

# Pay for Performance & Unconventional Approaches

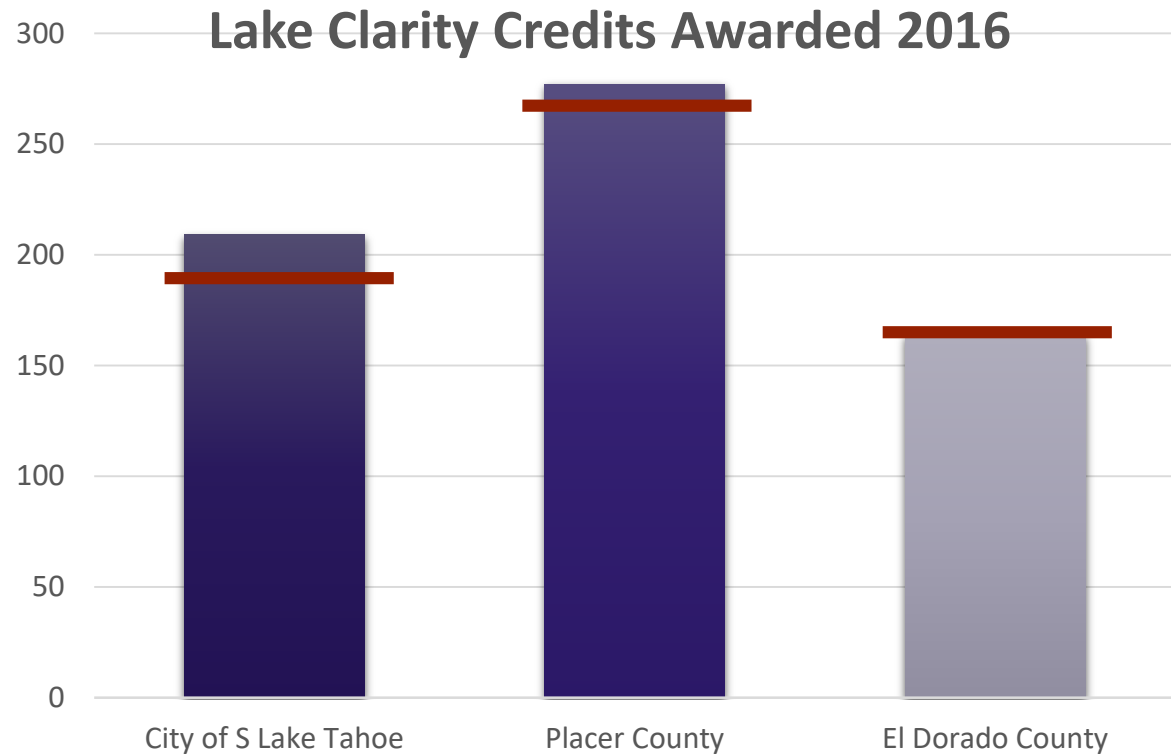
Funding Stormwater: The Next Great Challenge

