Funding Strategy Implementation Update

November 2021
Mounting challenges exist
Imminent system failures anticipated
Funding needs are growing exponentially
Dedicated funding source imperative
Stormwater Funding has Failed to Keep Pace

Less than 1/3 of average annual funding need ($335M per year)

“Other” funding sources may include grants, TransNet, transient occupancy tax (TOT), commercial paper, and other restricted funds.

“San Diego’s Infrastructure Deficit is Really a Stormwater Deficit”
- Voice of San Diego
Underfunding Stormwater has Serious Consequences That Will Only get Worse

- Livability of San Diego declining
- Polluted, unsafe water is harmful
- Closed beaches impact residents & tourists
- Lost opportunity to capture water for drought preparedness
- Fines, claims, litigation
- Clean Water Act Violations

Erosion and mud slide during 2020 rain event due to stormwater pipe failure near 163
Stormwater Failures are Impacting Livability

- 2,000+ known pipe failures
- 32 active emergencies from FY2019 to now, costing $65M
- Planned projects defunded
  - 40% of flood resilience and green infrastructure stalled
Flooding Causes Unsafe Conditions and Often Causes Significant Damage to Property

- Many areas unable to manage flooding
- Known vulnerabilities pushed to failures
- Mudslides, erosion, sinkholes are concerns

Flooding in Chollas Creek
Pump Station Failures Will Impact Thousands

- 3 failing pump stations
  - 2 in Mission Beach
  - 1 in Midway-Pacific Highway
- May impact 100’s of homes and businesses; 1,000’s of people
- 162 acres under water
- Emergency repairs only, ~$6M

“Mission Beach residents said they are tired of their streets flooding during heavy rains.” – San Diego Union Tribune (2010)
Levees Need Upgrades to Protect Against More Extreme Weather

- Levees Program underfunded by $16M
- 45 known structural deficiencies
- Widespread consequences and impacts
- City may fall out of Federal Rehabilitation Program
Failure to Meet Clean Water Act Significantly Impacts Public Health & Environment

- >99% of system goes to a degraded water source
- 101 projected impairments expected by 2022
- Major deadlines missed in April 2021
- 586 beach advisories & 55 beach closures per year (on average)
- Anticipated fines and lawsuits

Trash build up at the mouth of Chollas Creek
Funding Needs Continue to Grow at a Rapid Rate

Bottom line: A long-term, dedicated funding mechanism is needed.
Funding Measure Design
A Thorough Funding Measure has Many Complimentary Components

1. Strategic Program Design
2. Resource Commitments
3. Research-Driven Decision Making
4. Compelling Communications
5. Stakeholder Engagement
Funding Measure Considerations: Program Goals

- IMPROVE/PROTECT WATER QUALITY
- SAFEGUARD FROM FLOODING
- PRIORITIZE GREEN INFRASTRUCTURE
Funding Measure Considerations: Program Goals

MODERNIZE INFRASTRUCTURE

REVITALIZE OUR WATERWAYS

CAPTURE STORMWATER FOR LOCAL SUPPLY
Funding Measure Considerations: Approach, Type, and Basis

- Special parcel tax
- Impermeable area basis
  - Cents per square foot
  - New Citywide dataset being collected (March 2021)
- Exemptions, discounts, credit program
## Initial Funding Mechanism Scenarios

<table>
<thead>
<tr>
<th>Rate Basis</th>
<th>Estimated Revenue (With Government, Public Schools and Non-Profit Exempt)</th>
<th>Typical Single Family Annual Residential Bill</th>
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<tbody>
<tr>
<td>$0.04/sq-ft March survey</td>
<td>$74 Million</td>
<td>$128</td>
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<tr>
<td>$0.045/sq-ft August survey</td>
<td>$83 Million</td>
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<tr>
<td>$0.05/sq-ft August survey</td>
<td>$93 Million</td>
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Funding Measure Program Design Elements: What Could the Potential Measure Fund?

- Capital Investments
- Operations & Maintenance
- Compliance Planning
- Debt & Issuance of Bonds
- Administration
Funding Measure Program Design Elements: What Could the Potential Measure Fund?

- Pipe Replacement
- Drain Cleaning
- Monitoring
- Green Infrastructure
- Water Capture
- Restoration
- Community Education and Engagement
- Example Eligible Expenditures
- Thinkblue.org
Funding Measure Program Design Elements: How Could the Program be Managed?

- Citizen’s Oversight
- Independent Audits
- Implementation Plan(s)
- Budgeting
- Reporting
Public Opinion Research
August 2021 Survey Key Takeaways

• Tested voter values and willingness to pay

• Water quality, water supply, & marine life messages continue to resonate

• Ongoing public education & engagement for stormwater is essential
Moving Forward with Limited Resources
Near-term Funding and Financing Options

- WIFIA - $600M
- CWSRF - $54M
- Grants - $5.9M awarded
- State Budget Allocation - $3.1 M anticipated
- Cost recovery efforts - in progress
- New capital project delivery methods critical
Moving Forward

- Mounting challenges exist
- Imminent system failures anticipated
- Funding needs are growing exponentially
- Dedicated funding source imperative
- Next Update:
  - Early 2022- City Council Update on Audit
Thank you!