



CITY OF RICHMOND

REPORT TO COMMITTEE

TO: Finance Select Committee      DATE: March 31, 2000  
 FROM: Jim Bruce      FILE: 8060-20 - 7126  
       General Manager, Finance and Corporate Services  
 RE: **Drainage Utility Concept**

STAFF RECOMMENDATION

That Council introduce Drainage Improvement Statutory Reserve Fund Establishment Bylaw No. 7126, and give it first, second and third readings, and;

That staff be directed to incorporate into the Year 2000 tax rates a separate rate for the costs associated with drainage maintenance and capital cost contributions.

Jim Bruce  
General Manager, Finance and Corporate Services

Att.

STAFF REPORT

ORIGIN

On February 28, 2000 Council approved the concept of establishing a Drainage Utility for accounting and operational purposes. One of the recommendations was to establish a statutory reserve to allow for excess funds to be specifically set aside for future uses. There was also a proposal that for the year 2000 the costs associated with drainage operations be shown as a separate line item on the tax notice. This report addresses the establishment of the statutory reserve and the concept of having a separate tax line item on the year 2000 tax notice.

ANALYSIS

Under the Municipal Act, Council has the right to establish reserves that can be designated for specific uses. These types of reserves must be established by bylaw and any expenditure from these reserves must also be by a reserve expenditure bylaw.

The Engineering department believes their maintenance work on the drainage infrastructure is reaching a critical point where some major funding requirements will be necessary. They have identified that building up a reserve from surplus funds would be appropriate. They have also identified that small tax increases over the next couple of years starting in 2001 would be desirable. This later concept will be debated during the review of future year budgets.

The drainage department is part of the overall Engineering Divisions general operations. The cost of the drainage functions although specifically identified, as a separate section for the Engineering budget presentation it is not specifically identified on the tax notice.

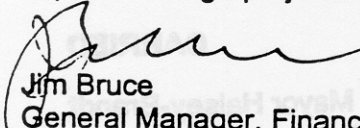
The Finance Department has reviewed the drainage utility request and is in agreement with the concept. At the direction of Council, Finance staff will, commencing in the year 2000, detail the drainage cost component as a separate line item on the year 2000 tax notice. A copy of the Drainage and Dyking Improvements report previously presented to Council is attached.

FINANCIAL IMPACT

During the Council review of the 1999 operating surplus, there was \$294,000 set aside for drainage improvement work. Of this amount \$200,000 will be put into the reserve. The Reserve Establishment Bylaw is attached for review.

CONCLUSION

That Council adopt a Drainage Improvement Statutory Reserve Establishment Bylaw, and that \$200,000 from the 1999 surplus be considered the initial funding, and that the Drainage Department be treated as a utility for costing purposes. Also that consideration be given to have an annual tax rate associated with the cost of drainage maintenance and contribution to capital drainage projects be shown as a separate tax rate on the annual tax notice.

  
Jim Bruce  
General Manager, Finance and Corporate Services

JWB:gjn



MINUTES

REGULAR COUNCIL MEETING – FEBRUARY 28<sup>TH</sup>, 2000

RES. NO. . ITEM

recognizing that:

- (i) *the actions above should be considered interim measures to address the most immediate problems*
- (ii) *more comprehensive and far reaching changes need to be made in the system*
- (iii) *these changes will involve major interministerial policy, mandate and funding changes.*

- (3) *That a letter be sent encouraging the Provincial Government to begin working toward a more effective approach to child care in the longer term, which should include serious consideration of core funding to replace current programs and incorporation of dedicated child care space at school sites.*

CARRIED

PUBLIC WORKS & TRANSPORTATION COMMITTEE –  
Councillor Lyn Greenhill, Chair

- R00/4-21 20. It was moved and seconded  
*That the minutes of the Public Works & Transportation Committee meeting held on Wednesday, February 23<sup>rd</sup>, 2000, be received for information.*

CARRIED

21. STRATEGY FOR FINANCING DRAINAGE & DYKING IMPROVEMENTS

(Report: Feb. 1/00; File: 6045-08-01; REDMS 133358)

- R00/4-22 It was moved and seconded
  - (1) *That the concept of creating a dedicated drainage and dyking reserve fund be endorsed;*
  - (2) *That staff prepare the necessary statutory reserve establishment bylaw(s).*

CARRIED

OPPOSED: Mayor Halsey-Brandt



REPORT TO COUNCIL

To Council - Feb. 28, 2000

**TO:** Richmond City Council  
**FROM:** Councillor Lyn Greenhill, Chair  
Public Works & Transportation Committee  
**RE:** **STRATEGY FOR FINANCING DRAINAGE AND DYKING IMPROVEMENTS**

**DATE:** February 24<sup>th</sup>, 2000  
**FILE:** 6045-08-01

The Public Works & Transportation Committee, at its closed meeting held on Wednesday, February 23<sup>rd</sup>, 2000, considered the attached report, and recommends as follows:

COMMITTEE RECOMMENDATION

- (1) ***That the concept of creating a dedicated drainage and dyking reserve fund be endorsed; and***
- (2) ***That staff prepare the necessary statutory reserve bylaw(s); and***
- (3) ***That this issue be forwarded to the Finance Select Committee for review.***

*[Handwritten signature]*  
Jeff Day, P. Eng.  
Director, Engineering

Councillor Lyn Greenhill, Chair  
Public Works & Transportation Committee

Attach.

VARIANCE

Please note that the staff recommended Parts 1 and 2 only of the above recommendation.



**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**

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**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

<b>FOR ORIGINATING DIVISION USE ONLY</b>		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
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 deferral 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.  
Manager, Engineering Planning

:phl

**CITY OF RICHMOND  
BYLAW 7126**

**A BYLAW TO ESTABLISH A DRAINAGE IMPROVEMENT STATUTORY  
RESERVE FUND**

The Council of the City of Richmond, in open meeting assembled, enacts as follows:

1. There shall be and is hereby established a reserve fund under the provisions of Section 496 of the Municipal Act, to be known as the "Drainage Improvement Statutory Reserve Fund."
2. Money as provided for under the provisions of the Municipal Act, may be paid into the Drainage Improvement Statutory Reserve Fund.
3. The moneys paid into the Drainage Improvement Statutory Reserve Fund shall be deposited in a separate reserve account and, until required to be used, may be invested in the manner provided in the Municipal Act.
4. The Council may provide for the expenditure of any moneys set aside under this bylaw and any interest earned thereon; but shall do so only by Bylaw adopted by an affirmative vote of at least two-thirds of its members.
5. This Bylaw may be cited as "**Drainage Improvement Statutory Reserve Fund Establishment Bylaw No. 7126**".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

_____	CITY OF RICHMOND
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_____	
_____	APPROVED for content by originating dept.
_____	APPROVED for legality by Solicitor

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CITY CLERK