# Stormwater Funding Matrix

## 2018

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<tr>
<td><strong>Traditional Mechanisms</strong></td>
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<tr>
<td>1.01 Parcel Taxes</td>
<td>Can fund all or any parts of a stormwater program as stipulated in the ballot question and authorizing ordinance</td>
<td>Usually a 2/3 majority of voters (general taxes require only 50% majority, but can only go to General Fund)</td>
<td>* Flexible and legally stout; * Debt can be issued in most cases; * Most voters are familiar with Parcel Taxes</td>
<td>* Requires voter approval at the 2/3 level; * Must compete with other ballot measures</td>
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<tr>
<td>1.02 Other Special Taxes</td>
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<td>* Business License Tax; * Vehicle License Fees; * Sales Tax; * Utility Users Tax; * Transit Occupancy Tax</td>
<td>Typically require a 2/3 voter approval</td>
<td>* 2/3 voter approval is difficult to attain; * Ballot measure can be expensive; * If a general tax, then stormwater must compete with other General Fund needs; * Must compete with other ballot questions</td>
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<td>1.03 Property-Related Fees</td>
<td>Establishes Storm Drainage as a separate utility service and can fund all or any parts of a stormwater program</td>
<td>Prop 218 compliance; * Rigorous rate study; * Must define services and service area; * Property owners approval for non-Water, -Sewer, and - Garbage</td>
<td>* Flexible and legally stout; * Debt can be issued in most cases</td>
<td>* Ballot measure required if for a Storm Drain service - usually voted on by property owners (Not registered voters); * Ballot measure requires significant public outreach; * Public not familiar with balloted property-related fees</td>
<td>X</td>
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<td>1.04 General Obligation Bonds</td>
<td>Can fund Capital Projects through debt taken on by municipality</td>
<td>* Voter approval at 2/3 level; * Will need Financial Advising Consultant</td>
<td>* Can fund capital projects or programs with debt paid back over time through property taxes; * Typically easier to pass than a parcel tax; * Taxes based on property value, so annual obligation of individual prop owner is vague</td>
<td>Can only be used for capital costs - Cannot be used for O&amp;M or staff costs</td>
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<td>1.05 Senate Bill 231</td>
<td>Allows for adoption of property-related fees without having to go to ballot</td>
<td>* Cost of Service Analysis * Rate Study * Prop 218 Protest Hearing</td>
<td>Avoids the cost and risk of a ballot measure</td>
<td>* Taxpayers groups vow to sue on grounds of constitution / court provisions * Governing boards will still have political pressure to not raise rates</td>
<td>X</td>
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<td>1.06 Regulatory Fees</td>
<td>Fees and charges for performing administrative activities related to GI</td>
<td>Cannot exceed the actual cost of performing activities such as permit issuance, inspections, on-site mitigation, etc.</td>
<td>* No voter approval is needed; * Usually included in Master Fee Schedule; * Most municipalities already have these in place</td>
<td>Does not pay for capital improvements or O&amp;M</td>
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<td>1.07 Developer Impact Fees</td>
<td>Could incorporate fees for mitigating stormwater impacts - Would not relieve developer of NPDES requirements</td>
<td>Must comply with AB 1600 and include a rigorous nexus study</td>
<td>Could help fund projects and programs</td>
<td>* Requires a nexus study, often times by a consultant; * Nexus study must demonstrate connection between development and GI need; * Administration of funds requires resources; * AB 1600 requires 5-year window for programming funds;</td>
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<td>1.08 Re-Alignment</td>
<td>Stormwater services that support groundwater recharge, diversion to wastewater treatment, or trash capture can be incorporated into existing property-related fee structures without need for ballot measure</td>
<td>Prop 218 compliance for realignment to Water, Sewer or Garbage - must demonstrate applicability</td>
<td>* Existing non-balloted fee mechanisms can help pay for stormwater services; * Enhances integration of stormwater into other municipal activities; * Causes other utilities to recognize the value of stormwater programs</td>
<td>* Limited to activities attributable to other funded revenue centers; * Prop 218 hawks could challenge; * Outside revenue center will need to raise rates to fund GI activity - politically unpopular; * Has not been widely used; * May be unpopular with Water, Sewer and Garbage managers; * Water or sewer may be handled by separate agencies, making realignment impossible</td>
<td>X</td>
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<td>1.09 Grants</td>
<td>One-time infusion of funds for qualifying projects from State or other granting authority</td>
<td>* Project concept must conform to grant requirements; * Most grants are competitive with limit funding available</td>
<td>* Grants are outside sources of funding that do not need to be repaid; * Readiness is a plus, so can benefit a project or program that is well developed and possibly designed; * Some State Revolving Fund loans can be converted to grants through forgiveness clauses</td>
<td>* Projects must be tailored to grant requirements, possibly causing scope and schedule creep; * Most grants require matching funds from other sources; * Most grants require commitment to post-project O&amp;M, but do not fund those activities; * Little control over timing - can be difficult to coordinate with other funding sources; * Competitive nature lowers chances of obtaining grant; * Applying for grants can be time-consuming and require outside help from a grant writer; * Grant administration requires significant resources</td>
<td>X</td>
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<tr>
<td>1.10 Loans</td>
<td>Debt instruments can help accelerate project delivery while paying off debt over time</td>
<td>* Must have dedicated revenue stream to pay off debt; * Must have adequate credit rating to secure reasonable interest rates; * Some Bonds require voter approval</td>
<td>* Can leverage a modest revenue stream by borrowing money up front for rapid project delivery while paying off debt over longer periods of time; * Accelerates project delivery and makes coordination with other funding or projects easier</td>
<td>* Must have dedicated revenue stream to service debt; * Some debt mechanisms require voter approval (GO Bonds, Revenue Bonds, EIFD Bonds)</td>
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</table>
## Stormwater Funding Matrix

