



Corporate

NO: R091

Report

COUNCIL DATE: May 13, 2002

REGULAR COUNCIL			
TO:	Mayor & Council	DATE:	May 8, 2002
FROM:	General Manager, Engineering	FILE:	5340-23
		XC:	1970-01
SUBJECT:	Drainage Parcel Tax and Residents on Septic Systems		

RECOMMENDATIONS

1. That the drainage parcel tax be applied to all properties in the City in 2002, at the rates approved by Council during the budget approval process (i.e., that the option of phasing in the parcel tax not be supported).
2. That a copy of this report be forwarded to the delegation that appeared before Council regarding this matter.

INTENT

At the Monday, April 15, 2002, Council-In-Committee meeting, Council received a delegation from citizens that were concerned about the equity of the drainage parcel tax for residents on septic systems. This report will clarify some of the issues raised by the residents.

Background about the Drainage Parcel Tax

In 1998, Council incorporated drainage into a combined sewer and drainage utility. This combined utility was, from that time until 2001, funded by the sewer user charge and the sewer parcel tax with no funding from general property taxes. This meant that properties not connected to the City's sanitary sewer system did not fund any of the City's drainage capital or operating costs, for the years 1998, 1999, 2000 and 2001. At the time that the combined utility was established, it was outlined in the Corporate Report that new rate structures would have to be set within the utility to better reflect a user-pay approach.

To more equitably share overall sewer and drainage costs, Council authorized the change of the old sewer parcel tax into a drainage parcel tax in 2002. The drainage parcel tax is payable by all properties in Surrey as all properties and roads generate storm runoff that the City has to manage. A sewer user charge is only payable by those who are actually connected to the sanitary sewer.

The new drainage parcel tax is a charge to all Surrey residents to fund drainage services. All monies collected from the drainage parcel tax are used to maintain and upgrade the City's drainage system that includes: rivers, creeks, ditches, dykes, drainage pump stations, stormwater pipe system and detention ponds. Drainage works required by new development are funded separately by Development Cost Charges (DCC) levied against new lots or buildings.

Costs for Properties on Septic Systems and Sanitary Sewer

No monies from the drainage parcel tax subsidize or fund the sanitary sewer system. Properties connected to the sanitary sewer system pay for cost of sanitary sewers separately through the Sewer user charge. Residents with on-site septic sewage disposal system are not charged the sanitary sewer user charge since they are not connected and do not receive this service. For these reasons, the drainage parcel tax applies to all properties whether a parcel has on-site septic sewage disposal or a sanitary sewer hook-up. For example:

If a property has a septic system, it pays: \$140 for Drainage Services only
If a property is on sanitary sewer, it pays: \$140 for Drainage Services, *plus*
\$187 for Sanitary Sewer Services

Level of Service

The delegation indicated that they had no objections to contribute for the upgrade and maintenance of the drainage system such as flood control in the lowlands or road drainage, but requested the levy reflect the services they receive.

At this point in time, the Drainage Parcel tax is an average for all properties in Surrey. Many of the drainage costs are indirect, like roadway drainage or flood control programs and, as such, it would be difficult to distribute the costs on direct usage. Similarly, to assign costs to the level of drainage service specific properties receive would be very costly, difficult and liable to create as many inequities as it attempts to solve. We believe at this time that the only feasible approach is to charge all properties on the basis of an average cost.

The longer term aim for the drainage parcel tax is to replace it with a drainage charge that is based on parcel size and land use. This approach would better reflect the actual amount of runoff generated by a property and thereby be closer to a user-pay system. This approach is used by other storm drainage utilities in Canada and the U.S.

Farm Rate

The drainage parcel tax is a flat rate of \$140 on all parcels with the exception of agricultural lands. For agricultural lands, the parcel tax is \$90 to more closely reflect what the average size parcel pays to the dyking districts (average dyking charge is \$50).

Surrey's Dyking Districts help reduce the City's burden for drainage services by maintaining most of the City's dykes. Since the dyking tax paid by farmers indirectly lowers the City's expenditure, it was equitable to reduce their rate by the average Dyking District charge. This new drainage parcel tax on agricultural land was

presented at the Surrey Dyking District annual meeting and no objections have yet been received.

Phasing In of Drainage Parcel Tax

The option of phasing in of the drainage parcel tax is a potential way of addressing a number of the delegation's concerns. Phasing has the following advantages and disadvantages:

Advantages:

- Addresses some of the delegation's concerns;
- Reduces parcel tax increase on all properties not currently paying old sewer parcel tax.

Disadvantages:

- Continues inequity in funding of drainage services between properties on sewer and properties not on sewer;
- Reduces the amount of funding available for important flood control and other capital drainage works;
- Delays mail-out of tax notices and adds administrative costs.

In reviewing the above advantages and disadvantages, particularly the issue of fairness, we do not believe that the drainage parcel tax, for previously untaxed properties, should be phased in. Sanitary sewer customers have been paying to fund all drainage maintenance and capital works for the last four years. It could be argued that this four-year delay in implementing the drainage parcel tax is, in itself, a form of phase-in.

CONCLUSION

Since there is no real difference between the impact on the City's storm drainage system of an average property with a septic field in comparison to an average property with a sewer connection in the need by both types of properties for the City drainage systems, it is equitable that the drainage parcel tax be levied against all properties irrespective of the sewage disposal method (sanitary sewer on septic fields).

The next steps in moving to better reflect a user-pay approach will be to phase out the parcel tax and introduce a drainage charge based on size and use of a property. This will be pursued over the next 2 to 3 years as part of the new utility billing system.

It is recommended that Council authorize staff to forward a copy of this report to the delegation that appeared before Council.

Paul Ham, P. Eng.

General Manager, Engineering

PH/VL:brb

c.c. - General Manager, Finance, Technology & HR Dept.

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