

**Senate Governance & Finance Committee  
Senate Natural Resources & Water Committee**

**Strategies and Innovations in Financing  
Local Stormwater and Dry Weather Runoff Costs**

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*Presented By:*

Andrea Roess – Managing Director

David Taussig & Associates

5000 Birch Street, Suite 6000

Newport Beach, CA 92660

Phone: 949-955-1500

[andrea@taussig.com](mailto:andrea@taussig.com)

# Introduction

- **Local agencies are faced with increasing costs and requirements (NPDES MS4 permits, TMDLs, etc.)**
- **Local agencies lack a stable, long-term, dedicated funding source**
- **Focus on funding mechanisms available within the current legislative framework (i.e., Prop 218 and Prop 26)**

# Enhanced Infrastructure Financing District

## ➤ What is an EIFD?

- SB 628 (Beall) authorized the creation of a new governmental entity called an Enhanced Infrastructure Financing District (EIFD)
- An EIFD receives incremental growth in property tax revenues (“tax increment”) of taxing agencies (cities, counties, special districts, but not schools) that consent.
- Cities or Counties may initiate the creation of an EIFD if certain criteria are met
- Boundaries can include multiple jurisdictions (entire watershed)
- No vote required for forming the EIFD; the EIFD can be created by act of a county or city legislative body
- Bonds can be issued if approved by 55 percent of the electorate
- Tax increment can be used to pay directly for eligible facilities.

# Enhanced Infrastructure Financing District

- **How can EIFDs be used to fund local stormwater and dry weather runoff costs?**
  - EIFDs may be used to finance the construction or rehabilitation of a wide variety of public infrastructure and private facilities
  - Facilities funded by an EIFD may include but are not limited to:
    - Flood control levies and dams, retention basins, and drainage canals
    - Sewage treatment, water reclamation plants and interceptor pipes
    - Facilities to collect and treat water for urban uses.
  - LA Times – 2/19/15
    - City of LA proposes to use an EIFD to finance improvements along the LA River

# Enhanced Infrastructure Financing District

## ➤ Issues/Obstacles

- EIFDs cannot finance maintenance, repairs, or operating costs
- Amount of tax increment generated may be small (relies on new growth)
- EIFDs do not generate “new” money, so not all agencies will be able to make use of EIFDs
- EIFDs can only be created by a City/County (however, other agencies can contribute tax increment)

# AB 2403

## ➤ What is AB 2403?

- AB 2403 broadens the definition of “water” so that certain storm water activities can be funded with the same majority protest process as water/sewer/trash.
- In *Griffith v. Parajo Valley WMD*, Court determined that a groundwater augmentation charge that funded, among other projects, stormwater diversion to a groundwater basin for later use, is considered a fee for “water service” and therefore exempt from Prop 218 super majority election requirement, but not the voter and protest hearing requirement.
- AB 2403 codified *Griffith v. Parajo*, and amends the definition of “water” contained in Prop 218 to “include improvements for producing, storing, supplying, treating, or distributing water from any source.”
- Any local agency can implement a fee under AB 2403.

# AB 2403

- **How can AB 2403 be used to fund local stormwater and dry weather runoff costs?**
  - AB 2403 enables local agencies to more easily secure funding for projects that:
    - recharge groundwater supplies via infiltration; and
    - provide for direct use of stormwater in lieu of other water
  - Similarly, other costs related to water/sewer/trash can also be collected via majority protest process
  
- **Issues / Obstacles**
  - Not all agencies can infiltrate groundwater.
  - Not all stormwater activities considered “water” service

# PACE Financing

## ➤ **What is PACE?**

- PACE is Property Assessed Clean Energy
- PACE allows public agencies to establish programs to finance renewable energy, energy efficiency, and water conservation improvements on private property
- Bonds are issued and paid back by property tax assessment

## ➤ **How can PACE be used to fund local stormwater and dry weather runoff costs?**

- Types of improvements include on-site rainwater catchment systems, weather-based irrigation controllers, artificial turf, water efficient landscapes, etc.
- Such improvements may reduce runoff and improve the overall water quality in the jurisdiction

# PACE Financing

## ➤ **Issues / Obstacles**

- Limited benefit to local agency
- Individual property owners paying for improvements to their own properties

# Monetizing Captured Stormwater

- **What does it mean to “monetize captured stormwater?”**
  - As a result of drought and other conditions, significant attention on stormwater capture
  - Stormwater that is captured/infiltrated can be sold to another agency as a revenue generating activity
  
- **Issues/Obstacles**
  - Significant water rights issue
  - Need to meter captured water?

# Public Private Partnerships

- **What is a public-private partnership (P3)?**
  - Traditionally, this would be a public project built on public land, constructed and operated by a private entity, with a projected revenue stream that is used to secure and repay project costs over time.
  
- **CA Govt. Code 5956**
  - Enables local governments to use private investment capital to design, build, and operate public infrastructure
  
  - Eligible types of projects include:
    - Irrigation
    - Drainage
    - Water supply, treatment, and distribution
    - Flood control
    - Inland waterways
    - Purification of water
    - Sewage treatment, disposal, and water recycling
  
- **Issues/Obstacles**
  - Typically only used with revenue generating facilities

# QUESTIONS & ANSWERS