Cleaning Up the Bay

Challenges and Solutions

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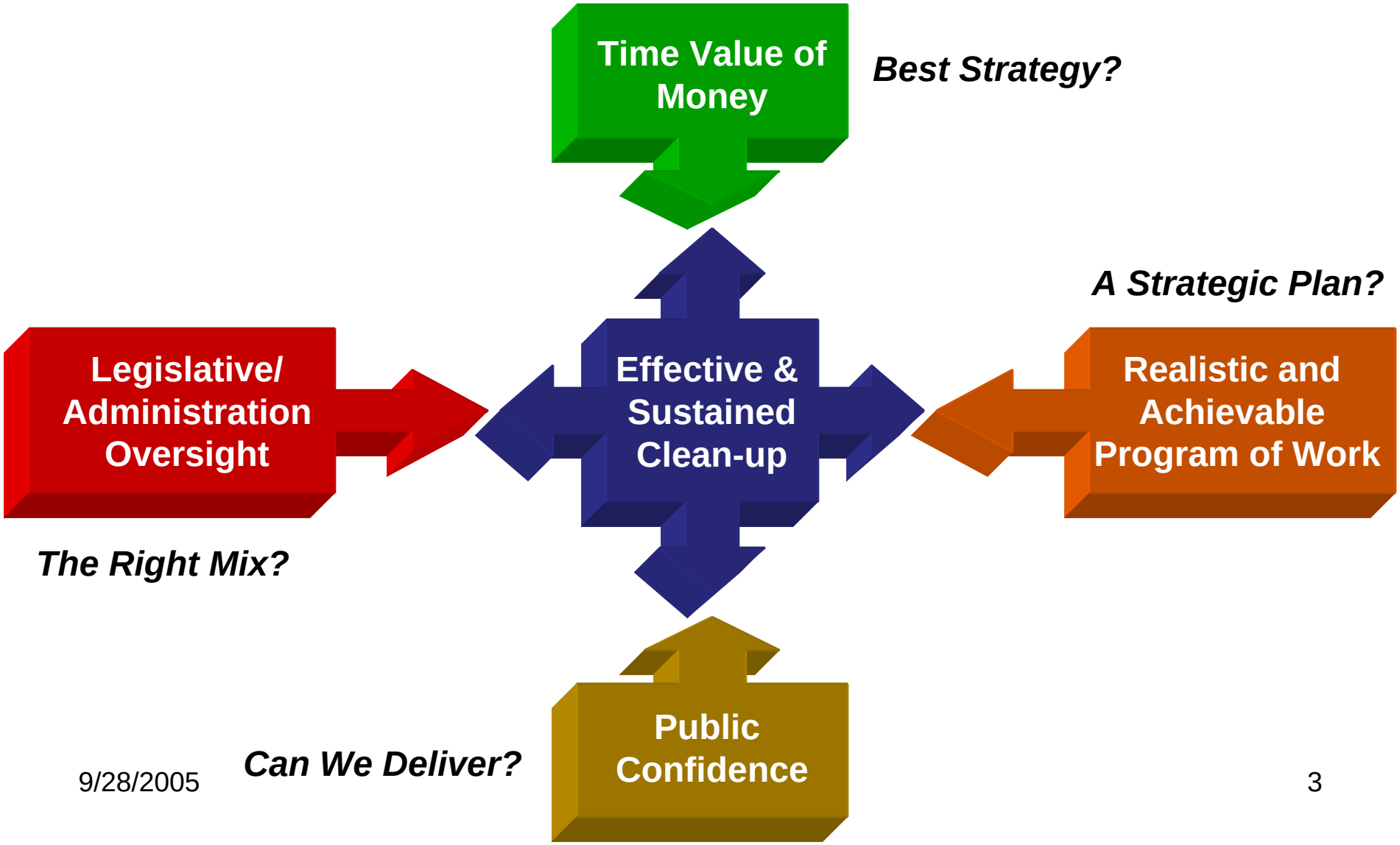
The Challenge

- Complex body of work
- High cost
- Multiple stake-holders
  - Echelons of government (federal – state – local)
  - Several agencies (federal & state)
  - Special interests (public & private)
  - Scientific community (environmental vs. business)
  - Utility community (big & small)
  - Policy and oversight community (General Assembly & The Administration)
- Public confidence to orchestrate complex projects

Effective & Sustained Clean-up



Programmatic Risk Mitigation

The Elements…

- **Effective Oversight**
- **Engaged executive staff**
  - **Focused on planning and execution**
  - **Cuts across bureaucracies**
  - **Empowered to be effective**
  - **Answers directly to oversight body**
- **Strategic plan that links state and local priorities of work**
- **Finances tied to the program of work**

