

Staff Report

Council Meeting Date: July 14, 2025

Subject: PWRDS-2025-16 Stormwater Fee Study

Report from: Julie Fenton, Coordinator of Infrastructure & Development

Scott McLeod, Public Works Manager

Attachments: None

Recommendation

Be It Resolved that Council hereby approves report PWRDS-2025-16 Stormwater Fee Study; and

Endorses the Six Year Phased in Rate approach; and

Further directs Staff to initiate a public consultation process and bring back comments for Council to consider when making its final decision.

Background

In 2022, the following Notice of Motion was brought forward for Council's consideration.

26-02-2022

Moved by: Councillor Dudgeon

Seconded by: Deputy Mayor Davis

Whereas our storm sewer systems are used in our urban centres to divert surface water into an underground system much like tile drainage is used in the country;

Whereas, historically, the cost of these systems has been paid for by general taxation dollars even though the owner pays for all the tile drainage costs in the rural areas; and

Whereas, the cost of these storm water sewers may increase in the future, whether through replacement or upsizing due to more severe weather events;

Whereas these systems are a true benefit to the affected properties.

Now therefore, Be It Resolved, that beginning in January 2022 the maintenance, engineering, and replacement of these systems be removed from general taxation and be borne by our Water and Sewer Division, so as to create a more equitable system.

Tabled

At the time, Council tabled the Notice of Motion, requesting Staff to investigate further and bring back a report to Council.

At the September 23, 2023 Council meeting, Staff brought forward a further report, [SRFIN.23.22 Consulting Services for Stormwater Rate Study](#). The report noted that based on the Municipal Act and case law, any fees collected under the Municipality's water sanitary sewer user fees by-law cannot be used towards payment for repairs of the Municipality's stormwater management system. As a result, for a fee or charge to be valid, it must be tied to what it is being collected for. Therefore, the Municipality needs to pass a Stormwater Fees and Charges By-Law pursuant to Sections 11 and 391 of the Municipal Act. Following the presentation of the findings, Council passed a resolution authorizing staff to work with Hemson Consulting Ltd. to prepare a Stormwater Rate Study.

Hemson has worked with municipal staff and Rakesh Sharma, GSS Engineering to develop an appropriate strategy to address the needs of the municipality to fund the construction and maintenance of stormwater infrastructure within our urban centres of Chesley, Paisley and Tara.

Analysis

Traditionally in Arran-Elderslie stormwater infrastructure has been maintained by the Public Works – Roads Department. Regulatory changes in 2021 introducing Consolidated Linear Infrastructure (CLI) has seen the management of stormwater shifted to the Public Works – Water and Sewer Department.

The Consolidated Linear Infrastructure Environmental Compliance Approval (CLI-ECA) came into effect in 2021. The requirements are meant to streamline the environmental approval process for municipal sanitary and stormwater conveyance systems in Ontario. This approach consolidates approvals for new projects, modifications, and expansions under a single, comprehensive framework, eliminating the need for separate approvals for each project. It provides operational flexibility by allowing municipalities to conduct routine maintenance and make changes within predefined parameters without extra approvals.

The CLI-ECA mandates regular monitoring, reporting, and record-keeping to demonstrate compliance with environmental objectives. It also requires regular inspection and maintenance of infrastructure components, such as sewer lines and stormwater systems, to ensure functionality and prevent failures.

These regulatory requirements further strengthen the need to raise revenues to operate and maintain our stormwater infrastructure.

The intent of a stormwater user is to remove the cost of operation, construction and maintenance from general tax revenues, and develop a user pay system, similar to how the water and sanitary sewers systems are operated.

During the initial implementation, revenues will offset the cost of current construction projects and over time, the goal is to continue to construct and maintain stormwater infrastructure while building a reserve to fund the costs associated with future projects.

At present, all stormwater costs are funded through tax revenues, which means that rural ratepayers are supplementing the cost of urban stormwater operations and capital projects, while receiving no benefit. Upon implementation of a stormwater user pay system, these costs will be removed from tax levy, providing funding for other valuable projects.