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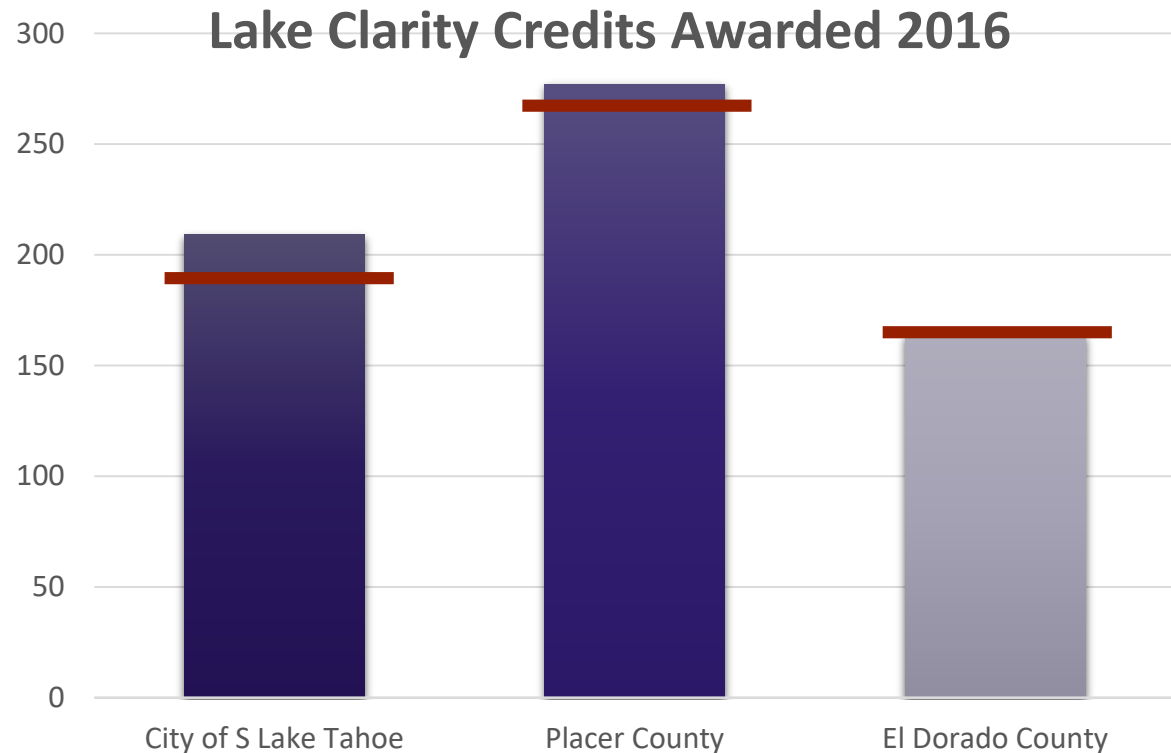
# USING PERFORMANCE FOR COMPLIANCE & CONTRACTING



## Credits & Water Quality Equivalency

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

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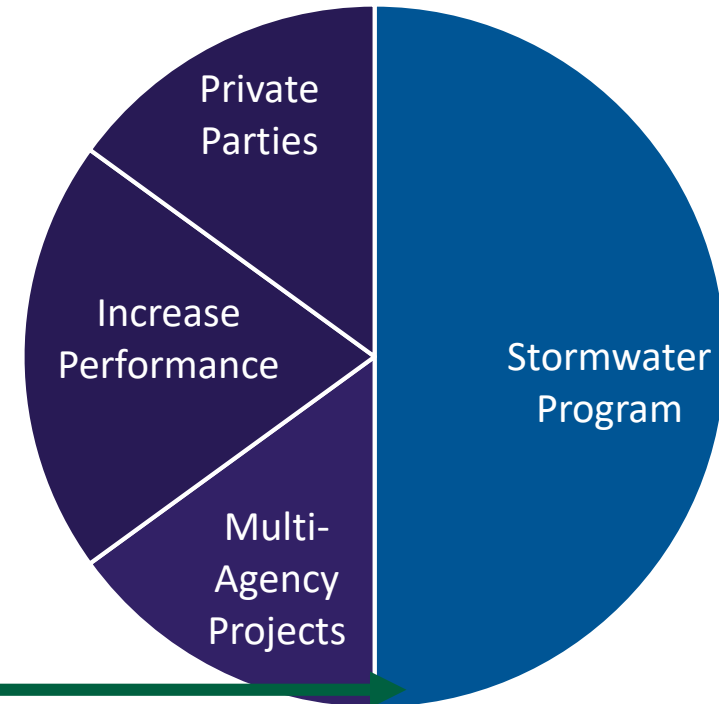
**No Ribbon but Report**

# 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



# PAY-FOR-PERFORMANCE STRUCTURE



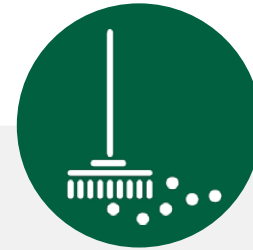
**STEP 1.**  
**Pay For Success  
Contract**

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

## Park & Drain

- 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 ft<sup>2</sup> 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<sup>2</sup> 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

# PROJECT PROPOSALS

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- Estimated 200 credits per year
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## Holly's Project

