# AGENDA
# Sustainable Storm Water Funding Task Force
# November 15, 2011
# City Hall, Room 209, 12:00 PM – 1:30 PM

1. Introductions of Task Force members and meeting attendees.

2. Review and approval of the SSWFTF minutes from October 18, 2011.

3. Continued discussion of allocating combined sewer costs to the stormwater use charge and sewer use charge.
    a. 0%
    b. 25%
    c. 50%
    d. other

4. Continued discussion of capping credits
    a. 25%
    b. 50%
    c. other

5. Review draft Task Force Recommendations

6. Confirm date for next meeting: The next meeting is scheduled for December 13, 2011.

7. Adjourn

# MINUTES
# Sustainable Storm Water Funding Task Force
# October 18, 2011
# City Hall, Room 209, 12:00 PM – 2:00 PM

**1. Introductions of Task Force members and meeting attendees.**

All members were present except for Ron Miller, David E. Robinson, Dennis Martin, and John Cannell. Staff present included: Doug Roncarati. Zach Henderson, Andy Reese, and Corey Sensis were also in attendance.

**2. Review and approval of the SSWFTF minutes from September 20, 2011.**

Gellerson motion, Veroneau seconded, all in favor of accepting the minutes.

**3. Review Task Force Tentative Policy Recommendations**

Reese provided an update of the tentative policy recommendations of the Task Force to date.

a. Portland should use an impervious area rate methodology and charge on the basis of impervious area only.
b. Private efforts and investments to reduce the impact of development on parcels such as the planned and engineered use of disconnection of impervious area should be recognized and rewarded.
c. Portland should use a simplified charge for single family residential properties consisting of two to three tiers.
d. Portland should exempt roads from the stormwater fee and should allocate those costs across the rate base on the same basis as the rate methodology employed in development of individual changes.
e. Portland should <u>not</u> exempt public property from the stormwater fee.
f. Portland should tie credits to existing design standards and develop a credit program that is simple for property owners and the City.
g. Portland should offer credits for stormwater education if it makes sense from the perspective of the current education program.
h. Portland should offer minimal or no credits to flat-rate residential properties, but rather focus on one-time incentives for activities that support the City's stormwater program objectives.
i. Portland should cap credits at somewhere between 25%-50% based on balancing considerations of equity, impact of credits, and actual ability to reduce impacts.

**4. Continued Discussion of Credits**

Reese reviewed recommended credit types and the overall structure. He summarized a two part credit methodology one for water quality and one for flood control. He stressed the overall concept that would relate criteria to program cost to credit types and amounts.

Houseal stated that as with all the recommendations it is fair to revisit anyone of the recommendations. The Credit recommendation would be highly dependent on the outcome of the cost allocation from

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combined sewer to stormwater and the Task Force may want to revisit the credit allocation again after discussing the combined sewer allocation question.

A Task Force member asked about the potential process for application. Houseal responded that the proposed process would be development review to meet the standard and permits issued upon completion. Application and receipt of credit based on demonstrated receipt of applicable permits. No credit would be issued for waiver or exemptions from the standard.
Houseal described the potential impact of the credit approach on revenue reviewing potential credit applicants based on known sites with credit-qualifying structures and site that might qualify with additional site improvements. The following facts were given:

- Potentially 16 parcels currently qualifying for a credit: Worst case: no cap, 100% allocation: $116,000 annual credit value. Mid Case: 50% cap, 50% allocation: $34,000 annual credit value
- Additional 44 parcels that might qualify for a credit with additional site improvements. The cost of these improvements are unknown: Worst case: no cap, 100% allocation: $124,000 annual credit value. Mid Case: 50% cap, 50% allocation: $36,000 annual credit value.

Connolly asked about the impact on cost of tiering the credits. Houseal responded that the analysis that was done was not able to determine which projects would get which credits, therefore it was assumed the most costly credit effects (i.e. the worst case scenario and the Mid Case scenario. With a tiered credit, the impact would be lesser still then either scenario.

Dillon asked if the costs represented in the analysis were city costs or builder costs. Reese responded that the costs were the city costs.

Brooks stated that she was still only comfortable with the 0%-25% credit amount.

With a growth rate of 2-6 projects per year it is not anticipated that credit-based revenue loss will be a significant issue, though it was noted that all rate payers make up the difference in revenue given away by credits. It was stressed that the City did not incur an immediate program cost reduction because someone built a BMP or pond but that the City was investing in a better future over time.

Dillon asked if those required to construct BMPs or ponds should get a credit at all. Reese stated that one theme in all the policy decisions was that similarly situated properties should be treated in a consistent manner. No matter the reason a structure is built it should be treated the same way. However this does not prohibit creating a separate standard for voluntary retrofit that was easier to attain to encourage beneficiary stormwater detention or treatment.

A review of the incentive of a developer was done with Reese stating that BMPs cost in the range of $100,000 per treated impervious acre. A spreadsheet model for the estimation of return on investment was demonstrated showing that the credit capping and allocation decisions together determined the break-even cost for construction of BMPs on a site. The higher the fee the more credits mattered, and the closer to a positive ROI a developer could come.

Gellerson asked if existing properties could be given a further incentive to reduce. Suslovic responded that it was important to distinguish between credits and incentives and there was a need to balance both with revenue loss. Suslovic stressed the importance of an incentive program.

**5. Discussion of Allocating Combined Sewer Costs to the Stormwater Fee.**

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Reese presented the various aspects to consider when making a decision about allocation of CSO costs to stormwater fee. The following seven topics were discussed: science and rate making, political and affordability realities, impacts on property types, parcel analysis, the "shock and awe" of sudden change, return on investment, distributions of costs between those that would be most negatively affected.

In current rate-making practice there is no set way of doing this allocation. In fact, the vast majority of municipalities do not allocate any CSO cost to stormwater – but this is based on the facts that they have not begun to face high CSO costs, the wastewater organization does not have or control a stormwater utility, or it was felt to be far easier just to call it a sewer cost rather than attempt to charge a stormwater fee above national stormwater fee norms.

Thinking on the subject can sway from one extreme ("your stormwater is in my wastewater pipe and you need to pay") to another ("your wastewater is in my stormwater pipe and is causing pollution – you need to pay."). Also in the mix is potential stormwater program cost increases due to mandated watershed planning. Reese stated that all these considerations probably mean a middle ground based on some technical reasoning and practical assessment.

Some key points made include:

- Allocation creates "winners and losers" in the sense that a large allocation of CSO cost to stormwater would cause parcels with large impervious areas but little water use to have a higher fee, and vice versa.

- The existing sewer fee charge is $8.11 per HCF thus placing it in the middle of the range it would end up at if allocation varied from 0% (around $11) to 100% (around $3.50). Thus an allocation of over 50% to stormwater would actually reduce the current sewer rate. Does the City really want to decrease people's sewer rates?

- Also, the stormwater program's future costs for watershed planning and restoration are currently unknown and not figured into this analysis. But they may be large. In addition, growing stormwater infrastructure maintenance costs and anticipated future regulatory requirements could also increase the cost of the program. So a shift to stormwater fee allocation would reduce the perceived "headroom" for further increases in the future.

- The stormwater rate curve (see figure) is relatively steep so it reacts more to an allocation, and it starts at ZERO – that is, any stormwater fee is new, not an adjustment. Counterbalancing this is the fact that while a residence would typically have one ERU it might have a number of HCF charges – so an allocation to sewer, while relatively flat would have more units per month.

- An analysis of 13,800 parcels for which both sewer and impervious area data was available showed that a 50% allocation would impact properties the least in terms of the numbers of winners and losers and average change from current sewer bill. For zero percent allocation every parcel would experience a higher fee, though the average change would be less. For 50% allocation far fewer parcels would experience an increase but there would be more with a higher increase – that is, the burden of increased costs would fall on fewer parcels.

- There are ways to reduce the impact on a few of those properties most effected through capping the annual increase, extending the ramp up in their fees, or targeting incentives and credits. All of these methods simply spread the program costs to others in the interim. It might

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be, since analysis concentrated on five year averages that the program ramp up and the fee ramp up would match to some extent.

As discussed by the Task Force, reasons for a lower allocation to stormwater included: the ability to write off water use as a business expense and the ability to better control that use, and thus the fee, a lower fee might be easier to pass, a lower stormwater fee compares better to national norms, it can be argued that the overflow problem is a wastewater problem.

