

Stormwater Funding Matrix

2018

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Funding Category	Applicability	Requirements	Pros	Cons	Staff	Planning	Capital	O&M
Traditional Mechanisms								
1.01 Parcel Taxes	Can fund all or any parts of a stormwater program as stipulated in the ballot question and authorizing ordinance	Usually a 2/3 majority of voters (general taxes require only 50% majority, but can only go to General Fund)	<ul style="list-style-type: none"> * Flexible and legally stout; * Debt can be issued in most cases; * Most voters are familiar with Parcel Taxes 	<ul style="list-style-type: none"> * Requires voter approval at the 2/3 level; * Must compete with other ballot measures 	X	X	X	X
1.02 Other Special Taxes	<ul style="list-style-type: none"> * Business License Tax; * Vehicle License Fees; * Sales Tax; * Utility Users Tax; * Transit Occupancy Tax 	Typically require a 2/3 voter approval	<ul style="list-style-type: none"> * Most are flexible in how they can be used; * 50% threshold can be used if a general tax; 	<ul style="list-style-type: none"> * 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 	X	X	X	X
1.03 Property-Related Fees	Establishes Storm Drainage as a separate utility service and can fund all or any parts of a stormwater program	Prop 218 compliance; <ul style="list-style-type: none"> * Rigorous rate study; * Must define services and service area; * Property owners approval for non-Water, -Sewer, and -Garbage 	<ul style="list-style-type: none"> * Flexible and legally stout; * Debt can be issued in most cases 	<ul style="list-style-type: none"> * 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 	X	X	X	X
1.04 General Obligation Bonds	Can fund Capital Projects through debt taken on by municipality	<ul style="list-style-type: none"> * Voter approval at 2/3 level; * Will need Financial Advising Consultant 	<ul style="list-style-type: none"> * 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 	Can only be used for capital costs - Cannot be used for O&M or staff costs		X	X	
1.05 Senate Bill 231	Allows for adoption of property-related fees without having to go to ballot	<ul style="list-style-type: none"> * Cost of Service Analysis * Rate Study * Prop 218 Protest Hearing 	Avoids the cost and risk of a ballot measure	<ul style="list-style-type: none"> * Taxpayers groups vow to sue on grounds of constitution / court provisions * Governing boards will still have political pressure to not raise rates 	X	X	X	X
1.06 Regulatory Fees	Fees and charges for performing administrative activities related to GI	Cannot exceed the actual cost of performing activities such as permit issuance, inspections, on-site mitigation, etc.	<ul style="list-style-type: none"> * No voter approval is needed; * Usually included in Master Fee Schedule; * Most municipalities already have these in place 	Does not pay for capital improvements or O&M	X			
1.07 Developer Impact Fees	Could incorporate fees for mitigating stormwater impacts - Would not relieve developer of NPDES requirements	Must comply with AB 1600 and include a rigorous nexus study	Could help fund projects and programs	<ul style="list-style-type: none"> * 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; 		X	X	

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1.08 Re-Alignment	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	Prop 218 compliance for realignment to Water, Sewer or Garbage - must demonstrate applicability	<ul style="list-style-type: none"> * 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 	<ul style="list-style-type: none"> * 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 	X	X	X	X
1.09 Grants	One-time infusion of funds for qualifying projects from State or other granting authority	<ul style="list-style-type: none"> * Project concept must conform to grant requirements; * Most grants are competitive with limit funding available 	<ul style="list-style-type: none"> * 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 	<ul style="list-style-type: none"> * 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&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 	X	X	X	???
1.10 Loans	Debt instruments can help accelerate project deliver while paying off debt over time	<ul style="list-style-type: none"> * Must have dedicated revenue stream to pay off debt; * Must have adequate credit rating to secure reasonable interest rates; * Some Bonds require voter approval 	<ul style="list-style-type: none"> * 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 	<ul style="list-style-type: none"> * Must have dedicated revenue stream to service debt; * Some debt mechanisms require voter approval (GO Bonds, Revenue Bonds, EIFD Bonds) 	???	X	X	

