



King County

Metropolitan King County Council Budget and Fiscal Management Committee

STAFF REPORT

Agenda Item:	13	Name:	Hiedi Popochock
Proposed No.:	2016-0490	Date:	October 25-27, 2016

SUBJECT

An ORDINANCE to increase the surface water management fee in unincorporated King County as prescribed in King County Code 9.08.070.

SUMMARY

The proposed ordinance would increase the surface water management fee for the single-family residence rate classification for unincorporated King County property owners by 50 percent (from \$171.50 to \$258). The SWM fee would also be increased in other rate classifications identified in K.C.C. 9.08.070. The revenue collected from the proposed rate increase would fund a number of the programs and projects in the Executive's 2017-2018 Proposed Budget.

Council staff has identified a number of issues that are described in detail below in this staff report.

BACKGROUND

History of Surface Water Management Legislative Authority

In 1986, the King County Council adopted Ordinance 7590, initiating the Surface Water Management (SWM) Program. The SWM program was established to provide a comprehensive approach to surface and stormwater problems including basin planning, land use regulation, construction of facilities, maintenance, and public education and provided limited services to the urban-designated areas of the adopted 1985 King County Comprehensive Plan.

King County is required to provide surface water management services by state and federal law.¹

¹ United States Environmental Protection Agency <https://www.epa.gov/npdes/npdes-stormwater-program>
RCW 90.03.500 -.525 provides the authorization for the county, as well as cities, towns, water-sewer districts and flood control zone districts, to impose rates and charges for storm water control facilities.

The Revised Code of Washington² and King County Code Chapter 9.08 are considered the applicable state and local legal framework for the SWM rate, generally as shown below.

RCW 36.89.080: Storm water control facilities – Rates and charges

- Statutory authority for collection of the SWM fee

RCW 90.03.525: Storm water control facilities—Imposition of rates and charges with respect to state highway rights-of-way—Annual plan for expenditure of charges

- SWM fees to WSDOT state road rights of within a local jurisdiction can be no more than 30 percent of the rate for comparable real property;
- WSDOT cannot be charged a rate higher than what the local jurisdiction charges for its own road right-of-way; and
- Funds collected from the state must be used solely for stormwater control facilities.

King County Code 9.08 Surface Water Management Program

- The SWM fee is collected based on a percentage of impervious surface;
- Discounts are allowed to properties that have onsite stormwater management mechanisms; and
- Both county and state roads pay a maximum of 30 percent of what would be paid by a comparable property.

History of SWM Fee

To pay for these services, a fee is assessed on property owners in unincorporated King County including Vashon Island. In 1991, the surface water management program first set a rate structure and service charges. Since then the costs of providing surface water management services have increased due to the impacts of 1) inflation and annexations; and 2) increasingly stringent federal and state requirements for the proper management of surface water quality and quantity. Foremost among the mandatory federal standards, is the permitting requirement of the National Pollutant Discharge Elimination System (NPDES) General Municipal Stormwater Permit. Table 1 below illustrates the historical SWM fees for a single-family residence in unincorporated King County.

² RCW 36.90,080 & RCW 90.03.525

**Table 1. Historical SWM Fees in Unincorporated King County
(Single-family residence)**

Year	SWM Fee (single-family residence)	Dollar Increase	Percent Increase
1991	\$85	\$0	0%
2002	\$102	\$17	20.0%
2007	\$111	\$9	8.8%
2011	\$133	\$22	19.8%
2013	\$151	\$18	13.5%
2014	\$171.50	\$20.50	13.6%

The 2016 SWM fee for a single-family residence in unincorporated King County is \$171.50. Table 2 below shows the 2016 SWM fees for the region. The average fee for all jurisdictions in the region based on the fees listed in Table 2 is \$179.68.