As discussed by the Task Force, reasons for a higher allocation to stormwater included: the value of the higher fee in break even and return-on-investment analysis to better incentivize the use of green infrastructure, the overflow problem could be argued to be a stormwater problem, fewer would face a higher total cost and the ability to reduce the impact on the fewer most affected is attractive, we might not go through all the trouble for a small stormwater allocation – not worth the pain of a new fee, the concept that we start to get "winners" is attractive.

The average of the voting was 36.2% allocation to stormwater and the voting tally is:
12.5% - 2 votes
25% - 2 votes
37.5% - 2 votes
50% - 3 votes
60% - 1 vote

It was agreed to reconsider the overall set of recommendations at the next meeting.

**6. Discussion of public outreach plan.**

The public outreach plan would be prepared by the December 7 for the Task Force to digest.

**7. Discussion of the Date for Next Meeting.**

The next meeting is scheduled for November 15, 2011. It was discussed that there would be no December meeting, but reconvene in January to digest the public outreach plan based on some initial public comment, but if a December meeting was needed the Task Force would meet then.

**8. Adjourn**

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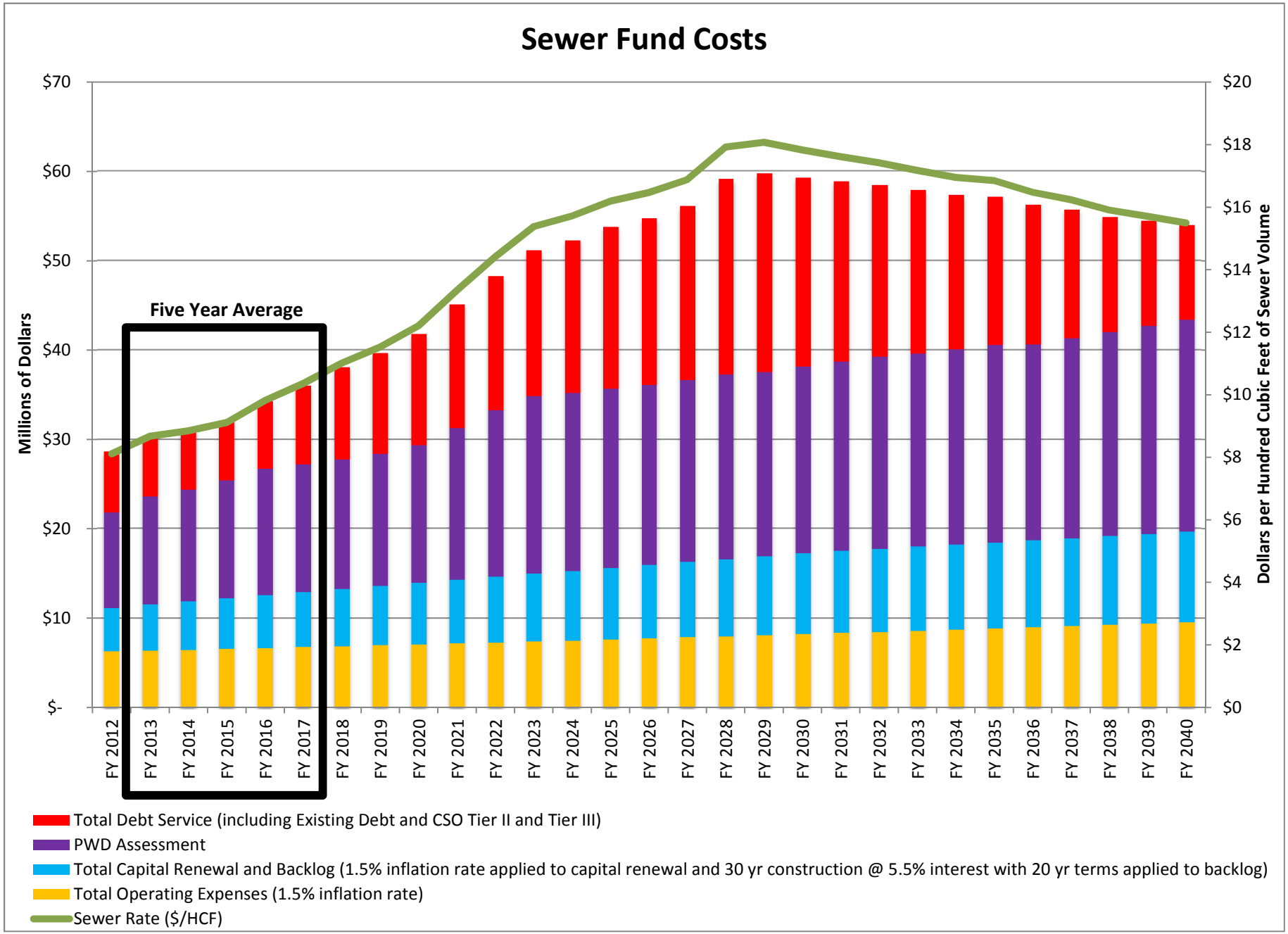

Sewer Fund Costs
Millions of Dollars
Dollars per Hundred Cubic Feet of Sewer Volume
$70
$60
$50
$40
$30
$20
$10
$-
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
Five Year Average
FY 2012
FY 2013
FY 2014
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
FY 2026
FY 2027
FY 2028
FY 2029
FY 2030
FY 2031
FY 2032
FY 2033
FY 2034
FY 2035
FY 2036
FY 2037
FY 2038
FY 2039
FY 2040
Total Debt Service (including Existing Debt and CSO Tier II and Tier III)
PWD Assessment
Total Capital Renewal and Backlog (1.5% inflation rate applied to capital renewal and 30 yr construction @ 5.5% interest with 20 yr terms applied to backlog)
Total Operating Expenses (1.5% inflation rate)
Sewer Rate ($/HCF)

# DRAFT
## Five Year Average Annualized Costs (FY 2013 - FY2018)

| | Operations | Capital Renewal | Backlog | PWD Assessment | Construction Debt | | Total |
|---|---|---|---|---|---|---|---|
| **Combined Sewer** | $ 3,212,855 | $ 1,568,865 | $ 395,200 | $ 8,910,398 | $ 5,625,240 | CSO | $ 19,712,559 |
| **Sewer** | $ 1,546,036 | $ 1,249,863 | $ 65,157 | $ 4,287,711 | $ 1,988,748 | Existing Debt | $ 9,137,514 |
| **Storm Water** | $ 1,835,572 | $ 2,063,581 | $ 117,476 | | | | $ 4,016,629 |
| **Total** | **$ 6,594,463** | **$ 4,882,309** | **$ 577,833** | **$ 13,198,109** | **$ 7,613,988** | | **$ 32,866,702** |

Notes:

- Operations - 68% of sewer and combined sewer operating costs allocated to combined sewer based on total miles of sewer and combined sewer pipe.
- Operations - 1.5% inflation rate applied
- Capital Renewal - 1.5% inflation rate applied
- Backlog - 30 year construction schedule @ 5.5% interest rate over 20 yr terms
- PWD Assessment - 68% of Portland Water District costs allocated to combined sewer based on total miles of sewer and combined sewer pipe.

# DRAFT Rate Options Calculator

| | | Units | Sewer Only | Annual Rates based on Combined Sewer Allocation to Storm Water | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 0% | 25% | 50% | 75% | 100% |
| Tiered Impervious Rates | **Sewer Rate** | $/HCF/yr | 12.54 | $ 11.00 | $ 9.12 | $ 7.24 | $ 5.37 | $ 3.49 |
| | **Tiered Rate** | $/ERU/yr | | $ 70.70 | $ 157.44 | $ 244.18 | $ 330.92 | $ 417.66 |

Notes:

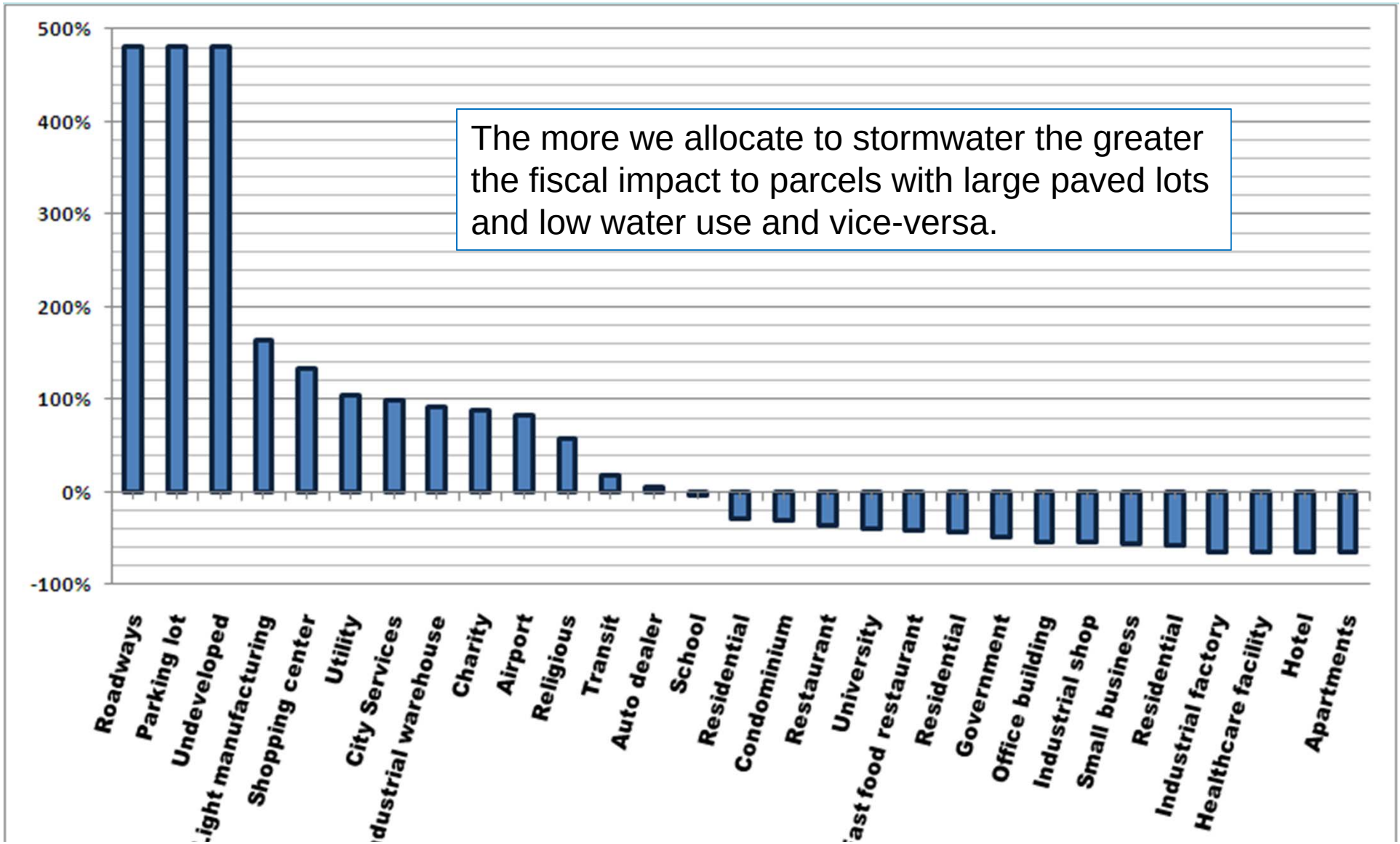
- units below in square feet unless otherwise noted.
- Roadways not included in fee calculations.
- Parcels of property less then 400 square feet no included in parcel count.
- Equivalent Residential Unit (ERU) equals 2,500 square feet.

| | | | | | |
|---|---|---|---|---|---|
| 420,630,805 | Gross Area (Parcels) | 109,992,020 | Impervious Area (Parcels) | 2,621,930 | total sewer volume (HCF) |
| 89,547,257 | Gross Area (Roads) | 55,048,171 | Impervious Area (Roads) | 27,842 | parcels of property |
| 510,178,062 | Gross Area (Total) | 165,085,613 | Impervious Area (Total) | 56,814 | ERUs |

# DRAFT "Dow Jones" Rate Implications

| | | | Total Sewer and Stormwater Cost | | | | | |
|---|---|---|---|---|---|---|---|---|
| Type | Water (HCF/yr) | Impervious Area (sf) | Sewer Fee Only | 0% CSO to Storm Water | 25% CSO to Storm Water | 50% CSO to Storm Water | 75% CSO to Storm Water | 100% CSO to Storm Water |
| Airport | 6,312 | 2,135,000 | $ 79,123 | $ 129,829 | $ 192,043 | $ 254,256 | $ 316,517 | $ 378,683 |
| Roadways | - | 68,643 | $ - | $ 1,980 | $ 4,408 | $ 6,837 | $ 9,266 | $ 11,695 |
| Apartments | 12,828 | 37,806 | $ 160,803 | $ 142,282 | $ 119,559 | $ 96,836 | $ 74,209 | $ 51,389 |
| Auto dealer | 1,536 | 211,130 | $ 19,254 | $ 22,910 | $ 27,396 | $ 31,882 | $ 36,380 | $ 40,854 |
| Industrial factory | 110,376 | 379,094 | $ 1,383,597 | $ 1,225,254 | $ 1,030,978 | $ 836,702 | $ 643,255 | $ 448,149 |
| Industrial shop | 120 | 584 | $ 1,504 | $ 1,391 | $ 1,252 | $ 1,113 | $ 976 | $ 836 |
| Industrial warehouse | 156 | 55,007 | $ 1,956 | $ 3,343 | $ 5,044 | $ 6,746 | $ 8,449 | $ 10,150 |
| Residential | 60 | 2,456 | $ 752 | $ 731 | $ 705 | $ 679 | $ 653 | $ 627 |
| Residential | 108 | 5,412 | $ 1,354 | $ 1,400 | $ 1,458 | $ 1,515 | $ 1,573 | $ 1,629 |
| Residential | 156 | 2,414 | $ 1,956 | $ 1,787 | $ 1,581 | $ 1,374 | $ 1,169 | $ 961 |
| Small business | 420 | 5,106 | $ 5,265 | $ 4,834 | $ 4,304 | $ 3,775 | $ 3,249 | $ 2,717 |
| Charity | 312 | 108,716 | $ 3,911 | $ 6,544 | $ 9,774 | $ 13,004 | $ 16,237 | $ 19,465 |
| City Services | 192 | 72,882 | $ 2,407 | $ 4,234 | $ 6,475 | $ 8,716 | $ 10,959 | $ 13,199 |
| Condominium | 2,124 | 138,689 | $ 26,625 | $ 27,330 | $ 28,196 | $ 29,061 | $ 29,942 | $ 30,791 |
| Fast food restaurant | 1,092 | 46,162 | $ 13,689 | $ 13,359 | $ 12,955 | $ 12,550 | $ 12,154 | $ 11,741 |
| Government | 828 | 25,141 | $ 10,379 | $ 9,888 | $ 9,286 | $ 8,684 | $ 8,088 | $ 7,480 |
| Healthcare facility | 63,480 | 214,784 | $ 795,741 | $ 704,574 | $ 592,718 | $ 480,862 | $ 369,483 | $ 257,149 |
| Hotel | 14,232 | 46,486 | $ 178,403 | $ 157,943 | $ 132,841 | $ 107,739 | $ 82,744 | $ 57,535 |
| Light manufacturing | 84 | 52,739 | $ 1,053 | $ 2,480 | $ 4,230 | $ 5,980 | $ 7,732 | $ 9,481 |
| Office building | 12,228 | 289,315 | $ 153,282 | $ 142,750 | $ 129,829 | $ 116,907 | $ 104,078 | $ 91,064 |
| Parking lot | - | 136,614 | $ - | $ 3,888 | $ 8,659 | $ 13,430 | $ 18,201 | $ 22,972 |
| Religious | 228 | 59,512 | $ 2,858 | $ 4,206 | $ 5,859 | $ 7,512 | $ 9,167 | $ 10,819 |
| Restaurant | 324 | 17,333 | $ 4,061 | $ 4,060 | $ 4,058 | $ 4,056 | $ 4,057 | $ 4,053 |
| School | 1,452 | 170,404 | $ 18,201 | $ 20,855 | $ 24,111 | $ 27,367 | $ 30,634 | $ 33,879 |
| Shopping center | 480 | 245,587 | $ 6,017 | $ 12,281 | $ 19,966 | $ 27,651 | $ 35,340 | $ 43,022 |
| Transit | 708 | 116,383 | $ 8,875 | $ 11,113 | $ 13,859 | $ 16,605 | $ 19,357 | $ 22,098 |
| Undeveloped | - | 43,728 | $ - | $ 1,273 | $ 2,834 | $ 4,395 | $ 5,957 | $ 7,518 |
| University | 5,532 | 268,896 | $ 69,345 | $ 68,506 | $ 67,476 | $ 66,446 | $ 65,458 | $ 64,387 |
| Utility | 684 | 279,033 | $ 8,574 | $ 15,444 | $ 23,874 | $ 32,303 | $ 40,738 | $ 49,162 |
| Vacant | - | - | $ - | $ - | $ - | $ - | $ - | $ - |
| Vacant industrial | - | - | $ - | $ - | $ - | $ - | $ - | $ - |