### 2018

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<td>2.01 Benefit Assessments</td>
<td>Can fund the construction and maintenance of stormwater projects and programs</td>
<td>Prop 218 compliance; * Rigorous Engineer’s Report; * Must deduct general benefit from special benefit; * Property owners approval is required through a ballot proceeding (weighted voting); * Works best with new development due to voting requirement</td>
<td>* Flexible and legally stout; * Can fund both construction and maintenance; * Can use bonded indebtedness</td>
<td>* General Benefit must be separated and paid for by other sources; * Votes are weighted by assessment amount, favoring large land owners</td>
<td>X</td>
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<tr>
<td>2.02 Community Facilities District</td>
<td>Can fund the construction and maintenance of stormwater projects and programs</td>
<td>Requires vote by majority of landowners or 2/3 majority of registered voters</td>
<td>* Usually formed by developer, so only one ballot is cast; * Very flexible - can fund all aspects; * Subsequent annexation is simple; * Tax rate can be tiered to allow for retirement of debt yet continue with O&amp;M; * Annual administration is more streamline than benefit assessments</td>
<td>* Difficult to form in an existing community due to 2/3 majority requirement; * Known as a Mello-Roos tax - which can have a negative connotation</td>
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<tr>
<td>2.03 Business Improvement Districts</td>
<td>Business and property owners tax themselves to build and maintain stormwater improvements</td>
<td>Formed by a municipality through a notice and protest hearing process.</td>
<td>* Flexible and legally stout; * Can fund both construction and maintenance; * Local improvements can generate local support and involvement * Stormwater improvements can also be amenities; * Can enhance sense of ownership and pride in the neighborhood when results are visible</td>
<td>* Cannot use debt financing; * Opposing businesses can disrupt the progress; * Can burden businesses &amp; property owners so they are unwilling to support other funding measures</td>
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<tr>
<td>2.04 Enhanced Infrastructure Financing Districts (EIFD)</td>
<td>Captures property tax increment similar to redevelopment (RDA) for building and maintaining infrastructure</td>
<td>With No Debt: * Establish a Public Finance Authority; * Adopt a Financing Plan; * Resolution(s) from participating agencies</td>
<td>* Can fund many types of projects; * Does not require a vote (unless debt is part of the plan, then a 55% majority is required); * Can include multiple municipalities and special districts, so area can be tailored to needs (e.g. watersheds, high legacy pollutant areas, countywide); * Does not require a blight finding; * Can overlap with former RDA areas; * Works well with master planned community with a single land owner; * Planning costs can be paid for from proceeds (with limitations); * EIFD can go for up to 45 years</td>
<td>* Education districts are not permitted to participate, so revenues would be much less than RDA; * If overlapping a former RDA area, then cannot proceed until RDA is issued a finding of completion from the State; * Stormwater is only a small piece of what an EIFD can do - it may take a back seat to other, larger community concerns; * Some agencies (i.e. special districts) may not agree to their portion of tax increment to be diverted thereby reducing revenue potential</td>
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<tr>
<td>Alternative Compliance</td>
