



2021 Division Road North
Kingsville, Ontario N9Y 2Y9
(519) 733-2305
www.kingsville.ca
kingsvilleworks@kingsville.ca

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To: Mayor and Council

Author: Ryan McLeod, CPA, CA
Director of Financial Services

RE: Municipal Drainage Billing Policy

Report No.: FS-2019-12

AIM

To formalize the Town's Municipal Drainage Billing Policy.

BACKGROUND

The Town is currently responsible for 347 drains which service over 2/3rds of the properties within the Municipality. On average, the Town issues 2,000 – 3,000 bills per year for the construction, improvement or maintenance of these drains. Refer to Appendix A for a map of the Town's Municipal Drain network.

Over the years, Administration has developed the following practices for billing and collecting Municipal drainage works;

- The Town invoices all drainage works with a value over \$1,500.
- Projects under \$1,500 and individual invoices under \$10 are expensed to the Public Works Drainage expense account (01-130-099-60427)
- Property owners have the option to finance any drainage charges over \$100 on their tax roll for a term of 2 or 5 years. A 10-year option is available upon request for those with a very large balance due.
- Interest rates were based on the average of the Bank of Canada's GIC and Mortgage Rates

These practices have been developed informally by Administration. There is currently no official drainage billing policy adopted by Council.

DISCUSSION

Administration is in the process of billing drainage work completed in 2018 and felt that it was appropriate to formalize the Town's policy for billing municipal drainage works, as well as update certain thresholds to ensure the process remains efficient and fair to all tax payers. The *Municipal Drainage Billing Policy* attached to this report reflects the following key items.

Minimum Bills and Thresholds

There is a significant amount of administrative costs associated with every drainage project the Town bills. Staff time is required to review and update apportionment schedules, ensure ownership details are accurate, calculate the appropriate charges and respond to resident inquiries. There is currently no means for residents to pay their drainage bills on-line, so any payments must be manually processed by staff. Every resident receives a copy the apportionment schedule along with their bill which adds to postage and printing costs.

On this basis, it makes practical financial sense for the Town to establish a minimum threshold for billing drainage projects. Administration is proposing to set the minimum project cost for billing purposes at \$2,500 per drain and the minimum amount per individual bill at \$25. Any expenses falling below these thresholds will be charged directly to the Public Works Drainage account.

Not only will these increased threshold reduce administrative time, but it will also provide the Drainage Superintendent with more flexibility to respond to minor maintenance issues when up-to-date Engineer schedules are not available.

The number of invoices that would be issued with no minimum threshold is as follows:

Type of Work	Number of Drains Assessed	Total Properties Assessed	Amount to be Invoiced
Phragmites	87	4,206	\$290,847
Maintenance	18	1,322	\$121,170
Construction	3	303	\$208,819
Total	108	5,831	\$620,836

Please see appendix B for a detailed summary of pending 2019 drainage bills.

By expensing all individual invoices under \$25, the Town would reduce the number of invoices it issues by 3,536 (a 61% reduction) for a financial impact on taxation of \$23,462. Given the level of drainage works to date, the Town should be able to accommodate this expense within the 2019 Drainage expense budget.

Type of Work	Total Properties Assessed	No. of Invoices Less than \$25	Amount to Funded by Taxation	Average bill not issued
Phragmites	4,206	2,632	\$17,884	\$6.79
Maintenance	1,322	893	\$5,409	\$6.06
Construction	303	11	\$169	\$15.36
Total	5,831	3,536	\$23,462	\$6.64

Payment Terms

The draft policy proposes the following payment terms:

- Individual property assessments of more than \$25, but less than \$250, will be placed directly on the property tax roll. Owners will receive a statement advising them of the charges added to their tax roll. The charges will be payable in accordance with normal tax installment due dates.
- Properties with assessments exceeding \$250 but less than \$2,500 will be issued an invoice and have the option to finance their cost over 2 years.
- Properties with assessments of \$2,500 and over will be issued an invoice and have the option to finance their cost over 5 years.
- Properties with assessments exceeding \$10,000 may request a 10-year financing option that will be approved at the discretion of the Director of Financial Services.
- Interest rates will be based on the rates established by Infrastructure Ontario + 2.0%.
- All financing options are subject to an administration fee of \$25 per roll number

There are many benefits of adding small drainage charges directly onto a tax roll for both the Town and the property owner. From an administrative stand point, it makes tracking outstanding drainage charges incredibly more efficient. From the property owner's perspective, it allows them to pay a bill online that they would otherwise have to physically visit the office or mail a cheque to pay.

The payment terms noted above for larger drainage charges were determined based on what is considered reasonable for the average property owner and what can be efficiently managed by the municipality. The interest rates and \$25 finance charge, although very competitive, provide more incentive for property owners to pay their drainage charges upon receipt of their bill, which is important for the Municipality's cash flow management.

Phragmites

Phragmites is an invasive grass species which requires annual maintenance activities, such as cutting and herbicide application to keep this weed from spreading and impeding flow of water in the Municipal Drains. Under the Drainage Act, the Town is permitted to accumulate maintenance costs over a 5 year period prior to billing. As phragmite control activities for any given drain, in any given year, typically fell below the \$1,500 threshold, Administration has been accumulating the cost of these maintenance activities. To date, no phragmites control activities have been billed.

Based on his experience and research over the past 5 years, the Drainage Superintendent believes that phragmites control will be an ongoing, annual expense to properly maintain our municipal drains. Further, if left unchecked this grass species would spread, leading to higher drainage maintenance costs for other property owners. On this basis, Administration is recommending that the Town build the cost of these control activities into our Public Works Drainage Budget. These expenses amount to approximately \$60,000 / per year, after recovering a portion through provincial grants for eligible farm properties, and would directly or indirectly benefit 2/3 rds of the property owners within the Town of Kingsville.

If Council adopts this policy going forward, Administration would recommend that the accumulated costs of unbilled phragmites control activities of \$290,847 be written off. This expense could be funded by the Storm Water Lifecycle reserve. As annual storm sewer and catch basin maintenance are currently funded by taxation, this is considered equitable to all property owners within the Town of Kingsville.

LINK TO STRATEGIC PLAN

Effectively manage corporate resources and maximize performance in day-to-day operations.

FINANCIAL CONSIDERATIONS

The Storm Water Lifecycle Reserve (03-000-032-39084) currently has a balance of \$450,000 which is sufficient to finance the write-off of \$290,847 in unbilled phragmites control expenses.

If Council supports Administration's recommendation to expense phragmites control activities on a go forward basis, they should anticipate an increase in the annual Public Works Drainage Expense budget of approx. \$60,000.

CONSULTATIONS

Ken Vegh, Drainage Superintendent
Diane Broad, Payroll and Billing Supervisor
Senior Management Team

RECOMMENDATION

That council adopt the Municipal Drainage Billing policy as presented.

That council authorize the write-off unbilled phragmites control expenses totaling \$290,847 and fund this expense from the Storm Water Lifecycle Reserve.

Ryan McLeod

Ryan McLeod, CPA, CA
Director of Financial Services

Peggy Van Mierlo-West

Peggy Van Mierlo-West, C.E.T.
Chief Administrative Officer