# Different Parcels Impacted Differently



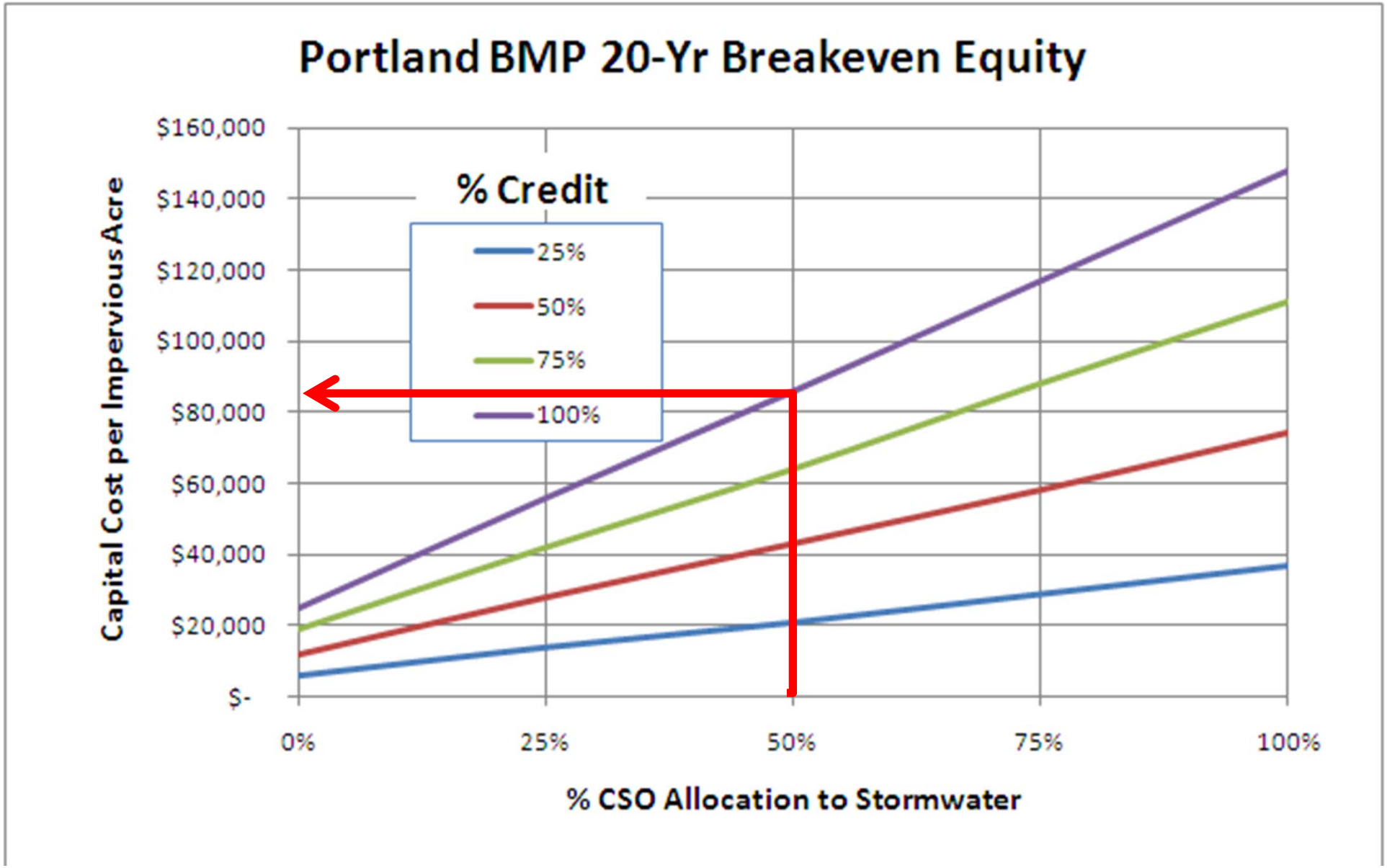

The more we allocate to stormwater the greater the fiscal impact to parcels with large paved lots and low water use and vice-versa.

# Parcel Analysis

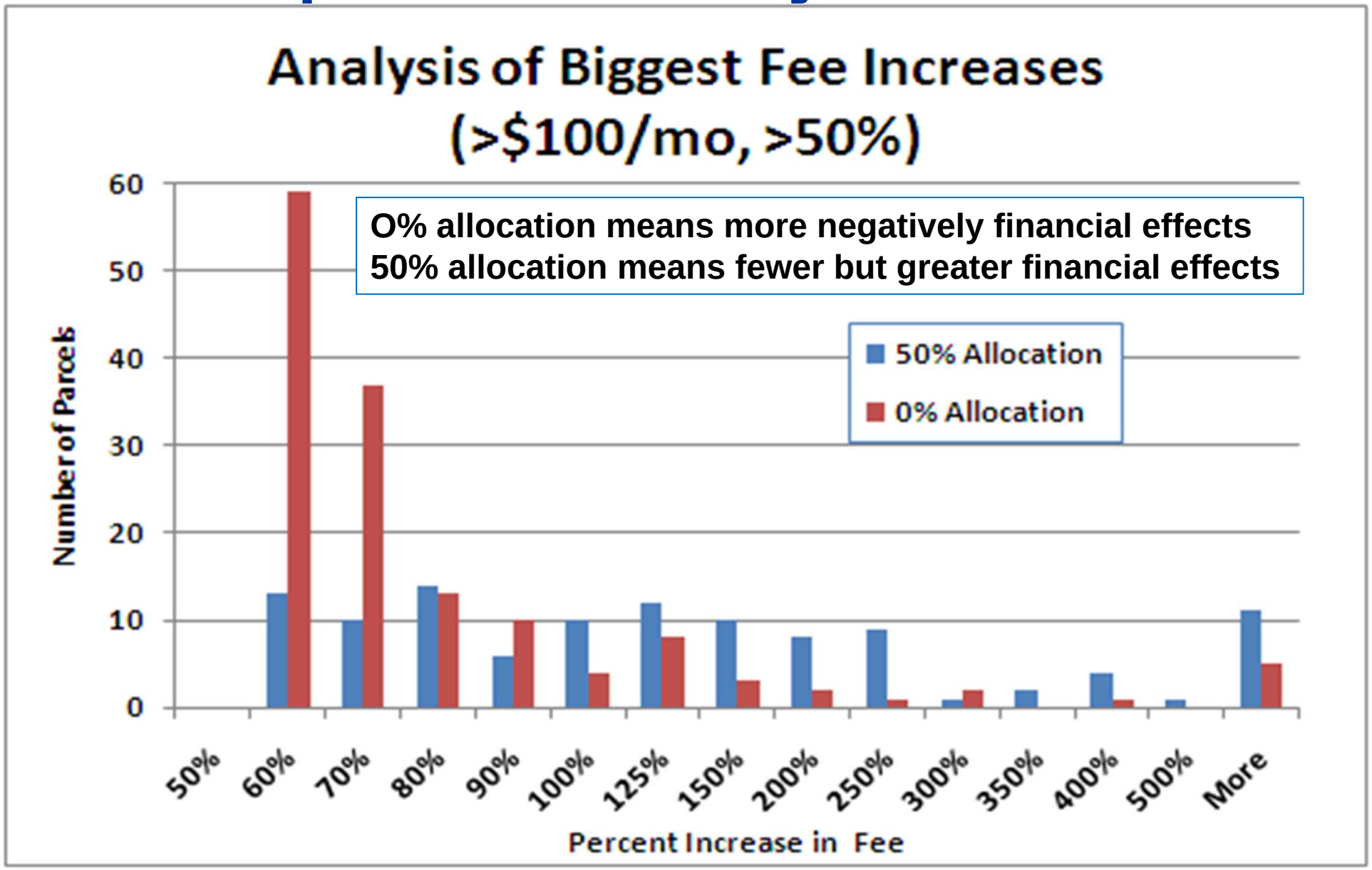
| 0% | 25% | 50% | 75% | 100% |
|---|---|---|---|---|
| Average % change from current | | | | |
| 43% | 23% | 2% | -18% | -38% |
| Number of winners (losers) | | | | |
| -13819 | -13819 | 8525 | 12451 | 12867 |
| Sum of dollar differences | | | | |
| $ 5,838,441 | $ 2,591,983 | $ (654,474) | $ (3,882,734) | $ (7,129,191) |

