

STORMWATER FUNDING STRATEGY

POSITION: The Chamber's Sustainability & Industry Committee voted to unanimously to SUPPORT the City of San Diego's Stormwater Division's request to proceed with Audit Recommendation #5 - continued evaluation of the viability of a stormwater related ballot measure or similar dedicated stormwater funding mechanism on January 26, 2021. The Chamber's Public Policy Committee voted to SUPPORT this item on February 9, 2021. The Board voted to SUPPORT this item on February 25, 2021.

RATIONALE: This is a massively important challenge for the region, as the city grapples with a \$1.4 billion stormwater infrastructure shortfall, per city documents.

STATUS: The City's Environment Committee voted on January 28, 2021 to proceed with bringing the item to full council per staff's request on February 23, 2021.

SUMMARY

A June 2018 performance audit of San Diego's Stormwater Division (SWD) by the Office of the City Auditor (OCA) titled "The Stormwater Division Can Further Improve the Efficiency of Its Infrastructure Maintenance and Code Enforcement Efforts, but the City Ultimately Needs to Address Significant Stormwater Funding Shortages," found that the expanding portfolio of SWD services and responsibilities has significantly increased costs, resulting in a widening gap between annual funding allocated and total funding needed for SWD operations.

The audit further found that this historic and ongoing underfunding has contributed to mounting deferred maintenance of the stormwater system and a growing backlog of essential capital investments. This backlog has led to serious consequences for the City and its citizens, including impaired water quality and widespread stormwater system failures leading to flooding, property damage, and sinkholes; increased costs for repairs and maintenance; and increased public liability exposure. In recognition of the increasing level of essential services that the SWD provides, the City Council adopted a Fiscal Year (FY) 2021 budget that includes funding for the SWD to become a standalone department.

One of the key recommendations of the Audit was that the SWD should develop a long-term funding strategy to meet its present and future capital and operational needs (Audit Recommendation #5) and that, as part of that strategy, a plan to pursue the desired funding mechanism(s) be included. This Funding Strategy document is the response to Audit Recommendation #5.

ADDITIONAL INFORMATION

The Funding Strategy was developed in consultation with the City of San Diego's Independent Budget Analyst, the Office of the City Attorney, the Mayor's Office, the Department of Finance, Department of Debt Management, and the Office of the City Treasurer. While initial stakeholder education and engagement occurred in early 2020, additional engagement was limited due to the COVID-19 pandemic but will continue and be ramped up as the Funding Strategy is implemented.

INDUSTRY/IES IMPACTED

The City of San Diego, ratepaying residents and businesses, as well as any party who uses water in and around the city.

SUPPORTERS

- San Diego Coastkeeper
- San Diego Building and Construction Trades Council
- Climate Action Campaign
- Surfrider Foundation

ARGUMENTS IN FAVOR

- We need clean, safe water for San Diego and a dedicated stormwater revenue source to address the shortfall.
- Stormwater solutions should be part of the City's climate solutions. They clean our waters, reduce flooding, create local green jobs, address climate change, and increase safe and secure water supplies.
- Increased stormwater funding can turn a liability into a regional asset.
- Our aging stormwater infrastructure disproportionately threatens our most vulnerable communities.

OPPONENTS

- None known

ARGUMENTS IN OPPOSITION

- This will likely result in a ballot measure that includes, in some part a fee increase or dedicated tax at a time when San Diego and its residents are still reeling from the impacts of the COVID-19.