



Stormwater Division Funding Strategy

**In Response to Recommendation #5 of the Performance Audit of the
City of San Diego's Stormwater Division**

ENSURING CLEAN WATERWAYS AND FLOOD-SAFE COMMUNITIES

sandiego.gov



2018 Stormwater Audit Documented Historic Underfunding



Audit Recommendation #5

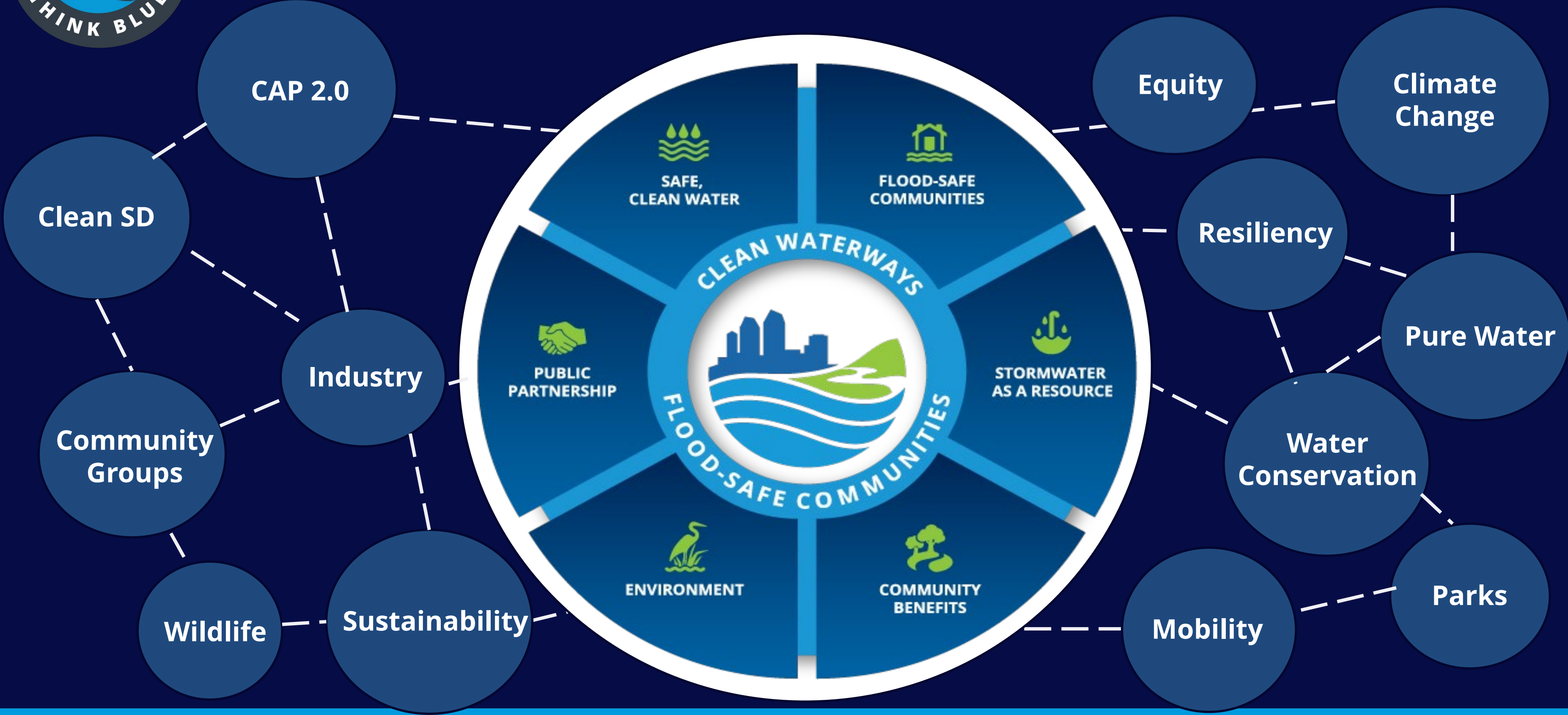
1. Develop a long-term funding strategy
2. Due January 2021

