

Stormwater Financing Forum

University of Maryland

Temple Ambler Campus

National Center for Smart
Growth Research and Education

Environmental Finance Center

June 26, 2007

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Background

- Municipal SW Has Evolved Over time
 - From urban drainage and flood control
 - To include water resource management
 - To include multi-use recreation and open space
 - To include environmental protection and regulation

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Background

- Municipal SW Was Everybody's Step-Child, But Nobody's Baby
 - Was the property owner's problem and responsibility (Common Enemy Doctrine)
 - He who needed it built it; he who owned it maintained it
 - Was a discretionary/voluntary activity of local government

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ackground

- Municipal SW Now Everybody's Rich Uncle
 - Now valuable to water supply
 - Now valuable as multi-use infrastructure (parks, open space, habitat)
 - Now valuable to resource creation and recovery (streams, wetlands, trails)
 - Now a valuable regulatory vehicle for non-point sources (NPDES) permitting, hydro-modification, pollutant source controls
 - Now viewed as mandatory activity of local government

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Background

- Evolution Has Forced Changes In Municipal SW Program/System
 - Planning changes
 - Design changes
 - Construction changes
 - Operation changes
 - Finance changes

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Background

- Changes in Planning, Design, Construction, Operations and Finance Caused By:
 - Legal mandates (Clean Water Act, Safe Drinking Water Act, Endangered Species Act, Wetlands Regulations, Fish and Game Regulations)
 - New expectations of the stakeholders
 - Municipal SW now a utility-like service

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Background

- The Evolution In SW Law
 - SW was:
 - A common enemy of property owners
 - A discretionary program of municipalities
 - SW Now is:
 - A receiving water quality issue (1971 CWA)
 - An NPDES permitting issue (1987 CWA)
 - A numeric effluent limit issue (1999 9th Circuit Court)
 - A mandatory program for all
 - SW funding legality now defined by the courts

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Background

- SW Program Now A Municipal Service Program
 - Performs comprehensive long term activities benefiting entire community
 - Performs obligations/actions beyond capability of individuals
 - Original SW Program: pipe from puddle to stream
 - Contemporary SW program: pipe plus

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Background

- SW Program Now a Municipal Service Program – con't.
 - Long term programs/infrastructure require long term institutional framework/resources
 - Staffing
 - Resourcing
 - Management
 - Funding

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Background

- SW Funding Must Also Evolve
 - No longer can be paid by he who needs it
 - Must be paid by he who benefits
 - Financing must be:
 - Adequate
 - Acceptable
 - Legal

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Background

- SW funding Must Also Evolve – con't.
 - Key questions:
 - How much money do you need
 - What kind of money do you need
 - Who pays
 - Is a utility right for you
 - Who decides

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Background

- Issues/Challenges for Local Gov't
 - What is design, purpose of SW program
 - How much should we invest
 - Who pays; in what proportion; how
 - Institutional framework for long term, multi-objective program
 - Legal and equity issues

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Background

- Issues/Challenges, con't.
 - Rules keep changing [federal/state/courts]
 - Partnerships are to be valued
 - How to govern SW program [general gov't., special gov't.]
 - Balancing SW priorities [public safety, environmental, water supply]
 - Who decides

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Sources of Funding

- Stormwater Funding History
 - After Revolutionary War
 - States adopted British ditch law
 - Drainage of agricultural areas
 - Costs assessed to benefiting lands
 - 19th Century Industrialization
 - Drainage of streets/urban development
 - Capital costs paid by developers; O&M costs paid by local government
 - General taxes and Ditch Law assessments

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Sources of Funding

- Stormwater Funding History, con't.
 - 20th Century Urbanization
 - 19th Century capitalization/O&M methods
 - Corps of Engineers, flood control
 - Expanded local government burden
 - Debt financing
 - Special purpose district financing, capital/O&M
 - Utilities

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Sources of Funding

- Forces of Change for 21st Century SW Funding
 - Legal/Legislative Forces
 - Regulatory mandates (Clean Water Act, Safe Drinking Water Act, Endangered Species Act, Wetlands regulations)
 - Revenue litigation (taxes, assessments, fees, service charges)
 - Stakeholder Expectations (property protection, environmental objectives, recreation, open space, water supply)

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Sources of Funding

- Forces of Change for 21st Century, con't.
 - Revenue Competition in Local Government
 - Expanding SW infrastructure
 - Decaying SW infrastructure
 - Expanding SW O&M, regulatory
 - Beneficiary/User Pay Principle

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Sources of Funding

- Key Questions to determine SW Funding Mix/Strategy
 - What kind of Money do you need
 - Administrative
 - Operations and Maintenance money
 - Regulatory compliance money
 - Capital money
 - Seed money

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Sources of Funding

- Key Questions to Determine SW Funding Mix/Strategy, con't.
 - What kind of money do you need, con't.
 - Cash money/Non-cash money (in kind, in-lieu)
 - Private money/Public money
 - Legal money
 - Expensed Financing (pay as you go)
 - Debt financing (go now, pay later)

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Sources of Funding

- Key Questions to Determine SW Funding Mix/Strategy, con't.
 - How much money do I need
 - Budgets: capital, regulatory, compliance, operations, maintenance, administration, marketing/communications
 - How much cash; how much non-cash
 - Where does it come from
 - Cash: general fund revenues, bonds (revenue/G.O.); special purpose taxes, fees, account transfers, grants, loans, contributions
 - Non-cash: dedications, developer exactions, in-lieu fees/construction

Guidance for Municipal Stormwater Funding, 2005

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Sources of Funding

- Key Questions to Determine SW Funding Mix/Strategy, con't.
 - Who pays - General Taxpayer
 - General unrestricted revenue appropriations
 - Property, sales, income, business taxes
 - Subject to annual allocation, changing priorities and budget/political competition
 - Increases are general tax increases
 - No SW connection

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Sources of Funding

- Key Questions to Determine SW Funding Mix/Strategy, con't.
 - Who pays - Benefiting Parties
 - Dedicated/restricted revenues
 - Special purpose districts/authorities
 - SW service/utility fees
 - Plan review, inspection and special user fees
 - Capital recovery fees
 - Impact fees

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Sources of Funding

- Key Questions to Determine SW Funding Mix/Strategy, con't.
 - Who pays - Benefiting Parties, con't.
 - Developer extension/late comer fees
 - In-lieu of construction fees
 - Special assessments
 - Bonds
 - Non-cash

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Sources of Funding

- Key Questions to Determine SW Funding Mix/Strategy, con't.
 - Who pays - The other guy
 - Loans: State Revolving Fund
 - Grants: Community Development Block Grants
 - Special state programs
 - Cooperative local initiatives: NPDES SW permit programs

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Sources of Funding

- Key Questions to Determine SW Funding Mix/Strategy, con't.
 - How do you decide
 - What funding authority do you already have, what new authority do you need
 - Whose permission do you need
 - legislative, city council, electorate, courts
 - What decision process do you use
 - How do you involve the public in the process
 - Is a new approach (SW Utility) right for you

Guidance for Municipal Stormwater Funding, 2005