Stormwater Division Funding Strategy

In Response to Recommendation #5 of the Performance Audit of the City of San Diego's Stormwater Division
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
- using stormwater as a resource
- safeguarding communities from flood
- providing community benefits
- protecting clean, safe water
- restoring the environment

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Stormwater System.

- 8.0 miles of levees
- 69.2 miles of channels
- 15 pump stations
- 6 watersheds
- 1,148 miles of pipes
- 46,023 drain structures
- 46,023 drain structures
- 92,000 miles of street sweeping annually
- 308 clean water and green infrastructure projects
- 6 watersheds

existing stormwater system replacement value: $5.76 billion
The Challenges We Face

- Aging infrastructure
- Urbanization
- Climate change
- Increasing regulatory requirements
- 99% of the City drains to an impaired water body
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 sinkholes
- Public health and safety
- Water quality
- Beaches
Resources Needed to Deliver Essential Services

Current Budget = $48.5M
• ~ $50M/yr from General Fund
• ~ $5.7M/yr from Stormwater Fee

Annual Funding Need = $274M
• 19% of $1.4B General Fund Budget
Current Funding Options are Limited

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

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
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)

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
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

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<th>FY21</th>
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<th>FY23</th>
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<td>Start Funding Expenditure Plan</td>
<td>Initial Funding Expenditure Plan</td>
<td>Refined Funding Expenditure Plan</td>
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<td>Input: Stakeholder Engagement and Resident Surveys</td>
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<td>Final Ballot Measure</td>
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COUNCIL DECISION
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
☑ 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