

Report to Council



Date: November 18, 2024
To: Council
From: City Manager
Subject: Stormwater Utility Engagement Results and Next Steps
Department: Utility Services

Recommendation:

THAT Council receives for information, the Report from Utility Services dated November 18, 2024, regarding Stormwater Utility Engagement Results and Next Steps;

AND THAT Council direct staff to prepare principles for bylaw development that align with the tiered-equivalent rate structure option as presented in the report from Utility Services dated November 18, 2024;

AND FURTHER THAT staff return the draft principles to Council for consideration and direction.

Purpose:

To update Council on the stormwater utility engagement results and seek direction to prepare principles for stormwater utility bylaw development.

Council Priority Alignment:

Climate & Environment

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. In line with the core value of "innovate to make things better", staff have been investigating a fit-for-Kelowna solution that provides opportunity to incentivize property owners to better meet the City's unique stormwater management needs. With around 80% of impervious (i.e., hard) surfaces in Kelowna on private property, developing a method of encouraging responsible stormwater practices among property owners addresses a critical gap in the City's stormwater management efforts.

Funding stormwater on a utility basis is not new taxation. It is intended to be a shift from property tax, based on assessed value, to user fees and credits based on a property’s impact on the stormwater system.

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. This report outlines the results of *Phase 2: Alignment with community values*.

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

#	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

On [September 25, 2023](#) (Item 5.4), Council received a report from Utility Services outlining the development of five drivers to be considered when examining any potential funding framework changes. These drivers (Figure 1) were used to evaluate multiple stormwater utility rate structures in search of a fit-for-Kelowna solution. In the same meeting, Council resolved that public engagement on a potential stormwater utility be based on the EQUIVALENT (i.e., Equivalent Residential Unit) and PROPORTIONAL (i.e., Single Family Unit) rate structure options.

Figure 1: Stormwater funding decision-making drivers.



Previous Council Resolution:

Resolution	Date
AND THAT, future public engagement on a potential stormwater utility be based on rate structure options 4 and 5 as presented in this Report.	September 25, 2023

Discussion:

Two proposed rate structure options were presented to the public for feedback (EQUIVALENT and PROPORTIONAL). Based on engagement feedback, a third option (TIERED-EQUIVALENT) was developed. Under all three options industrial, commercial, institutional, mixed-use, and higher-density residential lots are considered in the same way – based on actual imperviousness (i.e., hard surface) with a supporting credit program. The largest difference between the three options is how residential properties with 1-6 dwelling units are considered. In alignment with the simplicity driver the following options were developed:

EQUIVALENT: All residential properties with six units or fewer will pay the same rate per dwelling unit, regardless of the unit type, size, or impervious area.

PROPORTIONAL: Residential properties with six or fewer units would be separated into two groups: single-family OR multi-family 2-6 units.

TIERED-EQUIVALENT: Residential properties with six or fewer units would be separated into three groups based on total impervious area: small, medium, and large.

Analysis and staff recommendation:

Staff, and a supporting consulting team, reviewed the three proposed rate structure options to consider the implications for property owners across a wide range of land uses and alignment with the drivers established in phase 1. The Tiered-Equivalent rate structure aligns best with community feedback and the criteria for evaluating rate options (Figure 2). Attachment B includes details on the comparative analysis of the three rate structure options. Staff recommend proceeding with the Tiered Equivalent model highlighted in Figure 2.

Figure 2: Equivalent, Proportional, and Tiered-proportional rate structure options compared with five stormwater funding drivers.

Stormwater Funding Model	Used By	Single Family Residential	Multi-residential (2-6 units)	ICI ^a and large multi-res ^b	Drivers				
					Protect Okanagan Lake water quality	Promote good private SW practices	Predictable funding	Fair & equitable	Simple
EQUIVALENT	Guelph, Ajax, Saskatoon	Average residential impervious area		Measured impervious area & credit program					
PROPORTIONAL	Windsor	Average SFU ^c impervious area	Average multi-res impervious area						
TIERED-EQUIVALENT	Potentially Kelowna	Small, medium, and large tiers based on impervious area							

^a ICI: Industrial, commercial and institutional land uses. ^b Multi-res includes lots and stratas with > 6 units. ^c SFU: Single-family unit

Principles for bylaw development:

A bylaw would be required to establish any proposed stormwater-based user fees just like the City's water and wastewater rates. In advance of presenting a draft bylaw to Council, staff are recommending the development of guiding principles to inform bylaw development. At Council's discretion, staff recommend a Council workshop to review and refine these guiding principles. Key workshop topics will include:

1. Reviewing the background and rationale for the switch from taxation to user-fee and incentive-based funding;
2. Consideration of agricultural/tax-exempt properties to limit impacts of unanticipated changes;
3. Finalizing property classifications to achieve fairness and equity;
4. Creating an attractive incentive program to empower property owners to address stormwater impacts; and
5. Determining a bylaw framework that streamlines administration.

Public Engagement Summary:

Public engagement occurred between March 18th and May 3rd, 2024, with two primary objectives:

1. Inform and educate the public on stormwater management.
2. Obtain public feedback and answer questions on proposed funding options.

Education and public feedback on the proposed funding options was facilitated by creating a [Get Involved project page](#) (6,700 views), gathering feedback through digital and physical surveys (256 responses), hosting in-person and virtual open houses (61 open house attendees), creating educational videos hosted on various platforms, and leveraging local and social media platforms. In addition, the Project Manager's phone number and a project specific email address were also publicized for residents to reach out and ask questions. Attachment A, Engagement Summary Stormwater Funding Strategy includes a summary of the results of public engagement.

Some of the key themes from public feedback included:

1. **Importance of stormwater management:** Most consider stormwater management services as important.
2. **On-site stormwater management measures:** Many residents have already taken steps to manage their stormwater on site. Industrial, commercial, and institutional respondents expressed willingness to take further steps.
3. **Rebate and credit programs:** Most respondents expressed interest in rebate or credit programs.
4. **Uncertainty regarding funding models:** Many are unsure about which funding model they preferred.
5. **Concerns over fairness and contributions:** Concepts of fairness and equity were recurring themes.

Most local news outlets covered the project. While they did highlight the engagement opportunity and the proposed models correctly based on the City's news release provided to them, words such as "controversial" and phrases such as "may trigger increased stormwater costs" were used, which may have added to some negative sentiment from the public.

Throughout public engagement, staff encountered recurring misunderstanding/misinformation from residents and the media. Two of the most prevalent and recurring narratives were "this is just a new tax" and "my property doesn't benefit from and/or contribute to the stormwater system." Staff leveraged the multiple virtual and in-person platforms established for engagement to respond and clarify.

Conclusion:

Should Council adopt the recommendations in this Report, staff will proceed with developing preliminary guiding principles for bylaw development that align with a tiered-equivalent rate option. These principles will be presented to Council during an AM workshop in the first quarter of 2025 for further feedback and refinement.

Internal Circulation:

Communications
Financial Planning
Revenue

Considerations applicable to this report:

Financial/Budgetary Considerations:

A request for budget to support this phase of the project will be included as part of the 2025 Financial Plan - Preliminary Budget.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Consultation and Engagement:

Communications Comments:

Submitted by: J. Hager, Design Technician

Reviewed by: K. Van Vliet, Manager, Utility Services

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

Attachment(s):

Attachment A - Engagement Summary: Stormwater Funding Strategy

Attachment B - Stormwater user fee comparison