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Special Financing Districts								
2.01 Benefit Assessments	Can fund the construction and maintenance of stormwater projects and programs	<p>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</p>	<p>* Flexible and legally stout; * Can fund both construction and maintenance; * Can use bonded indebtedness</p>	<p>* General Benefit must be separated and paid for by other sources; * Votes are weighted by assessment amount, favoring large land owners</p>		X	X	X
2.02 Community Facilities District	Can fund the construction and maintenance of stormwater projects and programs	Requires vote by majority of landowners or 2/3 majority of registered voters	<p>* 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&M; * Annual administration is more streamline than benefit assessments</p>	<p>* 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</p>		X	X	X
2.03 Business Improvement Districts	Business and property owners tax themselves to build and maintain stormwater improvements	Formed by a municipality through a notice and protest hearing process.	<p>* 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</p>	<p>* Cannot use debt financing; * Opposing businesses can disrupt the progress; * Can burden businesses & property owners so they are unwilling to support other funding measures</p>		X	X	X
2.04 Enhanced Infrastructure Financing Districts (EIFD)	Captures property tax increment similar to redevelopment (RDA) for building and maintaining infrastructure	<p><u>With No Debt:</u> * Establish a Public Finance Authority; * Adopt a Financing Plan; * Resolution(s) from participating agencies</p> <p><u>With Debt:</u> * All of the above; * Get approval from at least 55% of voters in District</p>	<p>* 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</p>	<p>* 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</p>	???	X	X	X

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Alternative Compliance								
3.01 Alternative Compliance	Allows developers who cannot meet on-site LID requirements to build (or pay for) off-site construction of LID elements	Municipality would need to have alternative projects ready - could be done case-by-case	<ul style="list-style-type: none"> * 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&M can be added in the form of a cash payment or other consideration; * Municipality can be flexible in enforcement to allow hybrid compliance; 	<ul style="list-style-type: none"> * Ad hoc negotiation with developers can be challenging * Agency will need to have off-site or regional projects ready to bring to negotiation 	X	X	X	X
3.02 In-Lieu Fee Challenges	Allows developers who cannot meet LID requirements to pay into fund that would finance off-site or regional projects	Municipality would need to estimate the costs of mitigation - could be done case-by-case	<ul style="list-style-type: none"> * 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 	<ul style="list-style-type: none"> * Case-by-case approach can be difficult; * Developers will try to evade costs; * May need to comply with AB 1600 	X	X	X	X

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3.03 Credit Trading Programs	Creates LID Credit program for developers and others to trade GI responsibilities to others who have better capability to meet LID goals	A municipality (or regional entity) must create credit trading program including: * Definition of LID Credits; * Relative Value of Credits; * Timing of responsibilities; * Eligibility	* 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	* 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		X	X	X
Partnerships								
4.01 Multi-Agency	Encourages partnerships with non-Stormwater agencies to explore GI co-benefits in their work	Examples may include: * Spreading basins for groundwater agencies; * GI project sites on school grounds; * GI on housing authority sites	* Can generate credits for Credit Trading Program; * Expands GI potential and awareness; * Flexible; * Can leverage limited GI funding to greater benefit	* Not cookie-cutter; requires customization; * May be difficult to find partners	X	X	X	???
4.02 Transportation	Encourages partnerships with transportation agencies to explore GI co-benefits in their work and take advantage of Complete Streets or Green Streets programs	Examples may include: * Permeable pavements; * Roadside rain gardens; * Cisterns	* 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	* 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	X	X	X	???
4.03 Caltrans Mitigation	Caltrans looks for opportunities for off-site mitigation of stormwater impacts of their highways	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	* Caltrans cooperative agreements can be cumbersome and bureaucratic; * Projects that work for Caltrans may be difficult to develop		X	X	???

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4.04 Public-Private ("P3")	Private enterprises can provide overall solutions to GI programs through better access to resources and capital	P3 is primarily a deliver system for projects where debt provides near-term funding and project acceleration	<ul style="list-style-type: none"> * 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 	<ul style="list-style-type: none"> * Does not provide additional funding; * Dedicated revenue stream is needed - cash flow is an important element 		X	X	X
4.05 Financial Capability Assessment	Can allow an agency to delay compliance with certain NPDES permit requirements	Follow EPA guidelines for application	Allows a qualifying agency to defer compliance with certain Permit compliance requirements	<ul style="list-style-type: none"> * 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. 				
4.06 Volunteers	Volunteer groups can be a resource for certain stormwater operations and maintenance (O&M) as well as program planning	<ul style="list-style-type: none"> * To be effective, volunteers need organization and oversight; * Can be used to supplement paid contractors, or perform entire projects 	<ul style="list-style-type: none"> * "Free" 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 	<ul style="list-style-type: none"> * Requires significant staff resources to recruit, organize, train and plan & 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 		X	???	X