Credits & Water Quality Equivalency

- Tahoe Lake Clarity Crediting Program
- San Diego Alternative Compliance Program
- District of Columbia Stormwater Retention Credit Program
USING PERFORMANCE FOR COMPLIANCE & CONTRACTING

Credits & Water Quality Equivalency

- Tahoe Lake Clarity Crediting Program
- San Diego Alternative Compliance Program
- District of Columbia Stormwater Retention Credit Program

Lake Clarity Credits Awarded 2016

No Ribbon but Report
ACCESS NEW FUNDING & STAFF

Pay for Performance P3

- Access Private Financing
- Shift Risk from Public to Private – Contract Out Liability
- Reduce Costs
- Scale Implementation with Same Municipal Staff
- Create Private Jobs

Stormwater Compliance Cost

- Private Parties
- Increase Performance
- Multi-Agency Projects

Stormwater Program
PAY-FOR-PERFORMANCE STRUCTURE

STEP 1. Pay For Success Contract
defines terms of payment

STEP 2. Implementer
completes project

STEP 3. Pollutant Load Reductions
are verified and reported

STEP 4. Permittee
pays based on pollutant load reductions achieved
CA DWR PAY FOR PERFORMANCE RFP

Restoration of Delta Smelt Habitat

- Public-Private Partnership
- Restore Tidal Wetlands (Design Build)
- Proposal Evaluation Criteria
  - Site Quality
  - Connectivity and Landscape-Scale Characteristics
  - Scoring 70% Habitat Quality 30% Cost
- Payment in year 4 or 5 on verification of restoration success

DWR will award $42.5 million
MATT’S SETTING

- Bacterial & metals TMDLs
- Credit = estimated pounds of sediment reduction
  - Estimates use Pollutant Load Reduction Model
  - Verification with BMP Rapid Assessment Method
- Green infrastructure plan
- Measure G creates $10 million per year for all sustainability plan priorities
  - $2 million per year dedicated to One Water
  - 95% of all funding for “projects” = no new staff
MATT’S DESIGN, BUILD & MAINTAIN RFP

0. Municipal SW Manager request proposals (RFP) from private companies and NGOs with pay for performance terms

RFP Terms

- 20-year Design, Build & Maintain
- Selection
  - Cost per credit & number of credits
  - Multiple green infrastructure benefits
  - Sooner is better
Holly’s Project

- Faith-based & environmental NGO partnership
- Design, build & maintain infiltration galleries under their private parking lots
- Estimated load reduction of 200 pounds per year
- 2,000 ft² of urban tree canopy increase
- 200 acre feet of infiltration per year
- $2 million total – 60 day reimbursement of expenses
PROJECT PROPOSALS

Both Projects
• Estimated 200 credits per year
• 2,000 ft$^2$ of urban tree canopy
• 200 acre feet of infiltration per year
• $2$ million total contract

Holly’s Project
• Pay on receipt of expenses

Scott’s Project
• Pay on verification of performance
  o $500 per credit
• Private financing
PROJECT PROPOSALS

Both Projects
- Estimated 200 credits per year
- 2,000 ft² of urban tree canopy
- 200 acre feet of infiltration per year
- $2 million total contract

Holly’s Project
- Pay on receipt of expenses

Scott’s Project
- Pay on verification of performance
  - $500 per credit
- Private financing

Projected Payment Schedule
($1,000s)

<table>
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<th>Year</th>
<th>Holly's Grant</th>
<th>Scott's PfP</th>
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FULL DELIVERY: DESIGN, FINANCE, BUILD & MAINTAIN

0. Municipal RFP

1. Pay for Performance Contract
FULL DELIVERY: DESIGN, FINANCE, BUILD & MAINTAIN

0. Municipal RFP

1. Pay for Performance Contract
2. Banker provides upfront capital
3. Implementer completes project
FULL DELIVERY: DESIGN, FINANCE, BUILD & MAINTAIN

0. Municipal RFP

1. Pay for Performance Contract

2. Banker provides upfront capital

3. Implementer completes project

4. Pollutant Load Reductions are achieved

5. Certified Credits verify load reductions
LOAD REDUCTIONS ACHIEVED

Projected Payment Schedule
($1,000s)

- Payments
- Credits
FULL DELIVERY: DESIGN, FINANCE, BUILD & MAINTAIN

0. Municipal RFP
1. Pay for Performance Contract
2. Banker provides upfront capital
3. Implementer completes project
4. Pollutant Load Reductions are achieved
5. Certified Credits verify load reductions
6. Municipal SW Manager makes payment based on load reductions
LOAD REDUCTIONS ACHIEVED

Projected Payment Schedule
($1,000s)

Payments
Credits
LOAD REDUCTIONS ACHIEVED

Projected Payment Schedule
($1,000s)

- Payments
- Credits

Yearly Payments and Credits Schedule from 2018 to 2037.
LOAD REDUCTIONS ACHIEVED

Projected Payment Schedule
($1,000s)

- Payments
- Credits

2018 2019 2020 2021 2022 2023 2024 2028 2037
SPECTRUM OF PAY FOR PERFORMANCE MECHANISMS

Buyer Risk

- High
  - Traditional Grant Funding
  - Partial Pay for Success

- Low
  - DWR & Today’s Example
    - DC Stormwater Retention Credit

Producer Reward

- Low
  - Seed Funding
  - Full Delivery
  - Entrepreneurial Market

- High