Local Government Stormwater Financing Manual:
A Process for Program Reform

Prepared by
Environmental Finance Center
University of Maryland
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This project was managed and directed by the Environmental Finance Center (EFC) at the University of Maryland in College Park. For twenty years EFC has served the Mid-Atlantic region and is one of ten regional centers located throughout the country that comprise the Environmental Finance Center Network. These centers were established to assist communities in addressing the how-to-pay issues associated with resource protection. One of the EFC’s core strengths is its ability to bring together a diverse array of individuals, agencies, and organizations to develop coordinated, comprehensive solutions for a wide variety of resource protection problems. The EFC has provided assistance on issues related to energy efficiency, stormwater management, source water protection, land preservation, green infrastructure planning, low impact development, septic system management, waste management, community outreach and training. Working to facilitate this process is at the core of the EFC’s mission and skill set. Visit us at: www.efc.umd.edu.

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Preface

This manual was inspired by and written for local government leaders. Though effectively managing urban stormwater runoff requires leadership and bold decision-making at all levels of government, it is at the local level where the most significant and substantive stormwater investments will be made. And, it is at the local level where the most innovative, effective, and transformative financing programs are being developed and implemented. Our goal with this manual is to provide local leaders with the foundation for establishing and growing effective stormwater management programs that maximize the value and impact of every dollar invested in their communities.

Public sector financing in general, and stormwater financing specifically often appear to be inaccessibly complicated and technical to even experienced public officials. Therefore, rather than try to address the myriad of issues associated with stormwater financing, our strategy was to provide a foundation for local officials to move forward by focusing on perhaps the most important financing attribute: leadership and the ability to move communities towards effective action.

Our intent was not to produce a static document. Rather, it is our intent to use this manual as the launching point for a dynamic financing resource that will develop and grow along with the burgeoning stormwater financing industry. To that end, this manual is the first in a series of resources to be developed by the Environmental Finance Center that will address important financing issues and opportunities, including:

- Reducing costs through the use of performance-based financing;
- Establishing effective stormwater rebate and credit programs;
- Using markets and offsets in an urban environment; and,
- Maximizing stormwater benefits through the use of green infrastructure practices.

We hope you find this manual useful as you develop and establish your stormwater management program. For more information on the Environmental Finance Center, please visit us at [www.efc.umd.edu](http://www.efc.umd.edu).

**Manual structure:**

This manual is divided into four parts:

1. An introduction, which asserts that a paradigm shift is underway in stormwater finance, and local government staff have a critical role to play in leading that shift;
2. A description of why stormwater management and finance are being transformed and why local governments are at the center of that transformation process;
3. A policy/program development model that was created by Bryson and Crosby (1992) and is applied in the manual to the development of stormwater policies and programs; and,
4. A set of appendices, including:
a. A description of the risks of leading change on big problems, such as transforming stormwater finance systems, and methods for managing those risks;
b. Results of focus group interviews that ground the manual on situations being faced by local government staff;
c. A technical note for experienced readers on setting stormwater utility rate structures; and
d. A list of acronyms and their meanings.

Readers may want to devote their attention to particular sections of the manual. For example, those who are experienced in the dramatic shifts underway in stormwater management may want to pay more attention to the model than to the description of why stormwater management and finance are being transformed. Likewise, a reader already immersed in finding a solution to a stormwater problem may want to focus on the “Creating a Solution” phase of the model. A cautionary note, however: creating an effective solution is dependent on having accomplished two prior phases, “Gaining an Initial Agreement” and “Formulating the Problem.”

In sum, this manual provides, for local government staff, background information about a paradigm shift underway in stormwater management and a process model for being effective leaders in their jurisdictions to create policies and programs to finance that shift. Our goal is to encourage and empower your leadership efforts.