Audit Recommendation #6

1. Develop funding mechanism
2. Conduct surveys and stakeholder outreach and engagement
3. Due January 2022

Clean Waterways and Flood-safe Communities

Support a Thriving San Diego





The Stormwater Team Provides Essential Services



**encouraging
public partnership**



**safeguarding
communities
from flood**



**providing community
benefits**



**using stormwater
as a resource**

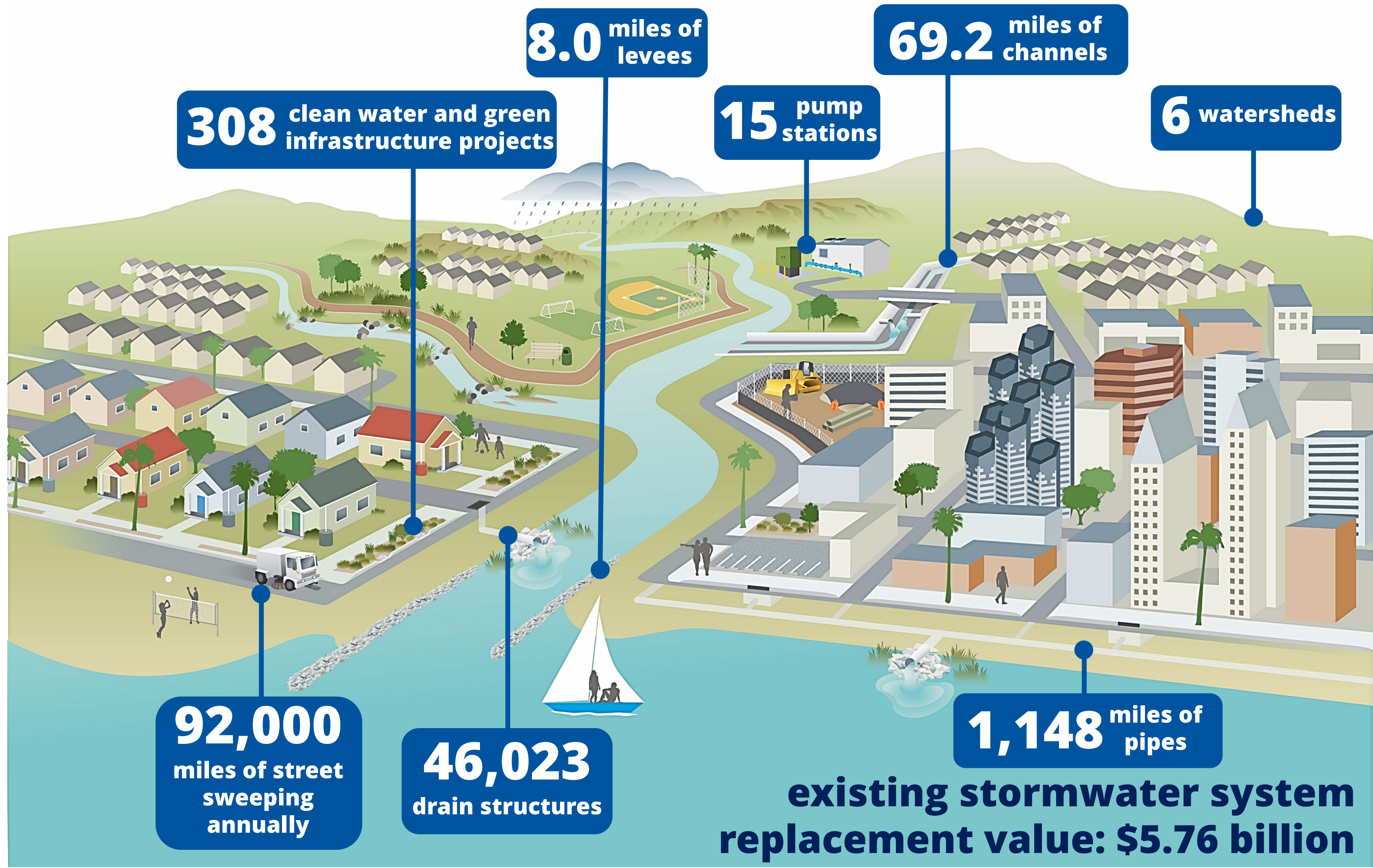


**restoring the
environment**



**protecting clean,
safe water**

Stormwater System.





