

# Financial Capability Assessment & Stormwater Finance Plans

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# Overview

- What is Financial Capability Assessment (FCA)?
- How can FCA affect stormwater regulation?
- Factors to consider in evaluating compliance schedules?
- FCA compared to Cost X Benefit Analysis
- What's Next?

# What is Financial Capability Assessment?

- Analysis of community ability to pay for/deliver water services
- Considers various measures of:
  - household ability to pay for services
  - community financial ability to deliver services
- Long use in CSO and enforcement settings
- Basis to adjust Clean Water Act regulatory obligations
- Assists in developing integrated water system management

# What Does FCA Consider?

- Financial Capability Assessment guidance (1997, 2014)
- Focus on stormwater and wastewater requirements
- May consider drinking water/flood control
- Considers wide range of financial capacity indicators:
  - Residential capability (e.g. median household income or MHI)
  - Financial strength of permittee organization
- Financial strength considers bond ratings, debt, MHI, unemployment rate, tax revenue, and property tax rates
- Local data for these indicators compared against benchmarks

# Considering Cost in CWA Regulation

- Can consider financial impact to community only in a few cases:
  - **Permit Compliance Schedules:**
    - basis for determining length of schedule
  - **Water Quality Standards: Use Attainability Analysis**
    - basis for downgrading designated use due to widespread impact
    - would change water quality control targets
  - **Anti-Degradation Analysis:**
    - basis for authorizing degradation of high-quality waters
- Porter-Cologne- vague about consideration of economic factors

# Key Factors In Considering Affordability and Schedules

## 1. **Financial Capacity Analysis**

- recommend following FCA Framework approach

## 2. **Solid long term stormwater plan with solid cost analysis**

- asset management system to account for new + O&M costs

## 3. Show effort to seek **funding** from all viable sources

## 4. Demonstrate **short term implementation commitments**

- Basis for determining viable alternative compliance schedules
  - can adjust both interim and final compliance deadlines
  - may require standards, TMDL, and/or permit changes
  - mainly between permittee and state, EPA can facilitate

# Affordability and Cost/Benefit Differences

Purpose	Affordability Analysis	Cost X Benefit Analysis
Adjust Compliance Schedules or Designated Uses	Yes	No
Evaluating Funding Options (fees, bonds, loans)	Yes	No
Persuade Public/Officials About Program Benefits	No	Yes
Determine Cost-Effective Control Options/Sequence	No	Yes
Assist Integrated/Multipurpose Planning	Yes	Yes

# What Next for FCA?

- Specific applications under discussion in CA
- Need to build finance analytical skills and experience
- Revising schedules based on cost will be tricky
- Must still meet compliance schedule regulatory requirements
  
- Federal/state proposed legislation (HR 465, S 619, CA SB 589)
- Would require consideration of FCA related to permits
- NAPA study of affordability and permits late 2017

***Value of pilot testing?***

***Solid stormwater finance plans essential***