**Table 2. 2016 Regional SWM Fees
(Single-family residence)**

Jurisdiction	2016 Annual Fee	Jurisdiction	2016 Annual Fee
Woodinville	\$ 87.15	King County	\$ 171.50
Algona	\$ 90.00	Milton	\$ 186.00
Federal Way	\$ 96.90	Mercer Island	\$ 191.28
Pierce County	\$ 116.06	Lake Forest Park	\$ 191.98
North Bend	\$ 118.32	Covington	\$ 193.66
Maple Valley	\$ 119.20	Normandy Park	\$ 195.84
Snohomish County	\$ 122.00	Redmond	\$ 198.72
SeaTac	\$ 134.15	Sammamish	\$ 214.00
Tukwila	\$ 142.00	Kirkland	\$ 217.62
Pacific	\$ 156.00	Duvall	\$ 230.52
Burien	\$ 156.99	Snoqualmie	\$ 232.32
Newcastle	\$ 159.36	Auburn	\$ 236.76
Shoreline	\$ 160.77	Des Moines	\$ 237.64
Bothell	\$ 161.52	Bellevue	\$ 252.18
Renton	\$ 164.76	Tacoma	\$ 267.00
Kenmore	\$ 167.40	Seattle	\$ 390.03
Issaquah	\$ 168.96		

2015-2016 SWM Budget Legislation

In Ordinance 17941, Council authorized \$4 million in SWM revenue to pay for drainage improvements in the Roadway right-of-way (ROW) as follows:

- a \$2 million transfer from the fund balance of the SWM Capital Improvement Program fund to the Road Services Division (RSD); and
- a \$2 million transfer from SWM operating reserves to the RSD, linked to an expenditure restriction³.

Also, in the 2015-2016 budget, Council included a proviso requiring the Executive to transmit a plan regarding ongoing surface water management participation in funding roadway drainage projects and a motion that approves the plan.⁴ The Executive transmitted a report entitled, "Ongoing Surface Water Management Participation in Funding Roadway Drainage Projects" ("the Report") on June 28, 2016. The Report was heard at the Transportation, Economy and Environment Committee on August 30, 2016.⁵

The Report provided a range of SWM fee scenarios that could potentially fund drainage projects that are within and outside the ROW in the 2017-2018 budget.⁶ In addition, the Report provided the financial impacts that would be experienced by the Road Services Division by each scenario in Table 3. The SWM fee scenarios that are outlined in the Report are briefly described below. The estimates provided in the proviso response were based on March labor rates by the Office of Economic and Financial Analysis (OEFA).

Scenario One. This scenario would continue the status quo SWM fee of \$171.50 with no increase in the 2017-2018 biennium. This would result in a reduction in 2017-2018 programming since the current SWM fee does not capture inflationary impacts.

Scenario Two. This scenario would fund only existing programs including inflationary impacts - \$4.9 million and \$2 million to ROW drainage expenditures which would increase the SWM fee by \$24.87, from \$171.50 to \$195.87 for a single-family residence.

Scenario Three. This scenario would only enhance and expand existing programming in WLRD.

Scenario Four. This scenario would not charge Roads nor the Washington Department of Transportation a SWM fee by passing on their share of fees to the remaining ratepayers. This would also implement Scenario 3.

³ Expenditure restriction ER1 in Section 77 required that \$2 million of the appropriation to SWM be expended or encumbered "solely for transfer to the road services division to fund surface water management projects within the public right-of way in unincorporated King County."

⁴ Ordinance 17941, Section 77, Proviso P1

⁵ 2016-0348

⁶ The Department of Transportation's Road Services Division (RSD) manages drainage infrastructure located within the ROW, and WLRD manages the drainage infrastructure located outside of the ROW.

Scenario Five. This scenario would allocate the amount of SWM fee paid by Roads associated with the fee increase to drainage in the ROW; cover the 2015-2016 \$2 million carryover into 2017-2018, and fund WLR programming from Scenario 3.

Scenario Six. This scenario would add funding to respond to potential threats for imminent failure of drainage assets in the ROW in addition to elements in Scenario 3.