It is noted that there will still be some tax revenues required to continue to fund the operation and maintenance of rural ditches. These costs are recovered when municipal drains are cleaned out and maintained, as the costs of those projects are apportioned back to the benefitting property owners, including us as the road authority.

For clarity, the stormwater user fee would be applicable to all ratepayers currently serviced by municipal water and/or sanitary sewer systems.

Ratepayer benefits resulting from the implementation of a stormwater user pay system include:

- No more open ditches in residential areas. All road construction projects will include curb and gutter and remove the need for open ditches on front lawns.
- Improved stormwater infrastructure, capable of better handling runoff and mitigating flood and erosion risks.
- Improved streetscape. Curb and gutter provide a clean look to neighbourhood streets.
- Proximity to well-managed stormwater systems, especially those incorporating aesthetic or recreational features can increase property values and attract investment.

During the study, staff considered four (4) rate structures:

1. Tax Revenue – The do-nothing approach.
 - Easy to administrate but not equitable for all ratepayers
2. Flat Rate – Based on property type
 - Easy to administrate but not equitable for all ratepayers
3. Impervious surface Area – Based on property coverage
 - Equitable for all ratepayers however, sufficient data is not available for the calculation.

4. Property Land Area – Based on property square footage and type

- **Equitable for all ratepayers, more difficult to administer than others.**

After considering the pros and cons related to each approach, staff believe option 4, Property Land Area is the best option for the stormwater user pay system. Staff have investigated the administration of this rate structure and believe that it will be manageable.

The study considered current and future costs taking into consideration growth and inflationary increases. The 2026 costs are highlighted below. Forecasting this need over the next 10 years brings these costs over the million-dollar mark.

2026 Operating and Capital Needs	
Operating Costs	\$157,500
Capital Costs	\$621,000
Portion of Operating Costs apportioned to Rural Stormwater Ditches	(\$30,300)
2026 Net Funding Need	\$748,200

The rate structure is based on property area (m²). It is then broken down into property types as follows:

- Residential
- Multi-Residential
- Commercial

The idea behind the property types is to consider the fact that different property types typically have more impervious surface area, such as larger buildings or parking lots, so they create more run-off. Many Ontario municipalities charge different stormwater rates based on property type including the Towns of Ajax, Georgina, and Newmarket, and the Cities of Vaughan, Richmond Hill, Kitchener, Ottawa, Windsor, Waterloo, and St. Thomas. Additionally, some Ontario municipalities that charge Stormwater Rates based on property area include the Town of Newmarket, City of Richmond Hill, and the City of Waterloo.

Staff also contemplated a vacant lot rate, however, after discussing the idea, it was decided that vacant lots do still have runoff and, when developed, will benefit from the stormwater system. A similar theory is employed with water and sewer where the property owner is required to pay the water and sewer capital charges before connecting to the system.

The next consideration was given to how to implement the rate structure. Staff looked at two (2) scenarios. The first is full cost recovery beginning in 2026. The chart below highlights the rate per square metre and the 2026 average fee for each property type.

Full Cost Recovery This scenario would see the full \$748,200 required to fund the 2026 Operating and Capital Needs			
Category	Property Type	2026 Rate per Square Metre	2026 Average User Fee
Residential	Single Detached	\$0.1117	\$103
	Semi Detached	\$0.1117	\$84
Multi-Residential	Multi-Residential	\$0.1421	\$485
Non-Residential	Commercial	\$0.2234	\$60
	Business Park	\$0.2234	\$1,810
	Institutional	\$0.2234	\$2,123

The second scenario is to phase in the rates over a period of six (6) years. The following charts highlight the rates and annual average cost per year for each property type.