- **13,800 parcels**
- **Various measures of change**

# Developer Investment



# Most Impacted Rate Payers



# Sustainable Stormwater Funding Task Force

**November 15th, 2011**

# Agenda

1. Preliminaries – Intro and Minutes
2. Review Allocation of CSO Costs
3. Review Credits Cap
4. Review Overall Recommendations
5. Schedule Next Meeting

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# Agenda

1. Preliminaries – Intro and Minutes
2. **Review Allocation of CSO Costs**
3. Review Credits Cap
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# QUICK REVIEW

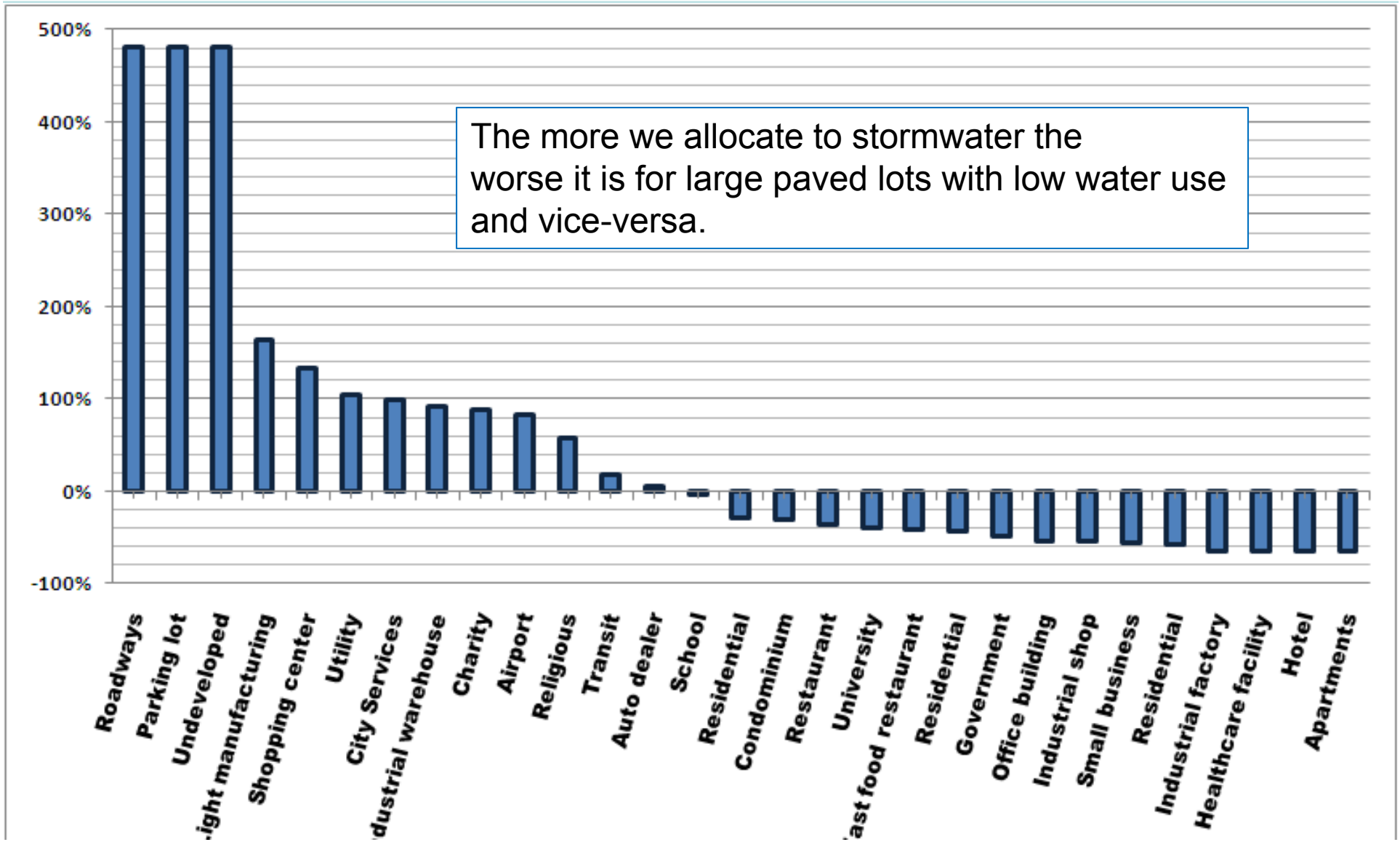
# This is complex
# We are looking for your gut feel
# We will balance:

- Science and rate making
- Political and affordability realities
- Impacts on property types
- Parcel Analysis
- The “shock and awe” of sudden change
- Return on investment
- Loser distributions

# How much CSO Cost is "Stormwater"

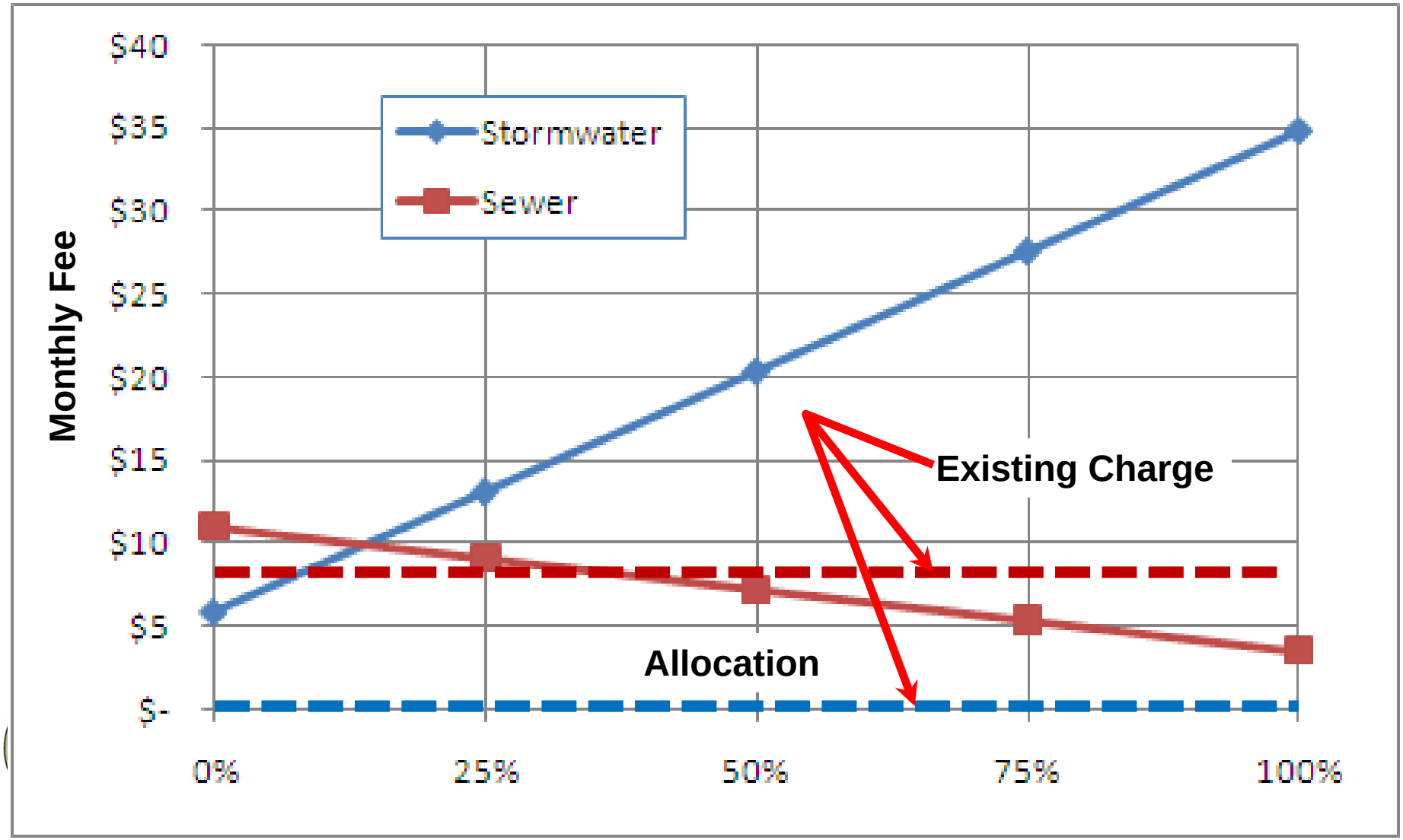
- **No standard analysis yet – you are breaking ground**
- **Wide flexibility**
  - "Your sewage is in my stormwater pipe"
  - "Your stormwater is in my sewage pipe"
- **Cost drivers include: pipe construction and maintenance, wastewater treatment, storage tunnel**
- **In the end we balance science, affordability, rate structure details and the impacts of change**

