

# Report to Council



**Date:** September 25, 2023  
**To:** Council  
**From:** City Manager  
**Subject:** Stormwater Funding Business Case and Implementation Plan – Phase 1: Blueprint for a predictable future  
**Department:** Utility Services

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**Recommendation:**

THAT Council receives for information, the report from Utility Services dated September 25, 2023, regarding Stormwater Funding Business Case and Implementation Plan – Phase 1: Blueprint for a predictable future;

AND THAT, future public engagement on a potential stormwater utility be based on rate structure options 4 and 5 as presented in this report.

**Purpose:**

To update Council on the Stormwater Funding Business Case and Implementation Plan – Phase 1.

**Background:**

The adoption of stormwater utilities by other Canadian cities demonstrates a viable path forward to ensure a dedicated, non-property taxation revenue structure for municipal stormwater management services. To this end, staff have been investigating a fit-for-Kelowna solution that addresses funding challenges, fits the City’s unique stormwater management needs, and aligns with community values. In addition to the fiscal benefits of predictable and dedicated funding through a stormwater utility, a utility model can facilitate structural transformations that lead to improved service delivery.

Staff explored funding options and feasibility for a dedicated, predictable stormwater funding approach that achieves the goals of:

1. Generating revenues to offset costs for stormwater management services and projects,
2. facilitating financial incentives to property owners to effectively manage stormwater and stormwater quality,
3. positioning the City to meaningfully plan and respond to the impacts of climate change, and
4. maintaining the water quality in Okanagan Lake and surrounding creeks more effectively.

This multi-year project includes three phases that provide staff and Council multiple opportunities to respond to community feedback before committing to any funding strategy changes. The goal is to find a funding solution that provides the highest likelihood of achieving the goals of the stormwater system. Table 1 outlines the name, year, and scope for each phase.

*Table 1: Project phase names, years, and scope*

#	Phase Name	Year	Scope
1	Blueprint for a predictable future	2023	Funding structure options and drivers
2	Alignment with community values	2024	Public engagement and detailed rate structure analysis
3	Implementation and change management	2025+	Bylaw adoption and funding framework rollout

**Previous Council Resolution**

On February 13, 2023, Council adopted nine (9) water-related principles to support the development of the City’s Water Security Plan. Principle 3 is “Stormwater is effectively managed without negatively impacting riparian areas, infrastructure, property, or Okanagan Lake.”

Resolution	Date
AND THAT Council adopt the nine (9) water related Principles described in this report to guide development of a Water Security Plan	February 13, 2023

**Discussion:**

Stormwater includes rain, melting snow, and ice that washes off driveways, parking lots, roads, yards, rooftops, and other surfaces. Both urbanization and rural land use, including agriculture, can impact stormwater runoff quality and quantity. Climate change will likely amplify these impacts in the future. The City currently provides stormwater management services funded largely by property taxation.

The City has over \$350 million of engineered stormwater assets. The City manages these engineered assets along with natural infrastructure, such as creeks, to manage stormwater runoff while protecting the public, private property, infrastructure and the environment from flooding, erosion, and water quality issues. To ensure these systems operate as intended the City relies on staff and contractors to clean, inspect, repair, and operate these systems. To keep existing systems performing, regular funding for renewal is required in the Capital Plan. The recently updated 10-year capital plan includes stormwater system renewal funding. The stormwater capital needs compete for funding with all other city needs.

There are multiple direct and indirect corporate drivers that support the development of a non-property taxation-based funding solution for the City’s stormwater management services. The most explicit support is from Action 68 from the 2040 Official Community Plan:

***“Identify new funding tools to support infrastructure and facilitate growth.”***

There are many considerations when evaluating an alternate stormwater funding structure. Staff, and a supporting consulting team, have evaluated a variety of possibilities and narrowed the search to two rate structure options (4 and 5 in Table 2). Both options 4 and 5 would establish predictable funding, and balance fairness and equity, with a relatively simple administrative process. Furthermore, these options will support good private and public stormwater practices to help protect water quality in our creeks and Okanagan Lake. The recommended rate structure options are highlighted in blue in Table 2.

Table 2: Stormwater funding drivers and rate structure options

	Stormwater Funding Model	Used By	Single Family Residential	Multi-residential ≤ 6 units	ICI and large multi-res	Drivers				
						Protect Okanagan Lake water quality	Promote good private SW practices	Predictable funding	Fair & equitable	Simple
Tax Levy	1. General	~70% cities, Kelowna	Assessed value & tax rate class except tax exempt properties			○	○	○	○	●
	2. Dedicated	City of North Vancouver	Assessed value & tax rate class except tax exempt properties			⊘	○	○	○	●
Stormwater Rates	3. Tiered Flat Fee	West Vancouver, Surrey	Land use, property size			⊘	⊘	⊘	⊘	⊘
	4. Equivalent Residential Unit (ERU)	Guelph, Ajax, Saskatoon	Average residential impervious area		Measured impervious area & credit program	●	●	●	⊘	⊘
	5. Single Family Unit (SFU)	Windsor	Avg. SFU imp area	Avg. multi-res imp. area	Measured impervious area & credit program	●	●	●	●	⊘

Each of the recommended options (4 and 5) achieve a different balance between fairness, equity, and simplicity. It is staff’s recommendation to proceed with phase 2 and engage the public on the recommended rate structure options 4 and 5 to better understand alignment with community values. Along with public engagement, phase 2 works will include more detailed analyses on proposed rate structures and will draft a compelling vision of Kelowna’s stormwater management future for Council’s consideration.

The purpose of the public engagement phase is to inform and educate the public and key stakeholders about the importance of stormwater management, our goals for the system, seek feedback on proposed rate structures, and summarize key feedback to inform staff and Council’s decision making on rate structures and credit programs.

**Considerations applicable to this report:**

**Financial Budgetary Considerations:**

Phase 2 of the project requires a budget of \$300,000. This phase will proceed in 2024 dependent on resources and funding.

**Conclusion:**

A dedicated, non-property taxation revenue source for the City’s stormwater management services provides more predictable and transparent funding. User-pay structures can provide appropriate signals and support for better stormwater management on private property by incentivizing best management practices. In combination, predictable funding and better management of stormwater on private property will support Principle 3 of the draft Water Security Plan. Principle 3 is “Stormwater is effectively managed without negatively impacting riparian areas, infrastructure, property, or Okanagan Lake.” Staff recommend further analysis and engagement on two options for stormwater utility rate structures as part of Phase 2 of this project. Phase 2, “Alignment with community values”, will include a public engagement process on the options and a detailed rate structure analysis to prepare for stage three will occur in 2024 if resources and funding are available.

**Internal Circulation:**

Communications  
Financial Planning  
Planning & Development Services  
Revenue

**Considerations not applicable to this report:**

Communications Comments:  
Existing Policy:  
External Agency/Public Comments:  
Legal/Statutory Authority:  
Legal/Statutory Procedural Requirements:

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**Approved for inclusion:** M. Logan, Infrastructure General Manager

Attachment 1 – Stormwater Funding Business Case and Implementation Plan Presentation  
Attachment 2 – Stormwater Funding Strategy Executive Summary from AECOM

cc: Divisional Director, Financial Services  
Divisional Director, Planning & Development Services