Project Planning Principles

- Develop phases to meet attainable goals
  - Do not tie phases to “2010”
- Link state and local efforts
- Prioritize work within phases to meet phased objectives
- Align funding to phases

Project Funding Principles

- Request in each biennium only those funds that can be realistically expended based on a defined program of work
  - Number of projects that can actually be undertaken
  - Account for industrial capacity to do the work
- Prioritize funding on projects that get the “most bang for the buck”

Clean-up By Phase (Notional)

FY 2006												FY 2007												FY 2008											
J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J

Phase 1

Begin Program of Work to restore the Bay to a level where it's natural recuperative abilities are carrying 50% of the restoration load

FY 2009												FY 2010												FY 2010											
J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J

Phase 2

Begin Program or Work to set in place additional sustaining strategies to meet C2K Objectives

Phase 3

Begin Program or Work to maintain the Bay C2K objectives with BMP's that mitigate growth impacts

Program of Work (Notional)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Point Source	Plant "A" Plant "B" Plant "C" Plant "D" Plant "E" Plant "F"	Plant "G" Plant "H" Plant "I" Plant "J"			
Ag BMP	District 1: 33 District 2: 41 District 3: 109	District 1: 43 District 2: 57 District 3: 50			
Non-Ag BMP	District 1: 201 District 2: 58 District 3: 75	District 1: 245 District 2: 66 District 3: 31			
Stream/River BMPs	District 1: 15 District 2: 22 District 3: 32	District 1: 70 District 2: 56 District 3: 82			

Show the plants that will be upgraded in each FY

Show BMPs projects by planning district in each FY

Show BMPs projects by planning district in each FY

Show BMPs projects by planning district in each FY

Program of Work Funding (Notional)

	Total Cost	FY 2006	FY 2007	FY 2008	FY 2009	FY2010	FY 2011
Point Source	$500M						
Ag BMPs	$580M						
Non-Ag BMPs	$660M						
Stream/River BMPs	$600M						
Total	$2.34B						

Based on a Defined Body of Work

Chesapeake Bay Clean-up Authority

- **Membership**
  - Course of Action 1: legislators, executive branch officials, and civilians with pertinent expertise
  - Course of action 2: civilians with pertinent expertise
- **Staffing**
  - An Executive Director with a strong background in business finance and program management of programs in excess of $1 billion
  - Staff of 5 composed of:
    - Finance director
    - Marine scientist
    - Civil engineer (emphasis on construction)
    - Agronomist (trained in soil management)
    - Hydrologist

Responsibilities

- Develop "Chesapeake Bay Clean-up Strategic Plan" through Department of Environmental Quality
- Oversee execution of the plan, including approval of any alterations or modifications
- Report regularly to the oversight authority
- Develop and issue "Annual Report on Clean-up Progress"
- Recommend legislative actions

Bonding Capacity

- Commonwealth's current annual debt capacity is $670 million per year
- Commonwealth limited to $250 million per year for 10 or 20 year bonds
- $250 million would represent 40% of annual capacity

Authority Bonding Plan

- **Issue up to $1 billion in bonds through the State Treasurer over a 10-20 year period**
  - **50% for point source (matching grants with localities)**
  - **50 % for non-point source (program of work as defined by the Authority**
- **10-Year Scenario: Debt Service $1.32 billion**
- **20-Year Scenario: Debt Service $1.64 billion**
- **Debt service on the bonds to be paid through a dedicated portion of the recordation tax revenue and $50 million/year from the GF (2005 Agreement)**
- **2005 Agreement would be extended through bond pay-off**

Debt Service

10 Year Scenario: (5.25%)		20 Year Scenario: (5.25%)	
– Year 2:	$33 million	– Year 2:	$20.5 million
– Year 3:	$66 million	– Year 3:	$41 million
– Year 4:	$99 million	– Year 4:	$61.5 million
– Year 5-11:	$132 million/year	– Year 5-21:	$82 million/year
– Year 12:	$99 million	– Year 22:	$61.5 million
– Year 13:	$66 million	– Year 23:	$41 million
– Year 14:	$33 million	– Year 24:	$20.5 million
Total	$1.32 billion	Total	$1.64 billion

$50 million per year commitment (2005) extended to bond pay-off leaving…

△ **of $620 million** △ **of $440 million**

Conclusion

- Clean-up Authority is needed to focus the work, facilitate accountability, and ensure the public trust that a large financial commitment is spent wisely
- Bonding permits a major infusion of “up-front” money to address point source improvements and non-point source initiatives
- Both send a clear message that Virginia has a plan to get there and the funding commitment to deliver the product