# Different Parcels Impacted Differently



# Gut Check

## – don't forget future watershed costs



# Parcel Analysis

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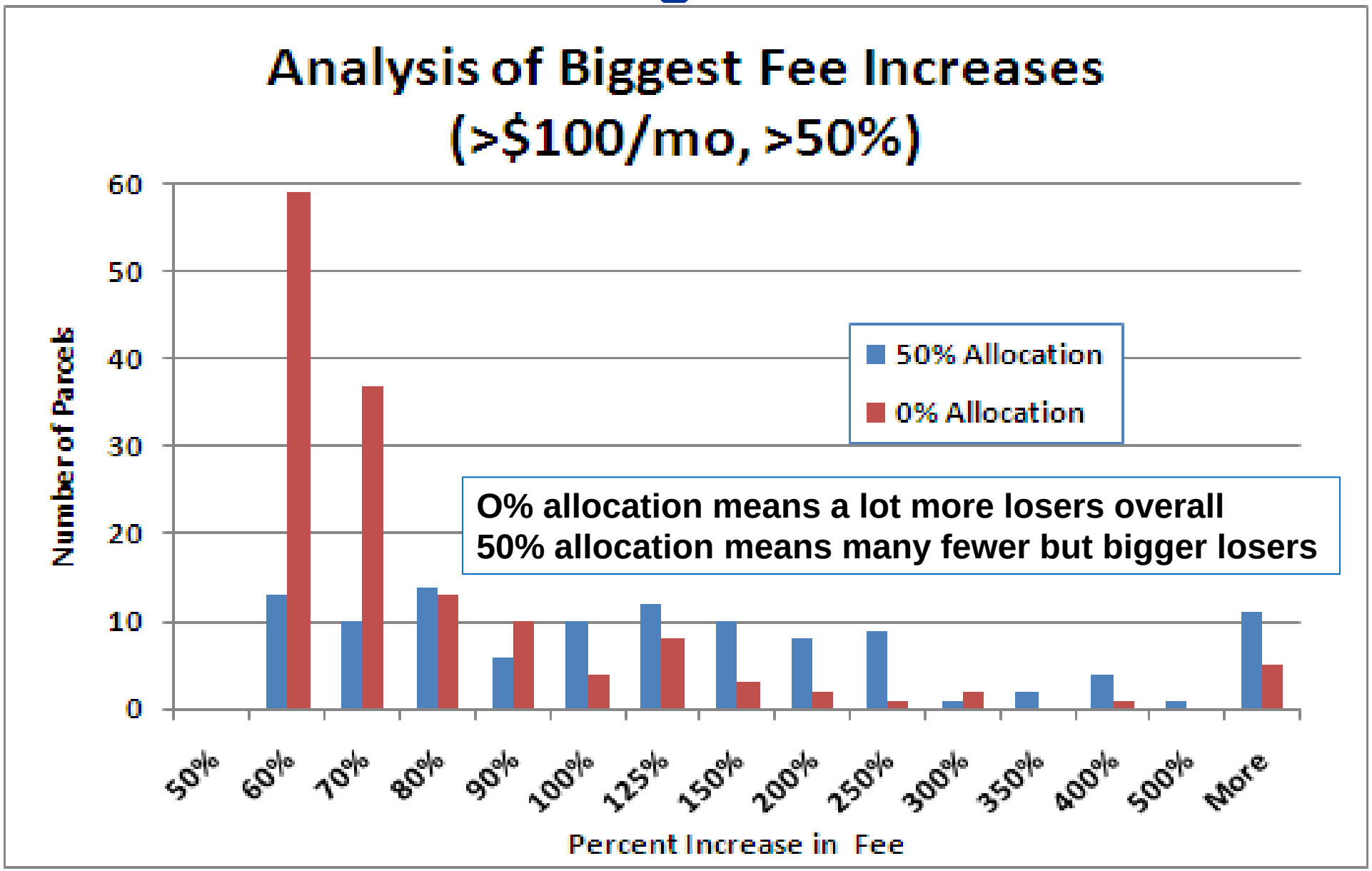
| Sum of dollar differences | | | | |
| $ 5,838,441 | $ 2,591,983 | $ (654,474) | $ (3,882,734) | $ (7,129,191) |

- **13,800 parcels**
- **Various measures of change**

# Losers in the Change



# Comparison 0% and 50%

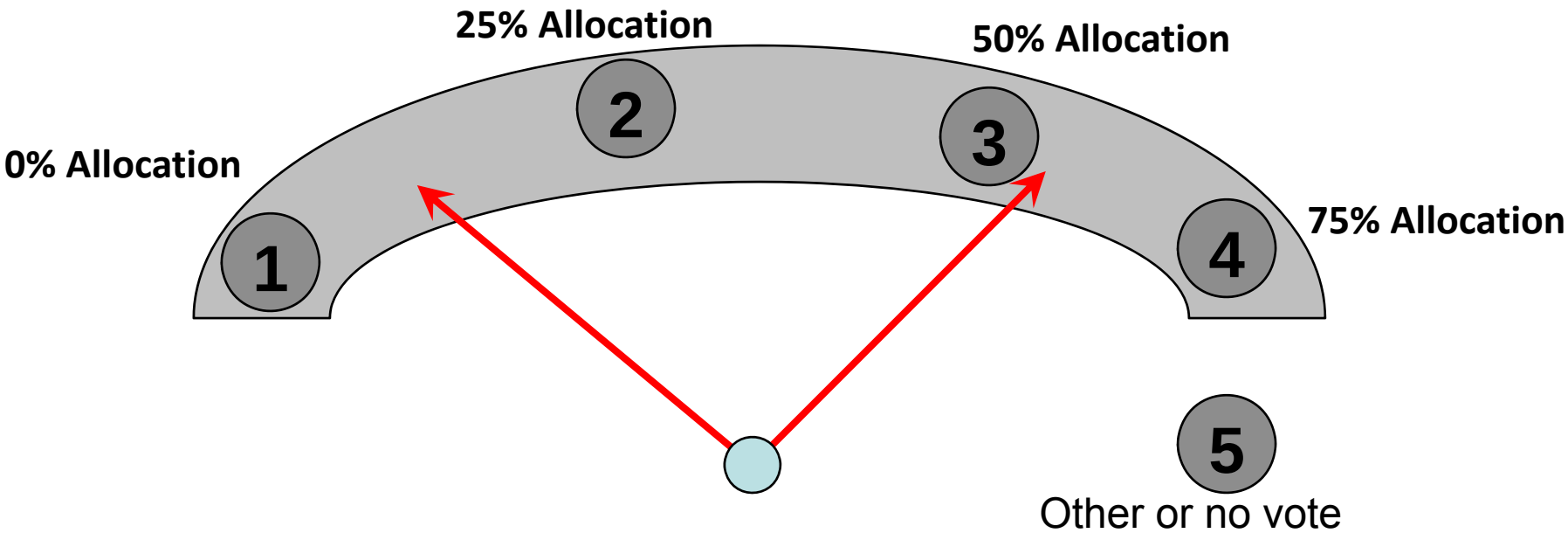
**0% CSO Allocation**

- Less shock for a new fee – may be an easier sell
- Keeps fee within national norms
- Leaves some room for future watershed costs
- Is the way 99% of cities do it now
- Everyone is a small loser

**50% CSO Allocation**

- Less average impact on the totality of the ratepayers
- Reflects the reality of a wet weather cost causation
- Allows for higher credits and thus a higher ROI
- 200 big losers and a lot of winners

