

Affordability Guiding Principles

Affordability is the relationship between a community's* economic condition and the regulatory mandates imposed upon it. A community's ability to pay for water quality-related improvements is determined by its existing and potential economic situation. Based on this economic assessment, the level of service and schedule for implementation imposed are determined.

Economic Capability

The first consideration in a financial capability assessment must be the community's economic situation.

- Local conditions (e.g., scheduled water rate increases, rising energy costs, population and employment projections, low-income population percentage, construction market, etc.) are the primary factor in determining economic capability.
- The uniform application of prescriptive formulas for calculation of financial capability and thresholds for expenditure (e.g., MHI) is inappropriate given the diversity of local circumstances and challenges.

Economic capability must be assessed using a watershed management-based approach.

- Water quality-related investments should be viewed holistically as components of a community's overall environmental investment (i.e., CSO, SSO, Stormwater, TMDL programs).
- A community has a fiduciary obligation to utilize its limited resources in such a way as to maximize the benefit to its ratepayers, so water quality-related projects must be prioritized based on cost effectiveness.

Environmental investments should be made so as to mitigate potential impacts on distressed populations.

Level of Service

The level of service and implementation schedule for water quality-related improvements must be tailored to the affected community's unique financial condition.

- Water quality-based improvement programs must be designed to maximize water quality improvement while maintaining the economic viability of a community.
- The appropriate pace of environmental investments cannot be prescribed (e.g., 20 years) but rather must reflect the community's financial capabilities and investment alternatives.
 - There is no legislative or regulatory limitation on extended implementation schedules.

Utilizing a watershed management-based approach ensures that the greatest water quality improvement is obtained at the earliest possible time.

* The term "community" is intended to refer to individual cities, regions and/or service areas depending on each regulated entity's situation.