<td>Allows developers who cannot meet on-site LID requirements to build (or pay for) off-site construction of LID elements</td>
<td>Municipality would need to have alternative projects ready - could be done case-by-case</td>
<td>* Enables higher density development in certain areas (such as TOD and PDA); * Enables LID in public spaces that private developers would not normally participate in; * Funds can be pooled to finance larger or regional projects that can be more effective; * Post-project O&amp;M can be added in the form of a cash payment or other consideration; * Municipality can be flexible in enforcement to allow hybrid compliance;</td>
<td>* Ad hoc negotiation with developers can be challenging * Agency will need to have off-site or regional projects ready to bring to negotiation</td>
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<tr>
<td>3.01 Alternative Compliance</td>
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<tr>
<td>In-Lieu Fee Challenges</td>
<td>Allows developers who cannot meet LID requirements to pay into fund that would finance off-site or regional projects</td>
<td>Municipality would need to estimate the costs of mitigation - could be done case-by-case</td>
<td>* Enables higher density development in certain areas (such as TOD and PDA); * Enables LID in public spaces that private developers would not normally participate in; * Funds can be pooled to finance larger or regional projects that can be more effective; * Municipality can be flexible in enforcement to allow hybrid compliance; * Municipality may consider informal fee process, negotiating each individual developer through COA; * Funds can be leveraged for grants or loans</td>
<td>* Case-by-case approach can be difficult; * Developers will try to evade costs; * May need to comply with AB 1600</td>
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<td>3.02 In-Lieu Fee Challenges</td>
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### Funding Category: Credit Trading Programs

**Applicability:**
- A municipality (or regional entity) must create credit trading program including:
  - Definition of LID Credits;
  - Relative Value of Credits;
  - Timing of responsibilities;
  - Eligibility

**Requirements:**
- Allows developers who cannot meet NPDES or LID requirements to buy credits created by other entities;
- Encourages developers or other entities who have greater LID capacity to over-build LID in order to sell credits in future;
- Present value of future O&M costs can be incorporated into credit value;
- Allows for flexibility to guide LID to areas with greater pollutant loading need;
- May save developers money

**Pros:**
- Very few Programs (to use as an example) have been implemented - particularly in California;
- Credits may need to stay within same watershed;
- Overbuilding LID in some areas may not help other areas;
- Overbuilding LID can lead to overlapping LID zones;
- Unclear if developers are willing to overbuild on speculation of future sale of credits;
- Unclear how value of credits would be established;
- Unclear if municipality would be credit broker, or if developers can deal directly with each other;
- May be difficult to apply credits to public rights of way;
- Costing future O&M is difficult

**Cons:**
- Not cookie-cutter; requires customization;
- Projects that work for Caltrans may be difficult to develop

### Partnerships

#### 4.01 Multi-Agency

**Applicability:**
- Encourages partnerships with non-Stormwater agencies to explore GI co-benefits in their work

**Requirements:**
- Can generate credits for Credit Trading Program;
- Expands GI potential and awareness;
- Flexible;
- Can leverage limited GI funding to greater benefit