# Policy Question: What does your integrated brain tell you?



# Should we help those most impacted? If so, how?

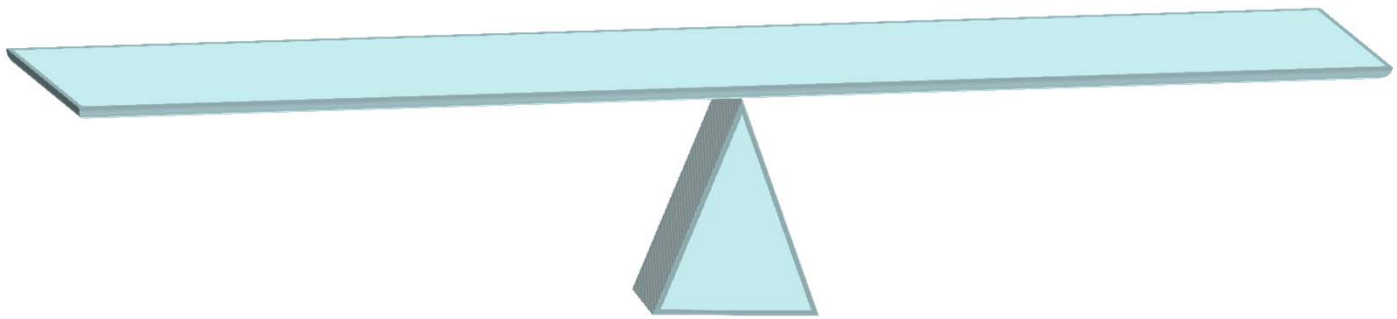
- **Capping the change per year**
  - i.e. <10% change/yr
- **Extending the change for some years**
  - i.e. 5 year phase in
- **Providing special incentives for credit construction**
  - i.e. Grants to construct retrofit BMPs for credits

# Capping place holder slide – finishing up analysis tonight on providing relief on big swings

# Capping Balance

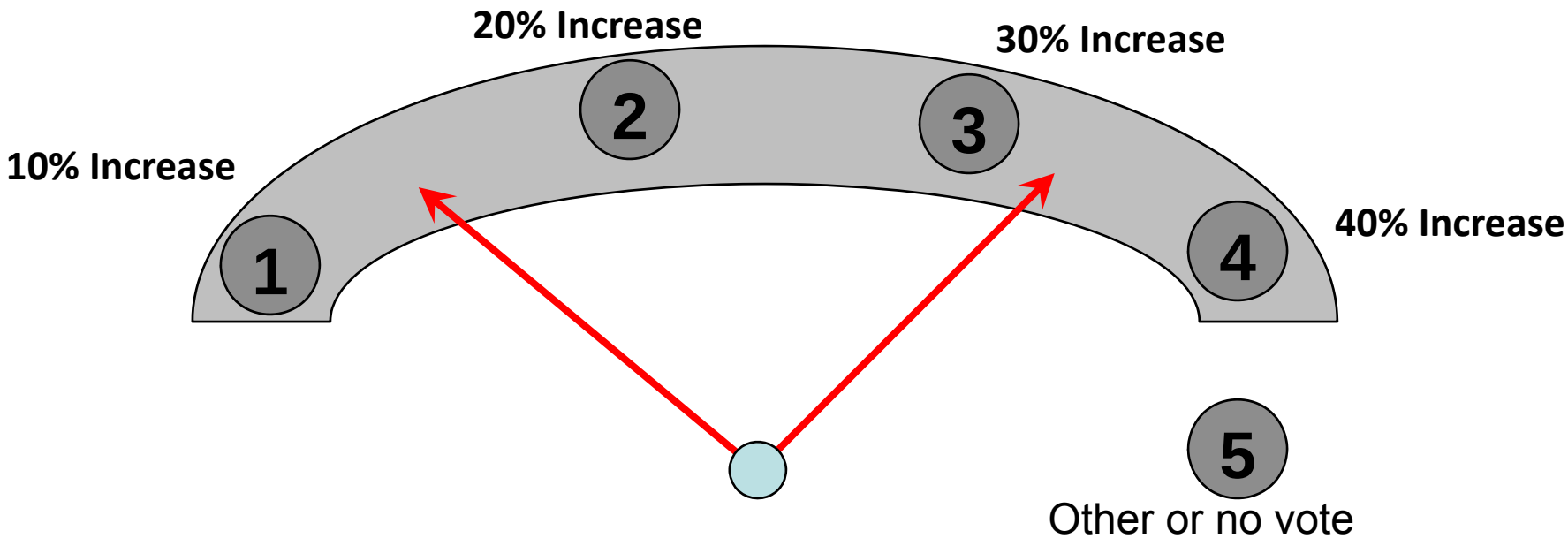
**Cost to parcels**

**Cost to City**



*What can businesses afford, How might we combine this with incentives and credits?*

# Policy Question: Should we provide relief on the large rate swing – if so how much?



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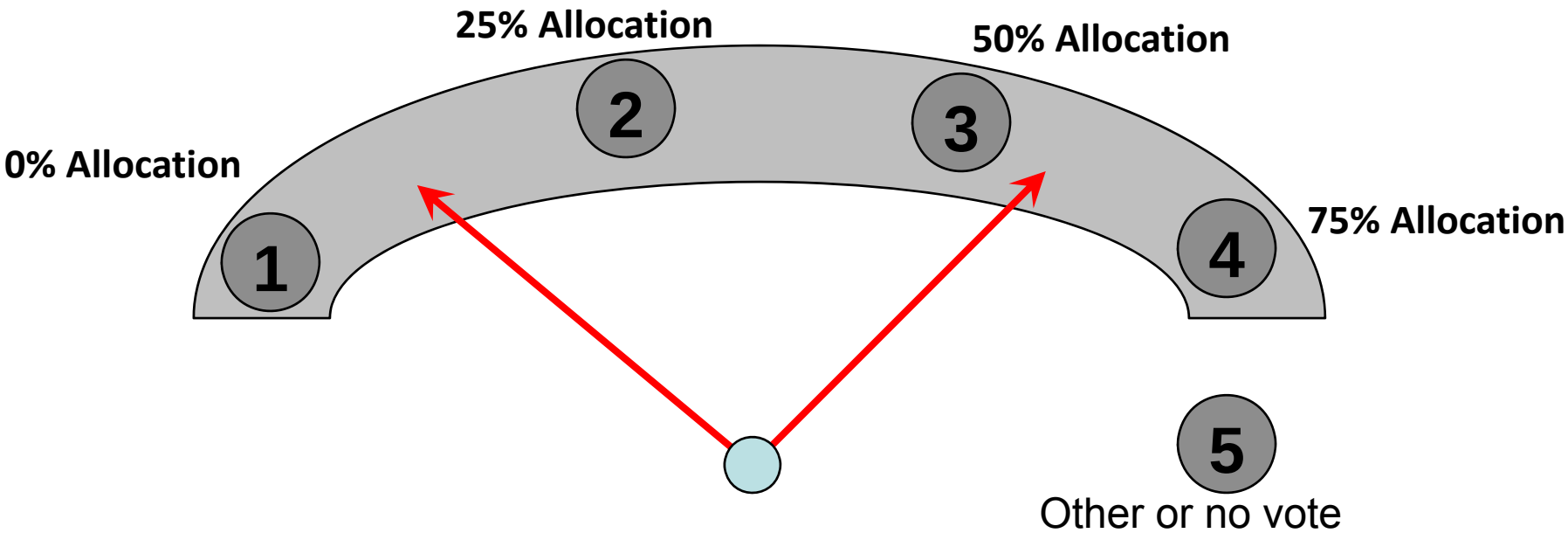


# Agenda

1. Preliminaries – Intro and Minutes
2. Review Allocation of CSO Costs
3. **Review Credits Cap**
4. Review Overall Recommendations
5. Schedule Next Meeting

