



To: General Purposes Committee

Date: July 4, 2002

From: Steve Ono, P.Eng.
Director, Engineering

File: 6060-04-01

Re: Establishment of a Sewerage & Drainage Utility

Staff Recommendation

That staff prepare a new Sewerage & Drainage Rates Bylaw for the 2003 taxation year.

for
Steve Ono, P.Eng.
Director, Engineering

FOR ORIGINATING DIVISION USE ONLY		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Sewerage & Drainage.....	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	
Budgets	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	

Staff Report

Origin

Low-lying and surrounded by river and ocean, Richmond's dependence on effective Drainage and Dyking systems is very apparent. Considering the importance of Drainage and Dyking to Richmond, City Council recognised that this infrastructure is every bit as important as water and sewer services, and requires sufficient funding on an equal basis to the City's Water Utility and Sewer Utility. To this end, on April 10, 2000, Council approved the establishment of a Drainage Improvement Statutory Reserve Fund.

This report addresses the financial strategy to fund the operating and maintenance of the drainage system, and to fund the statutory reserve.

Analysis

Establishment of a drainage utility and combining it with the sewer utility is the recommended strategy to ensure dedicated funding for the City's drainage and dyking infrastructure. The new utility would be a Sewerage and Drainage Utility, and would replace the current sewer utility.

Currently, almost all drainage works the City carries out are funded through general tax revenue and Development Cost Charges. Examples of the drainage services that are provided include maintaining the dykes and pump stations, cleaning ditches, repairing storm pipes, installing storm pipes and responding to and fixing flooding problems.

Given Richmond's low-lying, flat terrain, the critical importance of drainage and dyking infrastructure to prevent flooding is obvious. Similar to the health and safety aspects of safe water supply which help drive the need for a dedicated Water Utility, a utility to support drainage and dyking works will help to secure Richmond. Additionally, the drainage system provides other benefits such as augmenting agricultural irrigation, and recreational and habitat amenities.

The proposed drainage utility financial strategy is similar to the City's existing water, sewer and solid waste utilities. These three systems are funded through a utility as opposed to general tax revenue. In essence, the creation of a sewerage and drainage utility will mean that a new charge for sewerage and drainage will appear on a customer's utility bill along with the water and solid waste charges. Since drainage is currently funded through general tax revenue, the increase in the utility bill will be offset by a corresponding decrease in their general tax bill.

Some of the benefits of the proposed sewerage & drainage utility charge are:

- dedicated funding for dykes and drainage.
- improved ability to access external funding sources such as 'green' federal-provincial infrastructure grants.
- clear accountability for drainage programs based on projected maintenance, operating and upgrading needs.

- the ability to set rates and build up financial reserves so that peaks and valleys of year to year infrastructure needs can be levelled out.
- improved ability to meet environmental regulations.

In addition, the rate will ultimately be based on the user pay principal, thereby moving toward a fair and equitable rate structure. The individual charge would be proportional to the amount of rainwater runoff that each property would typically contribute to the drainage system based on land use. Therefore a mall with a large parking area would be charged more than a single family home with green space that absorbs rainwater.

A potential negative implication of creating a utility as opposed to utilizing general revenue is that a utility charge can not be deferred by senior citizens. Based on 2001 results, only 234 of 9405 eligible seniors chose to defer their taxes. In addition, public schools, which are not required to pay property taxes, will have to pay for their share of the drainage utility, unless specifically exempted by Council.

Public Education

As with any change, implementation would require public information and education. It is proposed that information be provided to the public via:

- Inserts enclosed with the utility billing mailout.
- Posting on the City web page
- Advertisement in the City Noticeboard of the Richmond Review.

Ageing Infrastructure Needs

In addition to establishing dedicated funding, in the Ageing Infrastructure report that was presented to General Purposes Committee on July 16, 2001 staff identified that there was a shortfall between available funding and funding needed to provide for our failing drainage infrastructure. That gap is \$1.2 million annually.

In order to address this shortfall, it is envisioned that in future years, the sewerage and drainage rates would gradually increase to build a sufficient financial reserve to accommodate ageing infrastructure needs. The actual rates would be established annually by Council during the annual budget process.

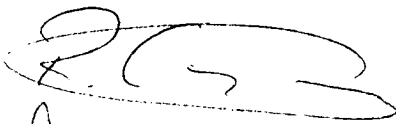
Financial Impact

The 2002 operating budget for the drainage system, including dykes, is \$2,259,100. The corresponding reduction in general tax revenue, if this amount was transferred to a utility, would be approximately 2.2%.

The equivalent amount to offset the reduction in general tax revenue would be collected via the new Sewerage & Drainage Utility. Accordingly, there would be no overall net financial impact in 2003 to either City taxpayers or the City.

Conclusion

Richmond is below sea level. Therefore without the dykes and a functioning drainage system, $\frac{3}{4}$ of the City would be underwater 7 months out of the year. The importance of the drainage system to Richmond and the ability to adequately fund and thereby maintain it, points to a need to create a dedicated funding source such as the proposed sewerage and drainage utility. Future sewerage and drainage utility rates would then be determined by Council annually in order to provide long term sustainable funding for sewerage, dyking and drainage works.



for
Steve Ono, P.Eng.
Director, Engineering

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