The Challenges We Face

- Aging infrastructure
- Urbanization
- Climate change
- Increasing regulatory requirements
- **99% of the City drains to an impaired water body**



Some waterbody segments have more than one impaired pollutant within the categories shown on the map. One marker is shown in these locations for clarity. However, the total count in the legend includes all waterbody and pollutant combinations.

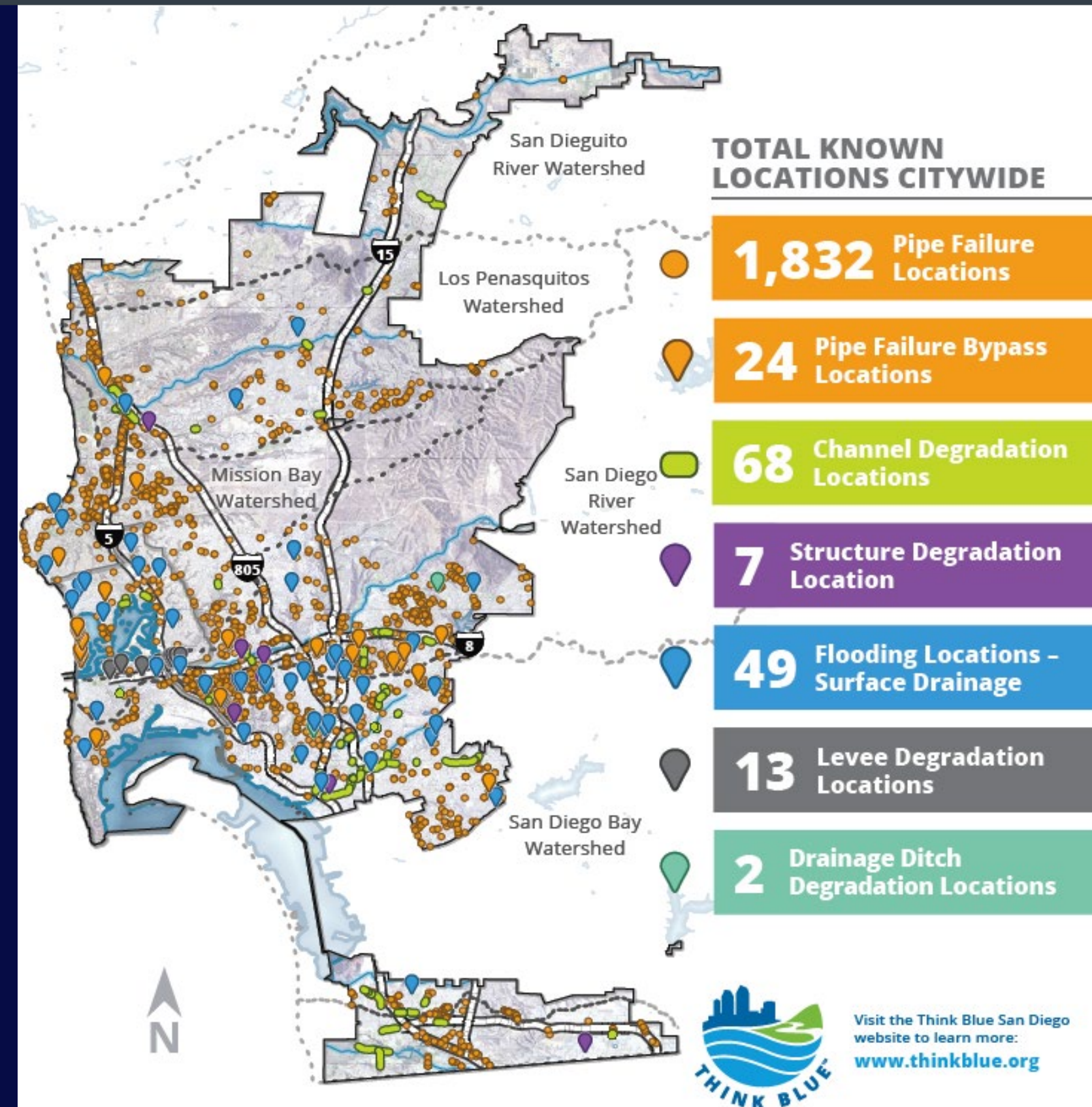


Visit the Think Blue San Diego website to learn more:

The Result of Underfunding Stormwater



- **Nearly 2,000 known, active failures City-wide**
- **<1% are funded**
- **Average Annual Unbudgeted Emergencies = ~\$25M/year**