Phased In Rates Over Six Years						
Property Type	2026	2027	2028	2029	2030	2031
Cost Recovery	25%	40%	55%	70%	85%	100%
Residential	\$0.0279	\$0.0457	\$0.0643	\$0.0837	\$0.1040	\$0.1252
Multi-Residential	\$0.0355	\$0.0582	\$0.0818	\$0.1065	\$0.1324	\$0.1594
Non-Residential	\$0.0559	\$0.0914	\$0.1286	\$0.1675	\$0.2081	\$0.2505

Phased In Costs Over Six Years							
Property Type		2026	2027	2028	2029	2030	2031
Cost Recovery		25%	40%	55%	70%	85%	100%
Residential	Single Detached	\$26	\$42	\$60	\$78	\$96	\$116
	Semi-Detached	\$21	\$34	\$48	\$63	\$78	\$94
Multi-Residential	Multi-Residential Complex	\$121	\$198	\$279	\$363	\$452	\$544
Non-Residential	Commercial	\$15	\$25	\$34	\$45	\$56	\$67
	Business Park	\$452	\$741	\$1,042	\$1,356	\$1,685	\$2,029
	Institutional	\$531	\$869	\$1,222	\$1,591	\$1,977	\$2,380

The chart below shows the projected revenues collected annually through the six-year phase in period along with the projected net revenue funding needed for cost recovery.

Projected Revenues over Six Year Phase in Period						
Property Type	2026	2027	2028	2029	2030	2031
Residential	\$82,762	\$136,941	\$194,724	\$256,296	\$321,847	\$391,847
Multi-Residential	\$30,396	\$50,294	\$71,516	\$94,130	\$118,205	\$143,816
Commercial	\$73,904	\$122,285	\$173,884	\$228,866	\$287,402	\$349,672
Total	\$187,062	\$309,520	\$440,125	\$579,292	\$727,455	\$885,067
Projected Net Need	\$748,247	\$773,799	\$800,227	\$827,560	\$855,829	\$885,067
Shortfall	(\$561,185)	(\$464,279)	(\$360,102)	(\$248,268)	(\$128,375)	\$0

As highlighted in the charts above, the phased in approach will begin to offset the taxation dollars needed to fund stormwater and over time, the rate structure will evolve to a full cost recovery model. This approach will limit the impact on ratepayers on the user pay system by slowly transitioning the costs away from a taxation revenue funded model.

After considering the scenarios, staff recommend implementing the six-year phased-in approach. However, prior to implementation, it is recommended that a Public Consultation process be completed to make ratepayers aware of the proposed user fees and allow for questions and comments from the public.

Staff propose that a Public Information Session be held in each of the three affected urban centres, Chesley, Paisley and Tara. Comments and input from these sessions would be collected and brought forward to Council for their consideration prior to making a final decision. Opportunities for the public to submit comments will also be available through our website at www.arran-elderslie.ca and a social media campaign will be developed to help raise public awareness. Due to busy schedules in the summer months, the Public Information Sessions are proposed to be held in September, with feedback coming back to Council in October and a final decision, also being made in October. This approach will align with the 2026 budgeting process.

Link to Strategic/Master Plan

The implementation of a stormwater user fee aligns with several of the priorities and goals in the Arran-Elderslie Strategic Plan.

6.1 Protecting Infrastructure, Recreation and Natural Assets

6.3 Facilitating Community Growth

6.4 Leading Financial Management

6.5 Engaging People and Partnerships

6.6 Modernizing Services

Financial Impacts/Source of Funding/Link to Procurement Policy

The financial impact of the proposed stormwater user fee has been outlined throughout the report's charts. For 2026, the combined operating and capital requirements are projected at **\$748,200**.

To address these needs, it is recommended that Council implement a **six-year phased-in stormwater user fee**, transitioning funding for urban storm sewer operations and capital expenditures from **general tax revenues** to a **user-pay model**.

The intent is to establish a dedicated **stormwater reserve fund**, structured similarly to the existing reserves for water and sanitary sewer services.

Approved by: Emily Dance, Chief Administrative Officer