Stormwater funds remain essentially the same as they did a year ago:

- 1) a “per property” charge to be collected by Halifax Water (HW), i.e. the Status Quo,
- 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, while a detailed Framework for Area Rate analysis of the three options is provided in Attachment 1:

- 1) Municipal roadway maintenance (including stormwater drainage) principally benefits those who abut the roadways, so those within the Halifax Water stormwater service boundary should pay.
- 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 three options):

- 1) Due to a slight reduction in Halifax Water stormwater clients – as the result of a number of appeals – the “per property” charge is expected to be approximately \$41 for 2015-16.
- 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 \$0.008 on the general residential rate (approx. \$16.80 per average home) and \$0.022 on the general commercial rate in 2015-16.
- 3) Funding of 2015-16 ROW Stormwater costs would require \$0.0075 on the general residential rate (approx. \$15.80 per average home) and \$0.021 on the general commercial rate.

Pros & Cons (of the three options);

- 1) Pros: It is straight-forward for the Halifax Water customer, since both the “Impermeable Area” 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.
- 2) Pros: It applies the charge to those who benefit, directly and indirectly from the ROW Stormwater service. It provides a reasonable sharing between residential and commercial properties: about a 62% residential, 38% commercial split.
Cons: It increases the HRM property tax bill. It adds further complexity and potential confusion 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). It provides the average lowest per home charge.
Cons: It has low transparency, i.e. the specific ROW stormwater cost becomes one of many street and right-of-ways costs in HRM's transportation budget.

FINANCIAL IMPLICATIONS

The funding of the Right-of-Way Stormwater amount from General Revenue has an impact of \$0.0075 on the general residential rate (approx. \$15.80 per average single-family home) and \$0.021 on the general commercial rate in 2015-16, compared to the current approach of collecting a specific amount per property through Halifax Water billings.

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 in 2015-16, through HRM and Halifax Water channels with their clients.

ATTACHMENTS

Attachment 1: Framework for Area Rates Analysis (of the three options)
Attachment 2: Halifax Water Stormwater Service Area map

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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Attachment 1: Framework for Area Rates Analysis (of the three options)

Option 1: Halifax Water ROW Stormwater services represent a higher level of service

Service Description:

In denser areas, the underground storm water system is required whereas in rural areas more low cost approaches can be implemented. Halifax Water (HW) provides underground stormwater utility functions within much of their stormwater service area. Most of Halifax Water's stormwater customers are also water and/or wastewater customers. However, approximately 15,500 properties within the stormwater service area benefit from HW stormwater services, without being water or wastewater customers.

Applying the Framework to this service description:

1. Where is the service and where will it be available?

Answer: Mostly within the Halifax Water stormwater service boundary (see Attachment 2).

2. Who will benefit, either directly or indirectly, from the service?

Answer: Often times, the direct benefit of the stormwater service can be local in nature: it benefits the street abutters most significantly, especially on smaller, local streets.

3. Who have caused a need for the service?

Answer: Those living and travelling along the HRM streets/rights-of-way.

4. Is the standard or level of service different than that provided elsewhere?

Answer: No. Technical solutions will differ across HRM depending on topography and the amount of development, i.e. land availability and amount of impervious surfaces.

Using this definition of the Halifax Water stormwater services, "a significant minority of taxpayers has no practical access to a service" applies, i.e. those outside the stormwater service boundary do not directly benefit.

Taxation solution for this service: levy a flat charge per property (uniform charge) on those within the Halifax Water Stormwater Service area. Since Halifax Water collects stormwater fees from these clients, it is efficient and straight-forward for customers to have both their stormwater charges on one bill.

Option 2: Stormwater is part of HRM's Transportation and Road Service

Service Description:

HRM provides and maintains local, collector and arterial roads. To keep this service operational, stormwater must be managed within road right of ways. In areas of denser development, the service may include piped (or underground) services, but in many parts of the region, including parts of the Halifax Water service area, services are above-ground.

Applying the Framework to this service description:

1. Where is the service and where will it be available?

Answer: Mostly within the municipal road service boundary. In addition, 41 km of HRM-owned roads are maintained by HRM outside of this boundary.

2. Who will benefit, either directly or indirectly, from the service?

Answer: All those who use HRM-owned roads, e.g. most of those who reside within the "commutershed," i.e. same boundary as used for the Regional Transportation area rate.

3. Who have caused a need for the service?

Answer: Those who live or work along these HRM roads, as well as those who travel on the roads.

4. Is the standard or level of service different than that provided elsewhere?

Answer: No. Technical solutions will differ across HRM depending on topography and the amount of development, i.e. land availability and amount of impervious surfaces.

Using this definition of the HRM roads/stormwater service, "a significant minority of taxpayers has no practical access to a service" applies, i.e. those outside the commutershed do not benefit would not regularly access - the HRM road network. Therefore, HRM could use an area rate to fund the service.

Taxation solution for this service: create a stormwater area rate using the commutershed boundary to collect the charge. All residents and businesses from within the "commutershed" benefit from HRM-owned roads.

One of the complicating factors of this approach is the current delivery model for roadway services. Unlike most other municipal services, roadway services (including stormwater management) have a shared responsibility between Halifax Water, the Halifax Regional Municipality and Transportation and Infrastructure Renewal (TIR), Province of Nova Scotia. This later responsibility is linked to the Provincial - Municipal Service Exchange agreement for road maintenance under which HRM assumed responsibility for some provincial roads in the core while the Province assumed responsibility for what would otherwise be municipal roads in the rural area.

Option 3: Stormwater is a Service provided all across the Halifax region

Service Description:

Stormwater is a service provided all across HRM but in differing ways. In areas of denser development, the service may include piped (or underground) services, but in many parts of the Region, including parts of the Halifax Water service area, services are above-ground, e.g. ditches and culverts.

Applying the Framework to this service description:

1. Where is the service and where will it be available?

Answer: Across all of HRM.

2. Who will benefit, either directly or indirectly, from the service?

Answer: All those who use public roads in HRM (roads will be drained of stormwater).

3. Who have caused a need for the service?

Answer: Those who use public roads.

4. Is the standard or level of service different than that provided elsewhere?

Answer: No. Technical solutions will differ across HRM depending on topography and the amount of development, i.e. land availability and amount of impervious surfaces.

Taxation solution for this service: general rate across HRM. All residents and businesses benefit from some level of stormwater service in HRM, and stormwater service standards don't vary by geography. Rather, different approaches are used depending on local need and circumstances.

One of the complicating factors of this approach is the current delivery model. Unlike most other municipal services, stormwater and road services have a shared responsibility between Halifax Water, the Halifax Regional Municipality and Transportation and Infrastructure Renewal (TIR), Province of Nova Scotia. This latter service is coordinated through the Provincial - Municipal Service Exchange agreement for road maintenance, under which HRM assumes responsibility for some provincial roads in the core while the Province assumes responsibility for what would, otherwise, be municipal roads in the rural area.

Attachment 2: Halifax Water Stormwater Service Area map

