



Standardizing Cost Reporting in Municipal Stormwater Permits Phase II MS4 Beta Testing Information

The Strategy to Optimize Resource Management of Stormwater Unit (STORMS) at the State Water Resources Control Board (State Water Board) is developing a proposed water quality control policy for Standardizing Cost Reporting in Municipal Stormwater Permits (Policy) to address one of the high-priority items (item 3.5.2) for the State Water Board as described in its [2023 Strategic Work Plan](#).

STORMS staff has proposed a standard list of cost categories with cost accounting best practices and developed a statewide cost submittal tool that permittees can use to report their municipal separate storm sewer system (MS4) permit implementation costs. At this stage, STORMS is requesting a minimum of five Phase II MS4 permittees to voluntarily participate in a beta test and provide feedback regarding the ease, challenges, and limitations of using the proposed categories and cost submittal tool for tracking and reporting cost of implementing MS4 permits. In addition to this beta test, the regulatory policy development process would include the opportunity for written comments, a public hearing prior to adoption and approval by the Office of Administrative Law.

Project Background and Objectives

The State Water Board adopted the Phase II Small MS4 General Permit in 2013 to regulate stormwater discharge from small municipalities (those with a population of 100,000 or less), which includes both traditional and non-traditional permittees. Since its adoption, the State Water Board has adopted five amendments to the permit. While the permittees submit annual reports detailing various aspects of the programs, the [current permit](#) does not require traditional or non-traditional Phase II permittees to submit fiscal analysis or expenditures related to permit implementation.

The need for a standardized cost reporting guidance was highlighted in a 2018 report published by the California State Auditors (CSA) titled "State and Regional Water Boards: They Must Do More to Ensure That Local Jurisdictions' Costs to Reduce Storm

Water Pollution Are Necessary and Appropriate.” CSA recommended that the State Water Board develop statewide guidance on methods for tracking the cost of stormwater management and adopt regulations necessary to ensure that the regional boards and local jurisdictions follow the guidance.

The proposed Policy would require traditional Phase II MS4 permittees statewide to follow a standardized method and tool for estimating, tracking, and reporting MS4 permit implementation costs. Consistent with the Policy, the State Water Board would incorporate standardized cost reporting requirements into any future issuance or reissuance of statewide Phase II MS4 permit.

Proposed Draft Cost Reporting Categories

Considering the lack of an existing cost reporting requirement and resource limitations associated with a relatively smaller permit implementation programs, staff developed a streamlined cost reporting program specifically for traditional Phase II permittees. No standardized cost reporting method is proposed for non-traditional Phase II permittees at this time. **Table 1 below shows a summary and description of the proposed categories for traditional Phase II permittees.**

Table 1: Proposed cost categories for traditional **Phase II** permittees

Category Name and Subcategories	Description	Example Activities or Expenditure
1. Overall Program Management and Administration	Permit compliance administration and management activities, reporting, general coordination.	<ul style="list-style-type: none"> • stormwater management plan development • stormwater program budget planning and management • asset management • annual report preparation and submission • GIS mapping and database updates • staff training • overall program effectiveness assessments • coordination with program stakeholders, including regional water boards and State Water Board
2. Capital Cost	Development of new structural stormwater control measures or other tangible assets required to comply with the permit.	<ul style="list-style-type: none"> • equipment procured for permit-mandated activities • costs related to storm sewer systems • costs for structural BMP implementation projects • land cost • piping cost • excavation, clearing and grubbing cost
3. Minimum Control Measures	Permit-required routine operational and maintenance activities, including minimum control measures implementation.	<ul style="list-style-type: none"> • non-structural best management practices • public engagement and outreach • illegal discharge detection and elimination • spill prevention and response • structural BMP maintenance • industrial and commercial facilities management • construction site management • trash management • other special programs triggered by the MS4 permit

Category Name and Subcategories	Description	Example Activities or Expenditure
4. Water Quality Monitoring	All permit-required water quality monitoring activities	<ul style="list-style-type: none"> • receiving water monitoring • TMDL monitoring • ASBS monitoring • stormwater BMP monitoring • outfall monitoring
5. Miscellaneous cost	Anything not identified or directly related to the aforementioned categories	<ul style="list-style-type: none"> • permit fees • membership fees for stormwater related organizations and regional partnerships • TMDL implementation activities (excluding TMDL monitoring costs)

Permittees would be required to provide a breakdown of costs under each category to allow for a better understanding of the distribution of costs of a permit element. Within each category, costs will be broken down into the following line items:

- a) Personnel cost (staff wages, salaries, benefits)
- b) Equipment cost (equipment procured for permit-mandated activities)
- c) Land costs (capital expenditures for land or right-of-way easement acquisition)
- d) Consultants (private consultants hired by the permittees to perform activities under any specific cost category)
- e) Materials cost (materials or supply procured to accomplish permit-mandated activities)
- f) Overhead (indirect costs associated with permit implementation expenditures)

Cost Submittal Tool

In collaboration with the Division of Information Technology (DIT) at the State Water Board, STORMS developed a cost submittal tool for municipal permittees to use to report annual expenditures related to MS4 permit implementation. The cost submittal process is designed as an annual survey where stormwater permittees would enter numerical values for the costs of each of the proposed categories, sub-categories, and line items. Upon completion of the survey, permittees can download a summary file (.pdf) to attach to their annual report. Raw data in a machine-readable format will be available for regional water boards and the State Water Board to review.

Beta Testing of the Standardized Categories and Cost Submittal Tool

The purpose of beta testing is to assess the applicability of the cost submittal tool and the cost reporting categories to the participant municipalities. The testing duration will be six months. The success of the beta testing program depends on the extent (both in the number of participants and the effort they put in) of participation among MS4 permittees.

Participating permittees will be the early implementers of the proposed cost tracking method as well as early users of the statewide cost submittal tool. STORMS staff will arrange a training session to brief permittees on the best practices for submitting cost of stormwater permit implementation information. Participants will be asked to:

- Identify a point of contact responsible for obtaining cost expenditure data from different municipal departments and for communicating with STORMS staff.
- Itemize permit implementation expenditures following the proposed cost reporting categories. STORMS staff will collaborate with the permittees to ensure each permit-required activity is tracked using the appropriate category.
- Enter expenditure data into the cost submittal tool on a monthly or quarterly basis. Alternatively, permittees may use the prior fiscal years' costs data to do a one-time entry.
- At the end of the beta testing period, respond to a survey related to the ease, challenges, and limitations of using the proposed categories and cost submittal tool for tracking and reporting cost of implementing MS4 permits.

The goal of the beta test is to learn about the challenges permittees face while using the proposed cost reporting categories and cost submittal tool. Based on permittees' feedback, STORMS staff will further refine the categories, provide additional explanations, and develop a "Frequently Asked Question (FAQ)" section that will accompany the proposed Policy.

For additional information about the proposed Policy or the beta test, please contact the project lead, Nabiul Afrooz, at Nabiul.Afrooz@waterboards.ca.gov.