Consequences Ahead Due to Continued Underfunding



claims and
litigation

road
closures

flooding
and sink
holes

public health
and safety

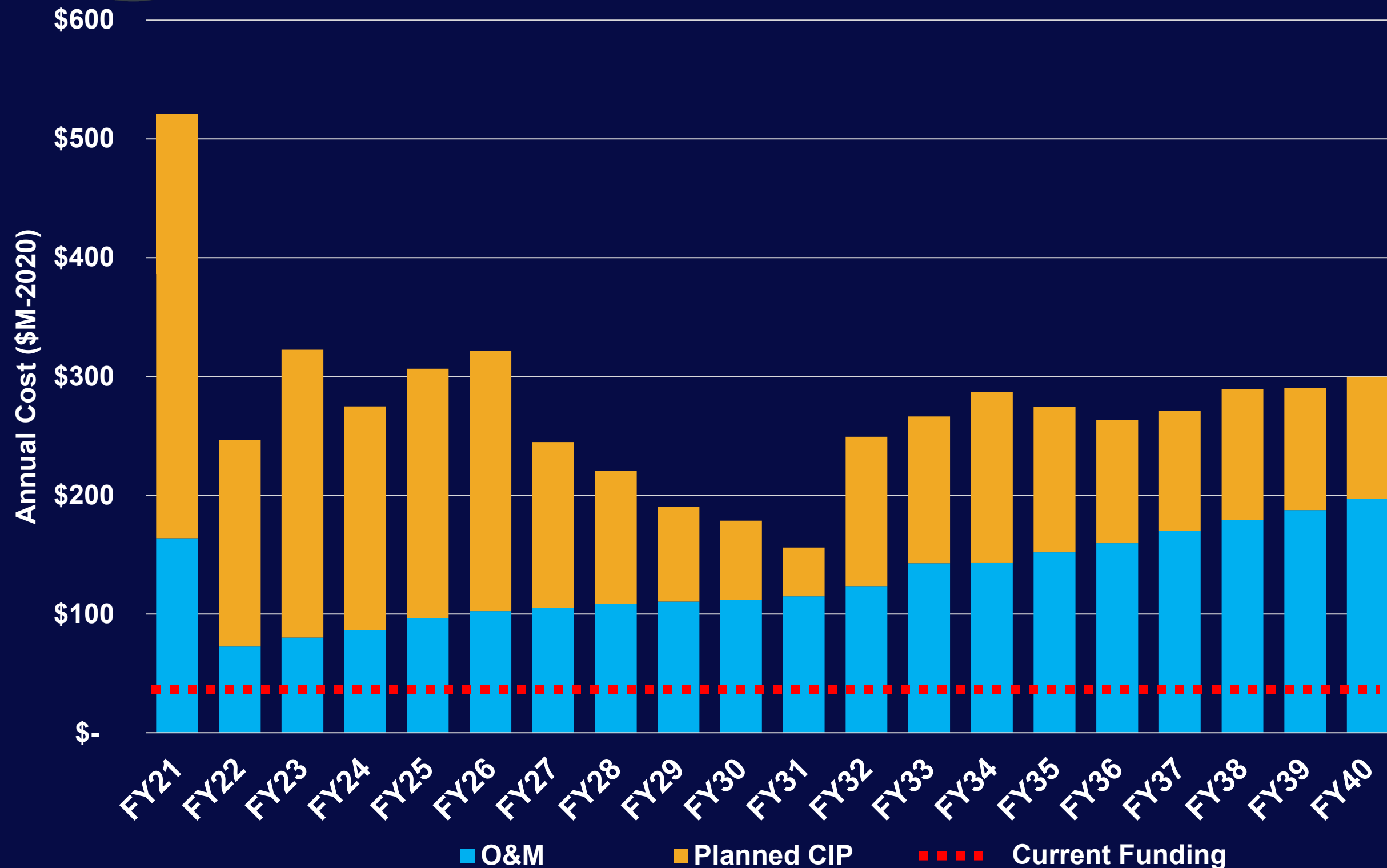
water
quality