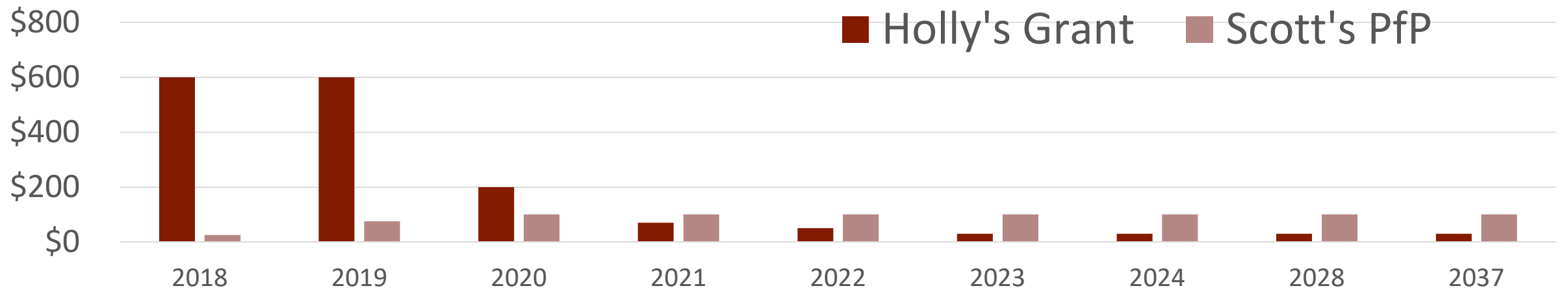
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- Pay on verification of performance
  - \$500 per credit
- Private financing

## Projected Payment Schedule

(\$1,000s)



# FULL DELIVERY: DESIGN, FINANCE, BUILD & MAINTAIN



**0. Municipal RFP**



**1. Pay for  
Performance  
Contract**

# FULL DELIVERY: DESIGN, FINANCE, BUILD & MAINTAIN



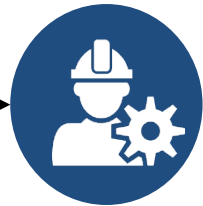
**0. Municipal RFP**



**1. Pay for  
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Contract**



**2. Banker  
provides upfront  
capital**



**3. Implementer  
completes  
project**

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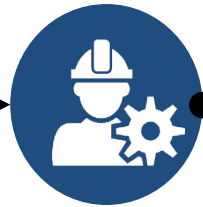
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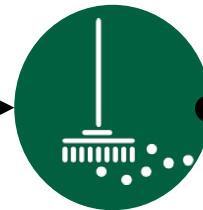
**1. Pay for Performance Contract**



