Financial Capability Analysis for South Bend's

CSO Long Term Control Plan

Prepared for

City of South Bend, Indiana

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SUMMARY

This analysis builds on the Crowe Chizek report in Appendix E, which details the impacts of various combined sewer overflow (CSO) program alternatives contemplated for the City of South Bend (City). This approach follows United States Environmental Protection Agency (USEPA) advice to "submit any additional documentation that would create a more accurate and complete picture of their financial capability." This additional analysis of various indicators is vital to gaining an understanding of the City's economic situation and the impact that the CSO program will have on residents.

This analysis confirms Crowe Chizek's findings that the impact of current plus Phase I costs will place the City in the Medium Burden category on USEPA's Financial Capability Matrix. On the basis of the trends in various financial indicators and the regional conditions the City faces, this analysis also finds that, in the course of implementing Phase I of the City's CSO program, the City is expected to move into the High Burden category. This means that the City must carefully balance the scope and timing of the LTCP with other community efforts, since the additional financial burdens of the CSO program could easily have an adverse impact on the local economy and the City's development efforts.

FINANCIAL CAPABILITY ASSESSMENT

1 Approach

The Indiana Department of Environmental Management (IDEM) and the USEPA recognize that meeting the requirements of the Clean Water Act and Indiana's water quality standards present major challenges for most communities with CSO problems. One of the most significant challenges is formulating a method to finance CSO controls without placing an excessive burden on citizens and industries. In many communities, the requirements contained in the Long-Term Control Plan (LTCP) can represent the most significant financial obstacle they will face. While government agencies have provided communities with grants for wastewater projects in the past, no dedicated grant programs are currently available.

IDEM and the USEPA also realize that among the many variables affecting a community's financial condition are the scheduling and implementation of CSO related projects. These factors are directly related to the community's ability to afford the proposed development. Consequently, both agencies require a comprehensive affordability analysis within the LTCP to determine its effect on both the current and future fiscal health of any CSO community.

This Financial Capability Assessment is based on the USEPA's ***CSO Guidance for Financial Capability Assessment and Schedule Development*** (CSO Guidance, published March 27, 1997). The USEPA assessment approach includes the following:

- Assessment of Financial Indicators;
- Determination of a Residential Indicator, defined as Cost per Household as a percent of Median Household Income; and
- Development of Financial Capability Indicators Score.

The Financial Capability Assessment (FCA) will identify other factors in addition to the standard USEPA indicators listed in USEPA's 1997 *CSO Guidance*. The rationale for expanding the economic analysis is found in two USEPA guidance documents.