

Suggestions for Discussion by SRF Advisory Committee
April 21, 2011
(Prepared by SEMCOG with member input)

After reflecting on the committee's earlier discussions, the presentations thus far, and the language in the statute, we offer the following suggestions to help forward our mission.

Key Points

1. It is not necessary to re-prove infrastructure needs in the region or state. That was done to secure the bond proposal. We do need to restate the case and provide valid anecdotal information, including drawing analogies with the transportation situation.

We must be cautious that this does not distract from the core issue before the group which is how to use the expenditure of bond funding already adopted by the voters and meet the 3 outcomes in the law.

2. We need to maximize incentives to motivate new projects (more investment). Nothing is lost if projects don't emerge from these incentives. If the incentives work, infrastructure and water quality improvements are the result.
3. The report can estimate the impact of our suggestions on the fund. Ironically, if we do not project an increase in use of the fund based on our recommendations, we would be declaring that the legislative outcome will not be met.

Proposed Strategy: Break the recommendations into 2 parts. The first part would be targeted toward infrastructure maintenance and reinvestment and other projects that improve water quality before problems get larger and more expensive. The second part would focus on improving the SRF program for the more typical projects it has been used to support.

In both cases, the focus would be on changes that would stimulate more projects than are currently underway.

Part 1: Stimulating good planning and infrastructure reinvestment by offering grants. This will serve to incentivize projects that would otherwise not be done and, that will actually lower costs to the public.

- Offer grants for asset management systems including developing programs and implementing programs. Consider (in reforms suggested in Part 2) offering higher priority for projects that emerge from these asset management programs.

- Provide grants to support formation of stormwater utilities (support legislation that would make this feasible and reduce risk to communities)
- Offer grants for projects investing in green infrastructure that reduce sewer system collection or treatment costs and/or increase water quality benefits (including nonpoint source projects).

Some of the expected results include:

- 1) Reinvestment in infrastructure will be encouraged as the “unseen” infrastructure problems are brought to light. Information will identify the least-cost long-term solutions, rather than focusing on the short-term rate increase percentage.
- 2) Maintaining systems in good condition will prevent future water quality problems. Optimizing systems through good planning and reinvestment often discloses previously unknown issues and facilitates their resolution before they become crises.
- 3) Pro-active planning usually results in looking at a broader range of alternatives, often at far less costs. Solving problems before they are crises usually allows the regulatory agency to provide greater flexibility for solutions.

Part 2: Reforms to stimulate more projects typically funded under SRF

(A sub group could be tasked with flushing this out in more detail and adding to the list below.)

- Provide simplified procedures for small projects.
- Provide eligibility for repair and rehabilitation at an early stage (less restrictive definitions for capital vs. O&M expenses).
- Provide availability of 30-year repayment term
- Simplify the Project Planning process
- Temporarily eliminate the interest charge. Reintroduce it if local government finances improve sufficiently
- Give more priority to projects that emerge from asset management plans and will reduce longer term costs
- Creating a standing “Standards Committee” that could be called on from time to time to advise the State on changes to processes and procedures that would help achieve the statutory outcomes.
- MDEQ provides “acceptable practices” guidance based on previous accepted engineering and then leaves it up to the community to “certify” that they followed the guidelines.
- Surely there are others to add