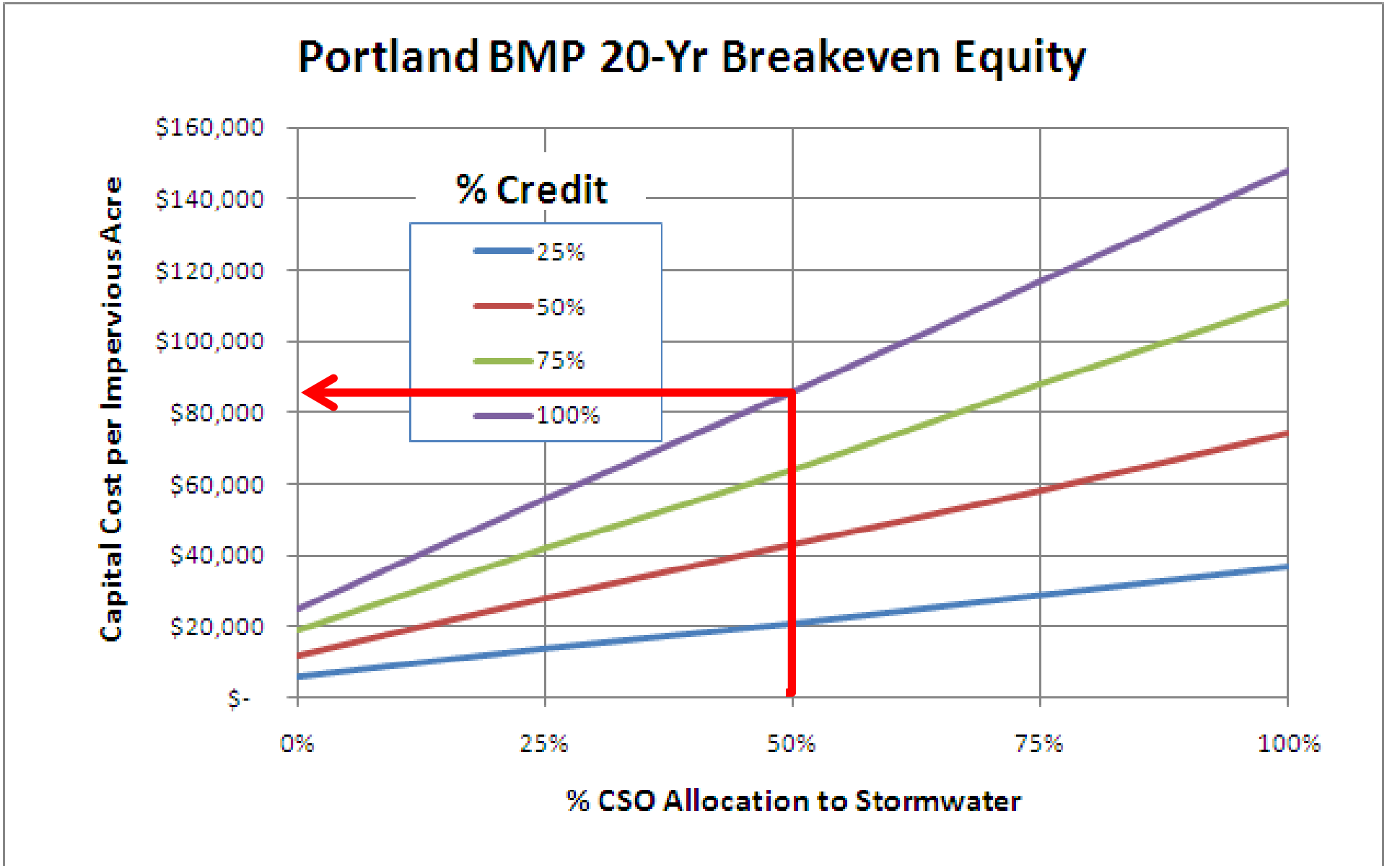
# Fiscal Impact and Capping

- **City Side**
- **Current 16 parcels**
  - Worst case: no cap, 100% allocation: $116,000
  - Mid Case: 50% cap, 50% allocation: $34,000
- **Potential 44 parcels**
  - Worst case: no cap, 100% allocation: $124,000
  - Mid Case: 50% cap, 50% allocation: $36,000

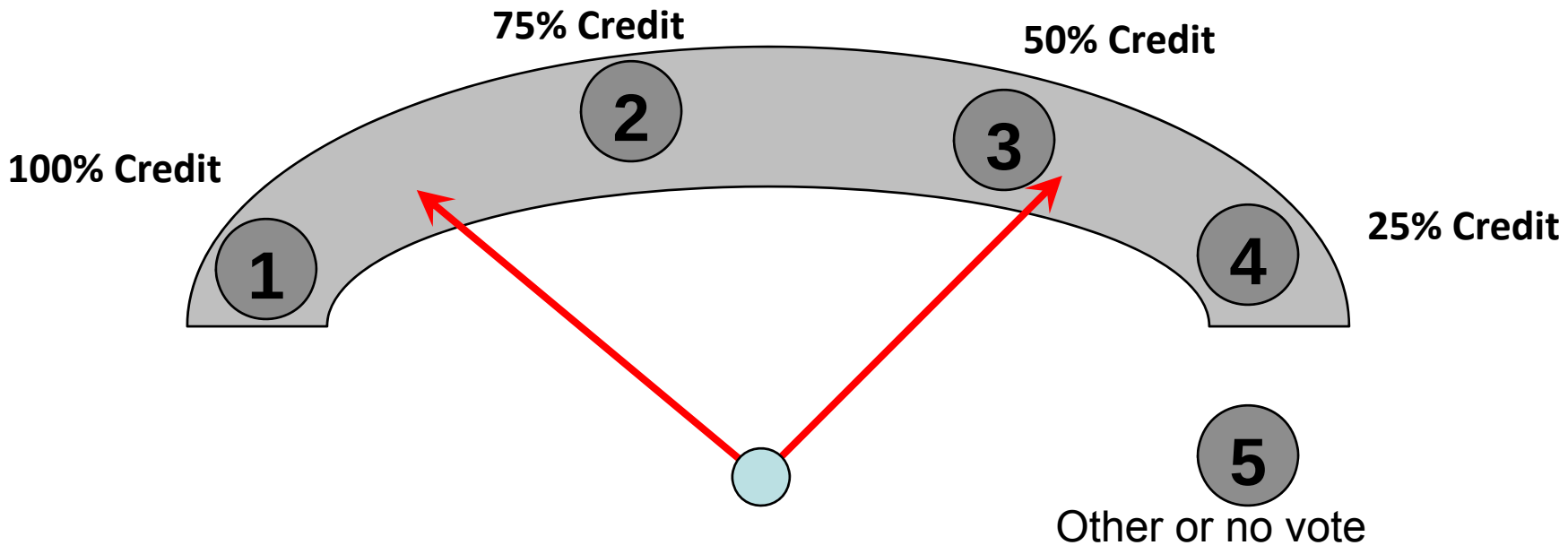
- **Developer Side**
  - BMP cost ≈ $100,000/acre from Long Creek data though some costs go much higher and Long Creek is NOT downtown Portland
- **ROI, NPV, BE Analyses**

Hold that thought till allocation

# Developer Investment



# Policy Question: Credit Amount Available




**If we look at incentives for largest losers…?**

# Agenda

1. Preliminaries – Intro and Minutes
2. Review Allocation of CSO Costs
3. Review Credits Cap
4. **Review Overall Recommendations**
5. Schedule Next Meeting

# Basic Rate Methodology

**Preliminary Policy Recommendation #1: Portland should use an impervious area rate methodology as the basis for its charge.**

**Preliminary Policy Recommendation #2: Private efforts and investments to reduce the impacts of development on parcels such as disconnection of impervious area should be recognized and rewarded.**

# Residential Charges & Roads

**Preliminary Policy Recommendation #3:**
**Portland should use a simplified charge for single family residential charges consisting of two or three tiers of charges if the housing stock analysis warrants more than two tiers.**

**Preliminary Policy Recommendation #4:**
**Portland should not charge itself for its roads or, if further study warrants it, charge a greatly reduced fee for roadway surfaces.**

# Public Buildings

**Preliminary Policy Recommendation #5:**
**Portland should charge a stormwater fee for public buildings and property.**

# Credits

**Preliminary Policy Recommendation #6: Portland should match credits to design criteria and develop a program for administration of the credit system that is simple for property owners and the City.**

**Preliminary Policy Recommendation #7: Portland should offer credits for stormwater education and stormwater activities that reduce the City's maintenance burden if they make sense given current programs.**

**Preliminary Policy Recommendation #8: Portland should offer one-time incentives rather than credits to residential properties for activities that support the City's stormwater program objectives.**

**Preliminary Policy Recommendation #9: Portland should cap credits somewhere between 25% and 50%, pending further evaluation of revenue impacts for properties that may qualify.**

# Proposing: Two Credits

- **Flooding**
  - Up to 50% of available credit
  - Partial credit for legacy systems
  - Must apply and have system meeting criteria (past or present)
  - No credit if waived with consideration for coastal
- **Water Quality**
  - Up to 75% of available credit
  - Matches General WQ criteria
  - Basic, Phosphorous and Urban Impaired are non-structural or rarely used
  - Some flexibility
  - No credit if waived

Questions?

# Agenda

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