



CITY OF RICHMOND

REPORT TO COMMITTEE

TO: Public Works and Transportation Committee

DATE: February 1, 2000

FROM: Jeff Day, P. Eng.
Director, Engineering

FILE: 6045-08-01

RE: **Strategy for Financing Drainage and Dyking Improvements**

STAFF RECOMMENDATION

1. It is recommended that the concept of creating a dedicated drainage and dyking reserve fund be endorsed; and
2. Staff be requested to prepare the necessary statutory reserve bylaw(s).

Jeff Day, P. Eng.
Director, Engineering

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ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Sewers & Drainage	Y <input type="checkbox"/> N <input type="checkbox"/>	
Law	Y <input type="checkbox"/> N <input type="checkbox"/>	
Budget	Y <input type="checkbox"/> N <input type="checkbox"/>	

STAFF REPORT

ORIGIN

Like many other British Columbia municipalities, the City has historically funded its drainage and dyking improvements through general revenues. The drainage and dyking systems are vital to the flood protection of the City, as well as representing valuable infrastructure assets to this City and as such, require the same recognition and funding resources as both the water and sewer utilities. Staff estimate that the asset or replacement value of the City's current drainage and dyke systems to be approximately \$65 million and \$270 million, respectively.

ANALYSIS

Prior to the recent amendments to the Municipal Act, municipalities were not empowered to create a "stand alone" drainage utility for drainage systems or dykes. As a result, two local municipalities "combined" the drainage into their sanitary sewer utility.

The recent Municipal Act amendments are silent on this issue and do not exclude dyke improvements in the establishment of a utility. Therefore, there is an opportunity for the City to establish a combined drainage and dyking utility which will ensure adequate funding for the City's immediate and future drainage and dyking needs.

It is recommended that a funding mechanism similar to those of the water and sewer utilities be set up to fund these systems.

The advantages of the water and sewer utilities are as follows:

1. The "user pay" principle is applied in the establishment of the rates.
2. The rates are established based on the projected maintenance, operating and upgrading needs.
3. Having a dedicated or reserve source of funding ensures that funds are available for critical infrastructure needs which do not compete with other municipal services.
4. The ability to set rates and build up reserves enables the utility to level out the peaks and valleys of year to year infrastructure needs.

Presently, the utility charges for water and sewer are not included with the tax levy. The cost of operating these utilities are recovered through a separate billing every March. These costs are not able to be deferred by seniors, as the property taxes are. Creating a drainage and dyking utility or adding the costs to the sewer utility will in fact reduce the property tax component, but raise the utility fees by the same amount. The result of this action would be the loss of tax deferment ability.

In order to gain the benefit of a dedicated, "user pay" fund and still provide the ability for seniors to defer the costs, staff recommend that a statutory reserve fund be established, whereby, the earmarked drainage/dyking fee is kept on the general taxes but as a separate line item, specifically identifying that amount to be credited to a dedicated drainage/dyking reserve account. This will then be managed in the same manner as the water and sewer utility.

It is envisioned that in the initial year of implementation, the rate be established using the existing taxation principle of a proportionate share based on assessment values. In the following years, the

rate will be refined to reflect the impact of the differing land use categories and to establish a reserve fund for future works. The rate adjustments will be based on the actual needs to maintain, operate and upgrade the drainage and dyking infrastructure.

This will effectively be “invisible” to the homeowner/taxpayer as it will not increase their general taxes, provided the rate is not increased, and it will still be deferrable. Furthermore, it will allow the general homeowner/taxpayer to see how much of their taxes will actually be spent in the provision of drainage and dyking systems.

FINANCIAL IMPACT

Aside from the administrative costs to develop the rates and administer the reserve account, there will be no immediate impact to the general homeowner/taxpayer.

CONCLUSION

Establishing a user pay, drainage/dyking statutory reserve account will enable the City to dedicate funds on an annual basis to the maintenance and improvements of the City's drainage and dyking systems. In the longer term, the rates can be adjusted to ensure the funding needs for both drainage and dyking are met.

The homeowner/taxpayer will still be able to defer this fee and will be able to identify on their tax assessment how much of his/her taxes is dedicated to maintaining and improving the City's drainage and dyking systems.

Paul H. Lee, P.Eng.
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