beaches





Resources Needed to Deliver Essential Services



Current Budget = \$48.5M

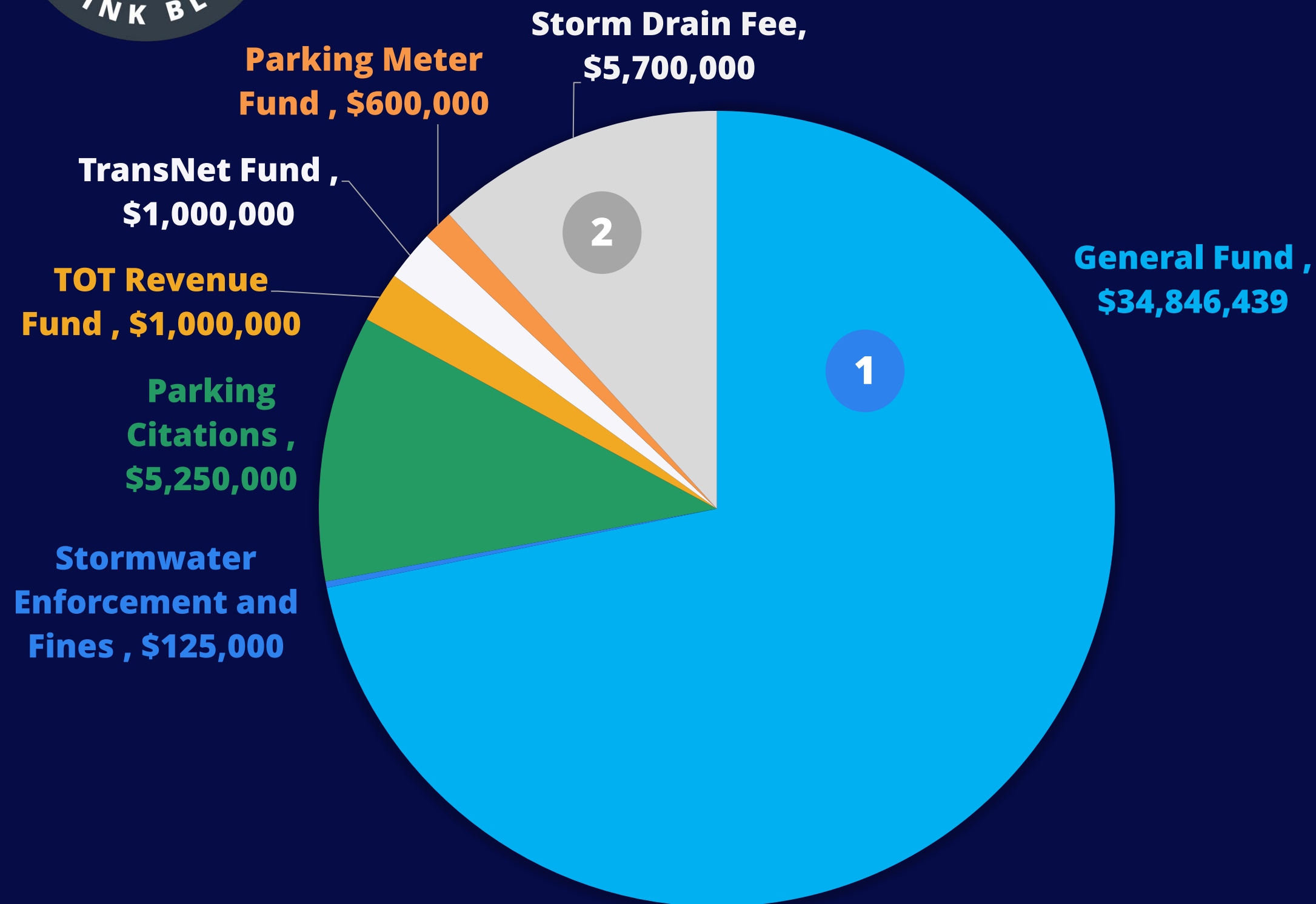
- ~ \$50M/yr from General Fund
- ~ \$ 5.7 M/yr from Stormwater Fee

