

Puget Sound Partnership

our sound, our community, our chance

Funding Strategy Agenda Item #06

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Approved by Director: DDD

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Proposed Action: Briefing

Introduction

Our firms - ECONorthwest, Evergreen Funding Consultants, and Parametrix - have been retained by the Partnership staff to assist with the financing analysis and strategy for the Action Agenda. Our work consist of five tasks:

1. Analysis of the costs of Action Agenda items (led by ECONorthwest);
2. Development of a tool for evaluating cost-effectiveness and initial application of the tool to Action Agenda items (led by ECONorthwest);
3. Evaluation of current spending, with an in-depth look at substantial redirectable sources (led by Evergreen);
4. Analysis of conventional and market-driven opportunities for additional funding (conventional funding led by Evergreen, market-driven funding led by Parametrix);
5. Integration of these products into a unified financing analysis and strategy (led by Evergreen).

This work will proceed in parallel with other aspects of the Action Agenda, with the Action Agenda identifying strategic priorities to frame and target the financing analysis, and the financing work providing information on costs, benefits, cost-effectiveness, and funding feasibility to decision-makers as they develop the Action Agenda. The finance team is fully engaged and making good progress on costs, spending, and cost-effectiveness.

Proposed Results of the Finance Analysis

At this point, we anticipate that the financing strategy that the team will produce this summer and fall will consist of three major products:

- Cost and benefit estimates for Action Agenda items: Cost and benefit estimates for representative projects will support priority-setting for defining the Action Agenda. For each general category of actions, this analysis will bring together

relevant data and compare the relative cost-effectiveness of alternative investments outlined in the Action Agenda. Cost effectiveness weighs the costs of a proposed strategy or actions to its environmental benefits as well as its broader economic benefits to society, and facilitates comparison across options, including risk and uncertainty considerations.

- A detailed funding strategy for the 2009-2011 biennium: The financing strategy will include recommendations on how to spend existing and raise new federal, state, and local government funding, how to allocate funding, and who should be responsible for execution of the strategy.
- A high-level funding plan to fulfill 2020 cleanup and restoration goals: The plan will identify the total funding and distribution of funding that appears to be needed to accomplish the cleanup and restoration program, as well as the actions needed to achieve the proposed level and distribution of funds.
- A step-by-step strategy for filling gaps in funding: This strategy will identify the actions needed to establish access funding sources and fine-tune recommendations on allocation and funding responsibilities. It will include objectives for the 2011-13 and 2013-2015 biennia, as well as the future steps needed to accomplish the 2020 strategy.

Roles and Responsibilities

The team anticipates working with several groups over the course of the project. Following are the groups and their expected responsibilities.

Leadership Council: Review and approval on key strategic issues, including spending targets and funding responsibilities, and approval of the final financing plan.

Funding Subcommittee of the Leadership Council: Initial guidance and sounding board on key strategic issues.

Ecosystem Coordination Board: Advise Leadership Council on the finance strategy including funding responsibilities, funding sources, and spending targets.

Finance Advisory Group: Professional review and guidance on finance products, including analyses of costs, spending, cost-effectiveness, and potential funding sources.

Schedule

The finance team intends to work closely with the Leadership Council, Ecosystem Coordination Board, and Partnership staff throughout the development of the financing strategy. We anticipate that the strategy will evolve through discussions on the following questions:

June 12/13 Leadership Council:

- Review finance strategy work plan

- What do example elements of the action agenda cost?
- How much are partners (state, federal, private) currently paying for actions related to Action Agenda implementation?

June 25 Ecosystem Coordination Board:

- What do the various elements of the action agenda as identified by the Leadership Council cost?
- How and how much are partners (state, federal, private) currently paying for these elements?
- What more should be done to fund these elements?

July 23/24 Leadership Council:

- What are the costs of priority actions identified by the Leadership Council that have emerged from the action agenda?
- Which types of actions are most cost-effective?
- What sources of funding appear to be most promising to bring to bear on the priorities and fill funding gaps?

July 31 Ecosystem Coordination Board:

- What sources of funding appear to be most promising to bring to bear on the priorities identified by the Leadership Council?
- How should money be raised to address priorities?
- How should funding responsibilities be divided among levels of government and the private sector?
- How soon should new revenue options or strategies be phased for the next biennium and beyond?

September 4-5 Leadership Council:

- What are the funding priorities, strategies, responsibilities, and timelines that should be included in the financial strategy?
- How will the Partnership determine success?
- When and how will the finance strategy be revisited?

Initial Findings on Costs

The Partnership requires estimates of costs and benefits for potential Action Agenda items to inform prioritization efforts, and eventually develop total cost estimates for the Action Agenda. While the Action Agenda is under development, the finance strategy cost efforts first focused on providing per-unit costs for activities that will potentially be part of the Action Agenda.

Costs were initially compiled for activities grouped by each Topic Forum theme. The Partnership has since developed a list of four priorities, three of which correspond to topic themes. These priorities and potential actions costed to date are listed below. The example actions are for illustration purposes only.

A. Protect the intact ecosystem processes that sustain Puget Sound.

Example actions:

- Riparian habitat acquisition
- Nearshore habitat acquisition
- Farmland and forestland preservation
- Regulatory monitoring and enforcement

B. Implement restoration projects that can enable the reestablishment of ecological process.

Example actions:

- Riparian habitat restoration
- Nearshore habitat restoration
- Fish passage barrier removal
- Restoration planning, coordination, and permitting

C. Reduce water pollution at its source.

Example actions:

- Stormwater retrofits
- New stormwater control
- Septic retrofits
- Low Impact Development

Starting from a list of potential Action Agenda item categories, ECONorthwest conducted a thorough review of existing reports and literature to compile example projects and their costs. The search included governmental and non-governmental sources for projects in the Puget Sound Basin. The search placed particular focus on a subset of action categories identified as most important to the Partnership. Utilizing the project descriptions, ECONorthwest produced tables of project characteristics including various cost categories and other descriptors.

Concurrent to the data compilation efforts, ECONorthwest developed a general framework for considering Action Agenda item costs, focusing on incremental costs, financial and otherwise. The framework also provides guidance for considering average per unit and total costs for later estimates of total Action Agenda costs.

Initial cost findings include:

1. Of identified potential projects in the Puget Sound Basin, preservation activities are substantially less expensive than restoration activities.

The range of nearshore land acquisition project per acre costs are an order of magnitude less than the equivalent range for restoration projects. For example, purchase of 379-acre Deer Lagoon on Whidbey Island cost \$2.7 million (\$7,000/acre), while restoration of eight acres in Belfair State Park cost \$2.4 million (\$300,000/acre).

The range of riparian land acquisition project per acre costs are an order of magnitude less than the equivalent range for restoration projects. For example, the acquisition of 135 acres along Rock Creek in King County cost \$583,000 (\$4,300/acre) while wetland mitigation for 12.8 acres of new impervious surface for the I-90 Sunset Way interchange cost \$13.8 million (\$1 million/acre).

2. Small-scale restoration and installation costs are readily available for activities such as culvert removal and Low Impact Development. Large scale new project estimates without existing cost studies will provide more challenge for precision given time and resource constraints.
3. Focusing on incremental costs is important both for assessing burden and identifying a cost-effective allocation of resources.

Numerous characteristics of projects besides financial costs should be considered in tandem with costs, including cost distribution, risk and uncertainty, and timeframe.