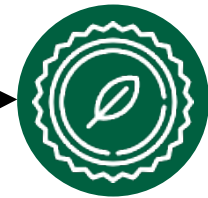
**2. Banker provides upfront capital**



**3. Implementer completes project**



**4. Pollutant Load Reductions are achieved**

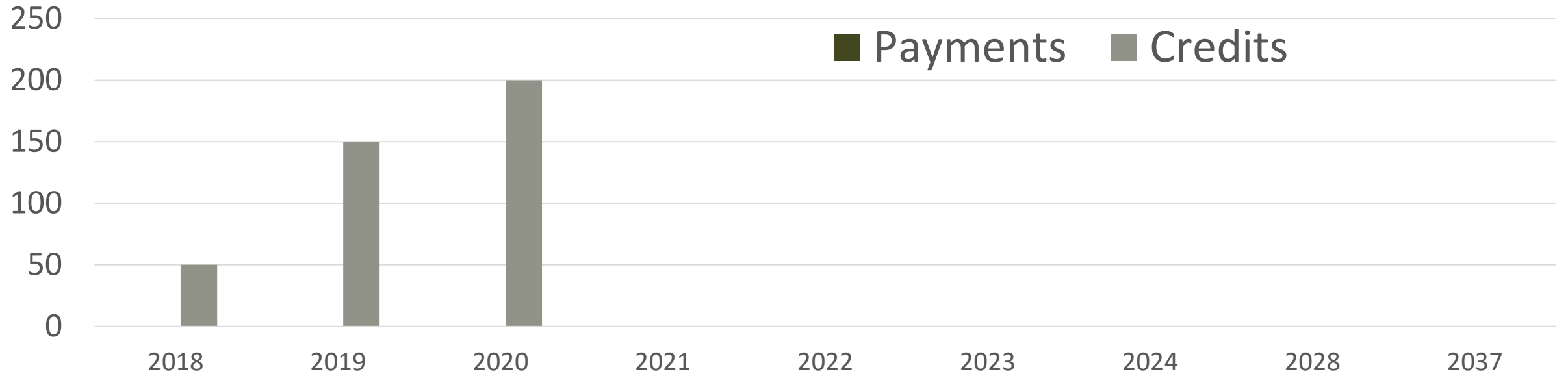


**5. Certified Credits verify load reductions**

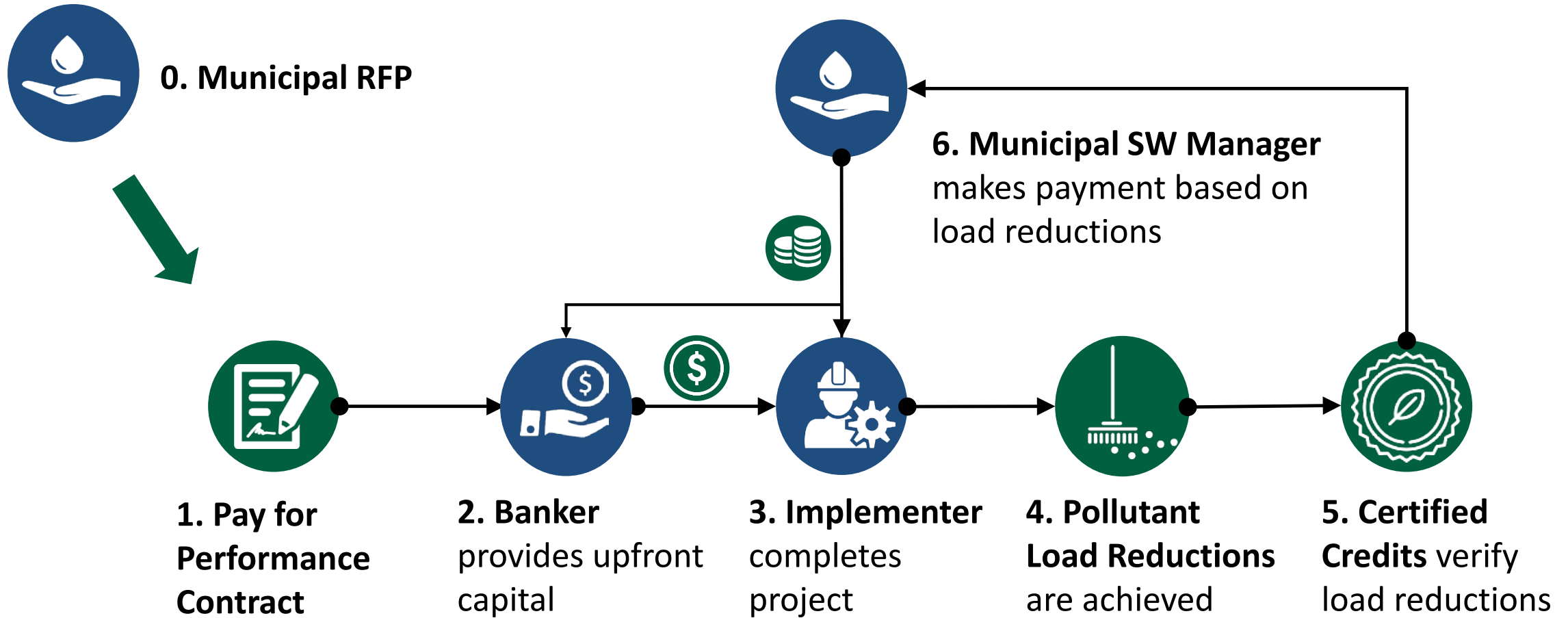
# LOAD REDUCTIONS ACHIEVED

## Projected Payment Schedule

(\$1,000s)



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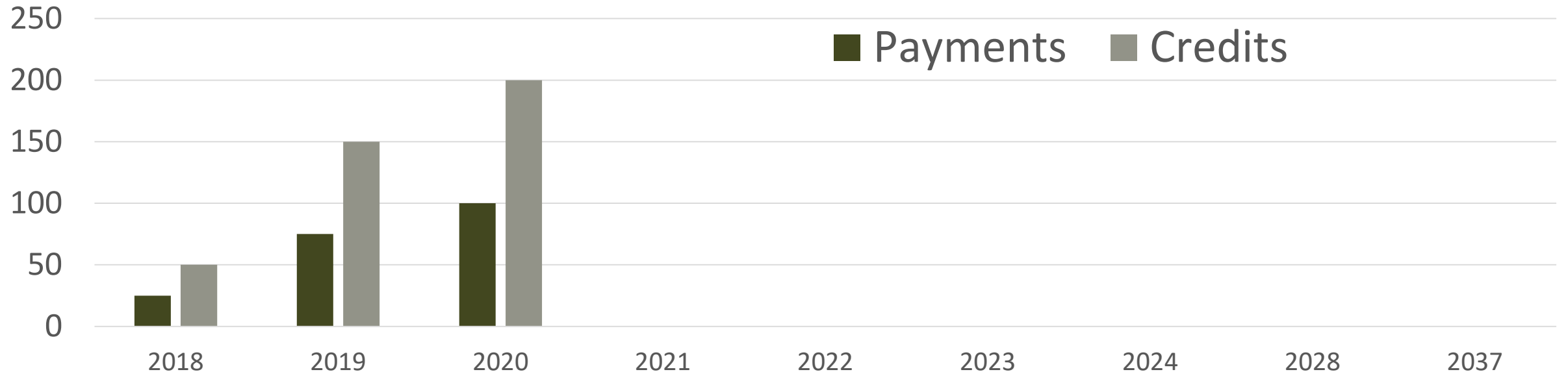