Annual Funding Need = \$274M

- 19% of \$1.4B General Fund Budget



Current Funding Options are Limited



1 SWD is currently supported by General Fund and allocations have decreased while funding needs have increased

2 Stormwater fees difficult to raise due to limitations of Proposition 218

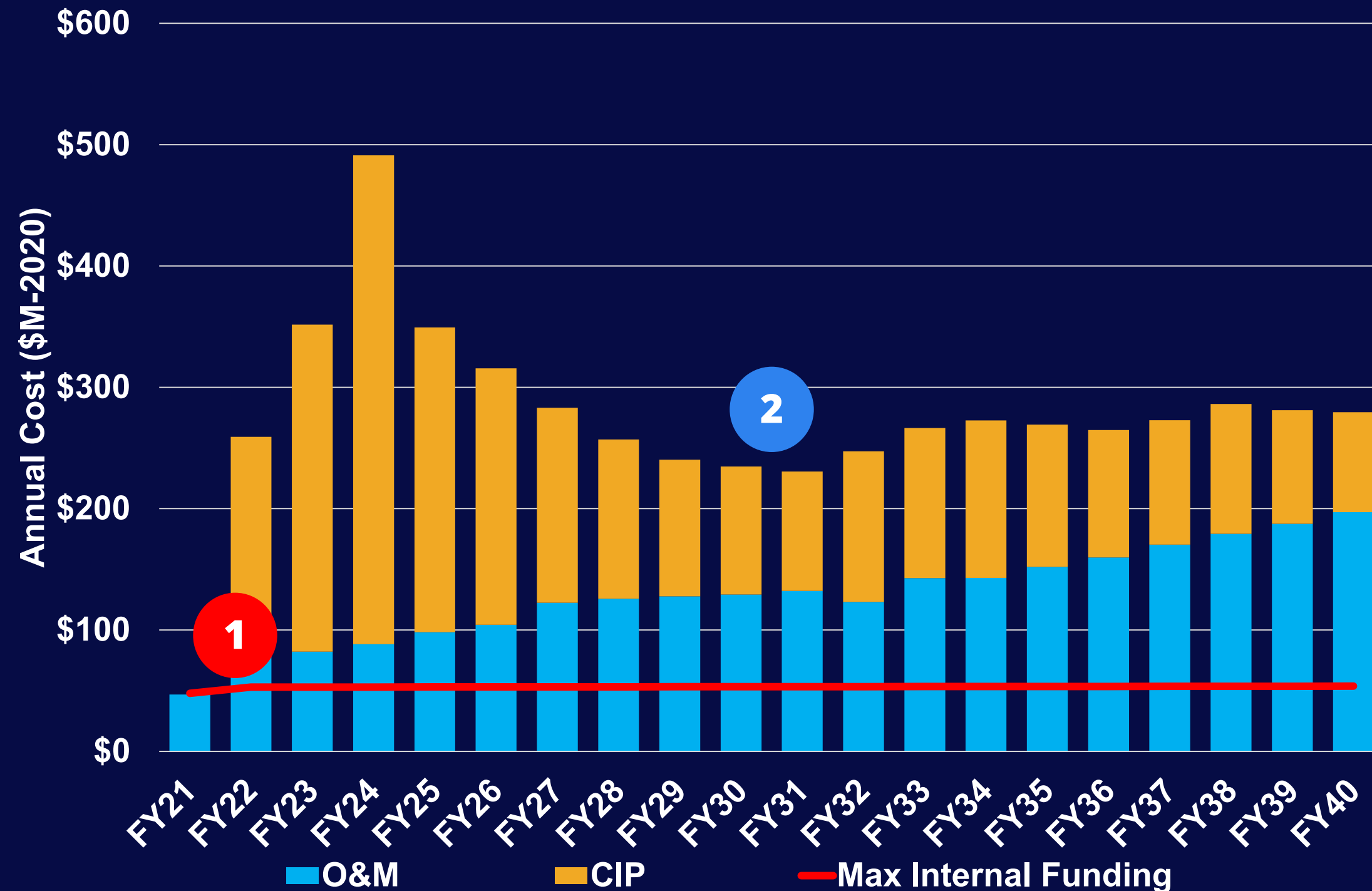


Funding Strategy Approach



- ✓ **Identify opportunities to reduce the funding gap**
- ✓ **Identify efficiencies/innovations to reduce funding needs**
- ✓ **Evaluate funding options**
- ✓ **Benchmark other jurisdictions**
- ✓ **Engage stakeholders**
- ✓ **Prioritize funding options**
- ✓ **Develop plan to pursue funding options**

Maximizing All Available Resources Doesn't Close the Gap



1 Potential additional funding from existing sources: \$3.8 M per year.

- (Baseline FY21 Funding + \$3.8 = ~\$52.3 M total funding per year from existing sources)

2 Even maximizing existing sources, outstanding average funding gap is still \$221.5 M per year through FY2040.

BOTTOM LINE: long-term, dedicated funding mechanism(s) needed



Benchmarking other jurisdictions



*Washington DC includes a \$2.67 per Equivalent Residential Unit (ERU) Stormwater Fee (recovers MS4 costs) plus a \$20.94 per ERU Clean Rivers Impervious Area Charge (recovers a portion of Combined Sewer costs)
**San Francisco Public Utilities Commission is a combined system and charges a stormwater component separately where the customer does not get charged for sewer or water, e.g. vacant lots or parking lots.

Important Considerations for the Work Ahead



- **Fee/Tax Methodology**
- **Exemptions**
- **Reductions/Discounts (low income, vacant land, etc.)**
- **Credits & Rebates**
- **Sunset clause**

Stormwater in Action

Maximize and Accelerate Efficiencies and Innovations



✓ **Efficiencies:**

- ✓ Additional pipe repair crew
- ✓ Street sweeping route optimization

✓ **Innovation**

- ✓ Develop/implement analytical tools
- ✓ Integrated Planning Framework
- ✓ Alternative Compliance Program
- ✓ Stormwater Harvesting





Stormwater in Action

Maximize existing funding/financing, grants and loans

- ✓ **Maximize existing funding options with a focus on cost recovery for SWD revenue-generating options**
- ✓ **Maximize financing opportunities, including loans**
- ✓ **Continue to identify and apply for grants**

