

Report to Council



Date: April 28, 2025
To: Council
From: City Manager
Subject: Draft Stormwater Utility Principles for Implementation
Department: Utility Services

Recommendation:

THAT Council receives for information the Report from the Utility Services Department dated April 28, 2025, related to Draft Stormwater Utility Principles for Implementation;

AND THAT Council directs staff to prepare a finalized report on Stormwater Utility Principles for Implementation and report back to Council with recommendations.

Purpose:

To consider principles for implementation to support the transition of stormwater funding to a mix of user fees and taxation.

Council Priority Alignment:

Climate & Environment

Background:

In line with the City core value of “innovate to make things better”, staff are investigating a fit-for-Kelowna solution that provides opportunities to incentivize property owners to better meet the City’s stormwater management goals. With around 80% of impervious (i.e., hard) surfaces in Kelowna on private property, encouraging responsible stormwater practices among property owners would address a critical gap in the City’s stormwater management efforts. Staff are looking at the creation of a stormwater utility funding model to help facilitate some of these strategies.

The adoption of stormwater utilities by other Canadian cities demonstrates a viable path forward to ensure a dedicated, non-property taxation revenue structure that is based on user impact to stormwater management services. Funding stormwater on a utility basis provides flexibility to improve our stormwater practices into the future.

This strategy does not require 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 initiative isn't just about addressing challenges, it's about creating a legacy of responsible stewardship and resilience which is equitably assigned.

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, with a look forward to Phase 3: Implementation and change management.

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. Staff returned to Council on [November 18, 2024](#) (Item 4.8), to propose a preferred rate structure option based on public engagement feedback, the tiered-equivalent rate structure. Feedback from Council during the same presentation resulted in the addition of "Full Transparency" as a sixth decision-making driver for future phases.

Figure 1: Stormwater funding decision-making drivers



In addition, these drivers and the concept of a stormwater user fee align with the ongoing development of the City's Fees and Charges Policy recently presented to Council.

With clarification on the preferred rate structure option, Council directed staff to return in a workshop format with Principles for Implementation.

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
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;	November 18, 2024

Discussion:

Transitioning from property tax-based funding to a user-fee model based on imperviousness aims to establish a billing structure that aligns with the factors that contribute to stormwater runoff quantity and quality. This approach aligns with Kelowna's broader plans, such as the Water Security Plan. It also introduces incentives for meaningful private property behaviour change. Draft principles for consideration are outlined below. These principles can be used to guide actions and decisions during the development and implementation of the proposed stormwater fee structure.

1. **A Kelowna-specific vision for stormwater management can drive change for Water Security:** Moving to a stormwater user-fee model provides a means of empowering and incentivizing property owners to better meet the City's unique stormwater management needs, supporting a culture and legacy of responsible water resource protection.
2. **Incentive programs should be attractive and focus on stormwater quality:** A well-structured credit program empowers property owners to mitigate stormwater impacts and aligns with broader *Water Security* goals.
3. **Ensure billing classes align with concepts of fairness and equity:** Finalizing property classifications to ensure contributions reflect actual stormwater impacts.
4. **Impacts to tax-exempt properties should be considered:** Developing tailored exemptions, credits, or phased implementation plans for agricultural and tax-exempt properties ensures balance while encouraging best practices.
5. **Streamline administration to reduce resourcing requirements:** Integrating stormwater fees into existing systems reduces administrative complexity, leveraging automation for efficiency.

Conclusion:

Staff have prepared draft Stormwater Utility Principles for Implementation. These principles align with multiple Council and corporate objectives, with especially strong alignment with the Water Security Plan. Should Council wish to proceed, staff will prepare a finalized report on Stormwater Utility Principles for Implementation and report back to Council with recommendations.

Internal Circulation:

Communications
Financial Planning
Revenue

Considerations applicable to this report:

Legal/Statutory Authority:

The user-fee model outlined in previous reports to Council is the best funding option if the fee is to be based on impermeable area and implement a supporting credit system. Financial incentives to support effective stormwater management on private property cannot be readily used with property tax funding.

Consultation and Engagement:

Should Council wish to continue with Phase 3 (Implementation and Change Management), targeted engagement with industrial, commercial, institutional, higher density residential, agricultural, and tax-exempt property owners/interest groups will occur. The objective of this engagement will be to inform the development of the planned credit and incentive programs and consider implementation strategies that will lessen impacts to tax exempt and agricultural properties. This engagement would occur after staff brings back the Report on Stormwater Utility Principles for Implementation.

Communications Comments:

Should Council resolve to adopt the final Stormwater Utility Principles for Implementation, the Get Involved Kelowna project webpage will be updated to include these principles and outline next steps. The existing Get Involved Kelowna webpage will also be used to host resources for the targeted engagement in Phase 3.

Financial/Budgetary Considerations:

Should staff return with a finalized report on Stormwater Utility Principles for Implementation, staff will recommend approving phase 3 budget, at that time.

To support the administration of the stormwater user fee and credit program, annual administration costs are estimated at \$200K. If Council proceeds with implementation, these ongoing costs would be introduced in the Preliminary 2026 Financial Plan.

The City plans to offer financial incentives, such as credits, to properties that reduce their impact on the stormwater system. To offset the revenue loss from the credit program an additional long-term budget item will be required once implemented. This budget will be equivalent to approximately 10% of annual revenue and funded by stormwater fees.

If Council proceeds with implementation, there will still be years where stormwater fee revenues would be assisted by general taxation. This tax assistance will reduce the necessity for large reserves and smooth out periods of increased capital costs when large, transformative stormwater management and flood protection projects occur (e.g., Mill-to-Mission Creek Diversion upgrades completed in 2024).

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements:

Existing Policy:

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