**Pros:**
- Not cookie-cutter; requires customization;
- May be difficult to find partners

**Cons:**
- Not cookie-cutter; requires customization;
- May be difficult to find partners;
- Road condition woes prevail, making it difficult to shift funding to GI and other amenity-type elements;
- Transportation grants may preclude using funds for GI

#### 4.02 Transportation

**Applicability:**
- Encourages partnerships with transportation agencies to explore GI co-benefits in their work and take advantage of Complete Streets or Green Streets programs

**Requirements:**
- Most municipalities are also transportation agencies, so internal project coordination more likely;
- Can generate credits for Credit Trading Program;
- Expands GI potential and awareness;
- Can leverage limited GI funding to greater benefit;
- Recent increase in Gas Tax may make more room for GI elements

**Pros:**
- Not cookie-cutter; requires customization;
- May be difficult to find partners;
- Road condition woes prevail, making it difficult to shift funding to GI and other amenity-type elements;
- Transportation grants may preclude using funds for GI

**Cons:**
- Not cookie-cutter; requires customization;
- May be difficult to find partners;
- Road condition woes prevail, making it difficult to shift funding to GI and other amenity-type elements;
- Transportation grants may preclude using funds for GI

#### 4.03 Caltrans Mitigation

**Applicability:**
- Caltrans looks for opportunities for off-site mitigation of stormwater impacts of their highways

**Requirements:**
- Local municipalities may enter in a cooperative agreement with Caltrans to build GI as a way for them to mitigate stormwater impacts of their highways
- Caltrans may furnish funding for local or regional projects that help them meet their obligations;
- Locals can propose solutions that benefit both Caltrans and the local agencies

**Pros:**
- Caltrans cooperative agreements can be cumbersome and bureaucratic;
- Projects that work for Caltrans may be difficult to develop

**Cons:**
- Caltrans cooperative agreements can be cumbersome and bureaucratic;
- Projects that work for Caltrans may be difficult to develop

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**Note:** The table entries are marked with Xs to indicate whether the funding category meets specific criteria. The ??? entries are placeholders for additional details or ratings that are not provided in this extract.
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<tr>
<td>4.04 Public-Private (&quot;P3&quot;)</td>
<td>Private enterprises can provide overall solutions to GI programs through better access to resources and capital.</td>
<td>P3 is primarily a deliver system for projects where debt provides near-term funding and project acceleration.</td>
<td>* Bypasses some of the bureaucracy; * Can make existing funding sources work more efficiently; * Draws on private sector expertise and financing; * Debt may be tax-exempt; * Debt accelerates project delivery; * Can include design, build, finance, operate; * Debt is private - may not affect public agency's debt capacity.</td>
<td>* Does not provide additional funding; * Dedicated revenue stream is needed - cash flow is an important element.</td>
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<tr>
<td>4.05 Financial Capability Assessment</td>
<td>Can allow an agency to delay compliance with certain NPDES permit requirements.</td>
<td>Follow EPA guidelines for application.</td>
<td>Allows a qualifying agency to defer compliance with certain Permit compliance requirements.</td>
<td>* Not a source funding - only can grant time extensions to Permit compliance; * Communities must meet several criteria such as poverty rates, income distributions, bond ratings, etc.</td>
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<tr>
<td>4.06 Volunteers</td>
<td>Volunteer groups can be a resource for certain stormwater operations and maintenance (O&amp;M) as well as program planning.</td>
<td>* To be effective, volunteers need organization and oversight; * Can be used to supplement paid contractors, or perform entire projects.</td>
<td>* &quot;Free&quot; labor; * Some volunteers provide needed expertise; * Increases awareness of stormwater program; * Some non-profit organizations have ready-made volunteer groups that are trained and organized; * Can build public support for dedicated revenue mechanism such as a fee; * Education program for community.</td>
<td>* Requires significant staff resources to recruit, organize, train and plan &amp; supervise the work; * Can be unreliable - hard to build schedule and cost forecasts around volunteer work force; * Can create conflict with prevailing wage requirements; * Difficult to incorporate into project construction work.</td>
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