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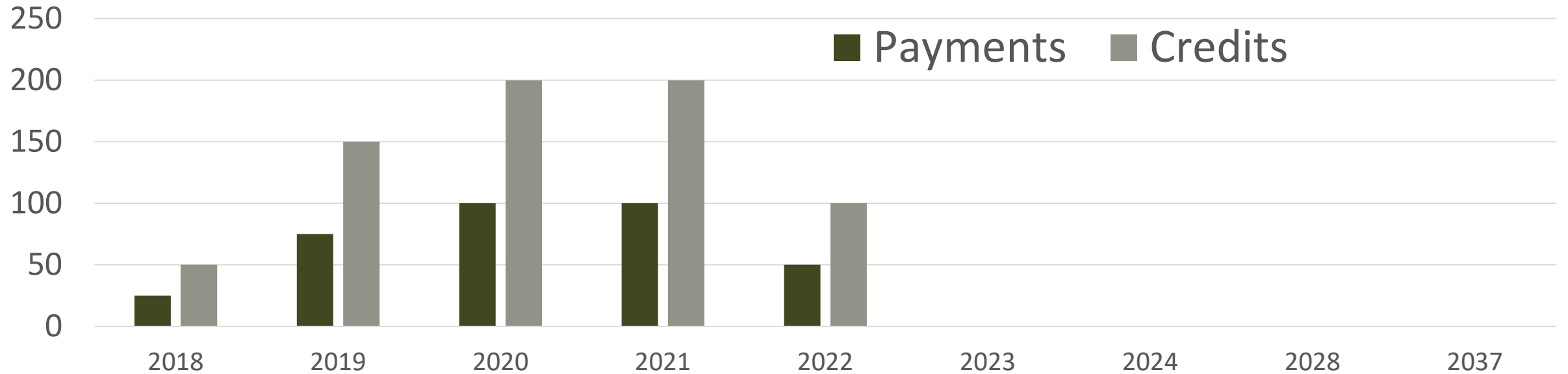
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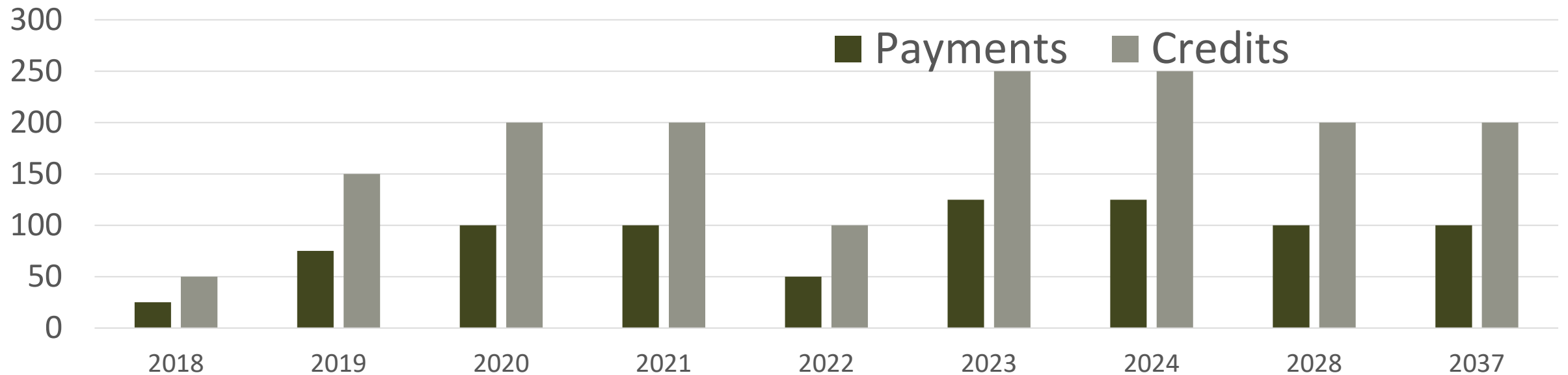
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