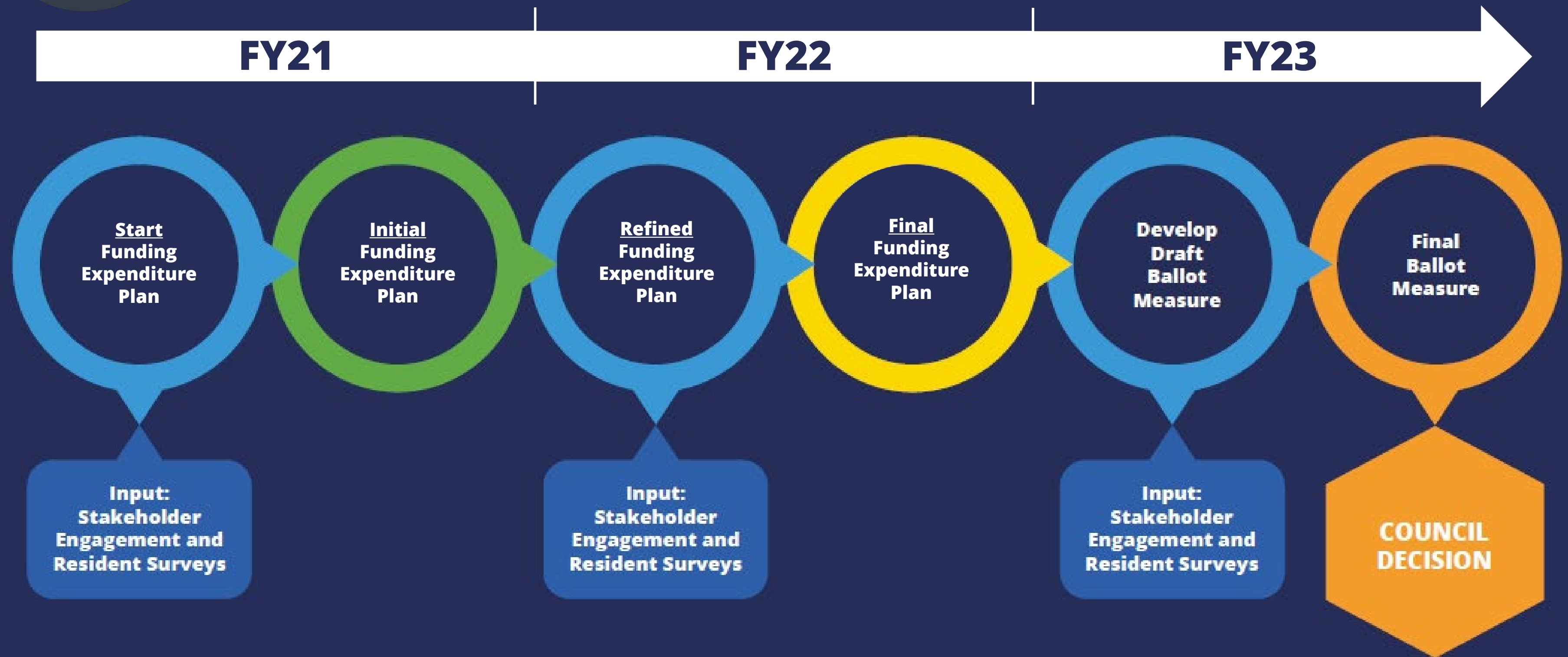


**Recent noteworthy milestones:
WIFIA invitation (>\$500M) and SRF loan**



Stormwater in Action

Pursue development of a long-term, dedicated funding mechanism



Creating a Vision of the Future



- ✓ **Provide essential services to protect and maintain the safety, livability, and sustainability of San Diego's diverse communities and environment**
- ✓ **Transition from reactive to proactive and innovative**
- ✓ **Align with and strengthen San Diego's efforts towards equity and sustainability**



Requested Actions

- ✓ **Recommend approval by Council of Funding Strategy Audit Response (to Recommendation #5)**
- ✓ **Recommend approval by Council through a resolution for SWD to proceed with funding strategy development (Recommendation #6), with presentation in July 2021 on:**
 - Expenditure plan and funding mechanism
 - Stakeholder outreach and public surveys