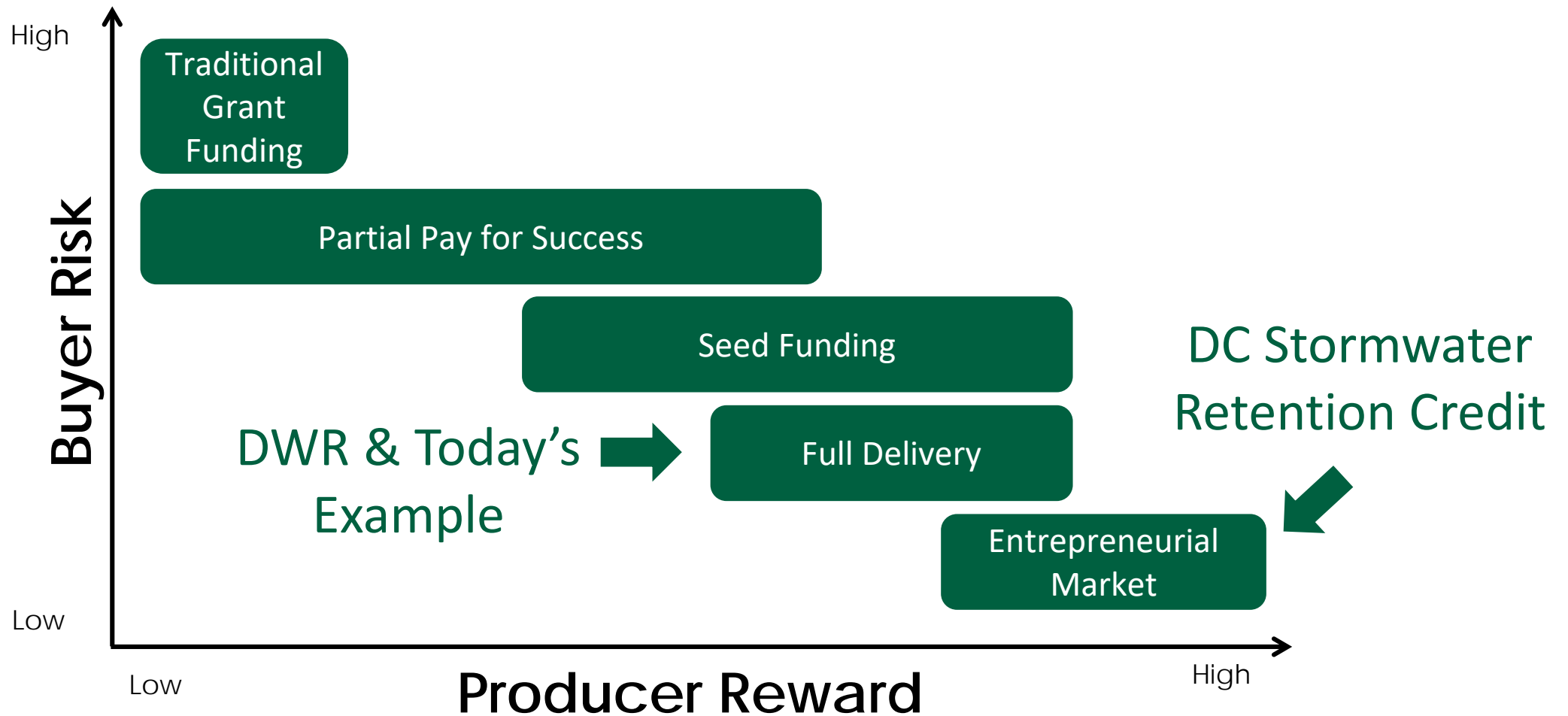
# LOAD REDUCTIONS ACHIEVED

## Projected Payment Schedule

(\$1,000s)



# SPECTRUM OF PAY FOR PERFORMANCE MECHANISMS



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