The Report referenced a Road Right-of-Way Drainage Trunk Line Inventory report completed in response to a proviso in the 2015-2016 adopted budget (Ordinance 17941, as amended by Ordinance 18110, Section 30, Proviso P3), which estimates that an outlay of \$355 million to \$500 million would be needed over a 10-year period to adequately maintain and preserve drainage assets that are 24 inches in diameter or greater. The Report estimates that this would require a SWM fee increase of 150% - 200% above the current rate (up to \$251 - \$354 per single-family residential payer per year).

The accompanying consultant report recommended immediate preservation action for 33 critical risk drainage assets and estimated the associated cost to be \$6.46 million, with all estimated costs subject to -50% to 100% accuracy.⁷ Scenario 6 would address some of the 33 critical risk drainage assets in the ROW.

Scenario Seven. This would spend the amount of fee collected from Roads in the ROW in addition to elements in Scenario 3.

**Table 3. Potential Funding Options for King County Drainage Projects
(March 2016 OEFA estimates)**

Scenario	Total Revenue Raised (\$ millions)	2017/2018 Annual fee for a SFR*	Change from Status Quo	WLRD Expenditures (\$ millions)	ROW Drainage Expenditures (\$ millions)	RSD's SWM Payment (\$ millions)
1. Status quo	48.5	171.50	0%	46.5	2.0	9.1
2. Status quo plus inflation ⁸	55.4	195.87	14%	53.4	2.0	10.4
3. Enhance/expand existing WLR programming	66.3	234.52	37%	66.3	0.0	12.5
4. Eliminate SWM fee to RSD and WSDOT; + S3*	66.3	306.01	78%	66.3	0.0	0.0
5. Allocate marginal increase in RSD	73.0	258.00	50%	66.3	6.6	13.7

⁷ Road Right-of-Way Drainage Trunk Line Assessment Final Report 2/12/16, pp ES-4 and ES-5.

⁸ This rate includes the full \$4 million 2015-2016 carryover transfer and so is approximately \$7 higher than the status quo cost.

SWM fee to ROW drainage; cover 2015/16 carryover; +S3						
6. Respond to imminent failure of ROW drainage + S3	76.3	269.77	57%	66.3	10.0	14.4
7. RSD SWM fee to ROW drainage +S3	81.7	288.86	68%	66.3	15.4	15.4

Proposed Ordinance 2016-0490

The proposed ordinance would increase the SWM fee for the single-family residence rate classification for unincorporated King County property owners by 50 percent (from \$171.50 to \$258). This proposal is Scenario 5 in Table 3 above. The SWM fee would also be increased in other rate classifications identified in K.C.C. 9.08.070. Table 4 below illustrates the current SWM fees and the 2017-2018 proposed SWM fees for all rate classifications of properties in unincorporated King County.

Table 4. 2015-2016 SWM Fee and 2017-2018 Proposed SWM Fee

Rate Classification	Percent Impervious Surface	2015-2016 Rate	2017-2018 Proposed Rate	Number of Billable Parcels	Percent Revenue Generated
1 Residential	N/A	\$171.50 / parcel	\$258 / parcel	80,484	55%
2 Very Light	≤ 10	\$171.50 / parcel	\$258 / parcel	2,612	2%
3 Light	10.1 ≤ 20	\$ 413.38 / acre	\$ 695.28 / acre	538	4%
4 Moderate	20.1 ≤ 45	\$ 905.92 / acre	\$ 1,343.00 / acre	657	5%
5 Moderately Heavy	45.1 ≤ 65	\$ 1,546.40 / acre	\$ 2,289.61 / acre	1,509	4%
6 Heavy	65.1 ≤ 85	\$ 2,116.79 / acre	\$ 3,171.86 / acre	1,113	3%
7 Very Heavy	85.1 ≤ 100	\$ 2,638.96 / acre	\$ 3,937.85 / acre	560	4%

2017-2018 Executive Proposed Budget

SWM has requested a significant number of programmatic changes in the 2017-2018 proposed budget that would be funded by SWM fees through a proposed rate increase in Proposed Ordinance 2016-0490.

Existing services within existing rate - \$48.5 million. The current SWM fee equates to approximately \$48.5 million in revenue for existing SWM programs.

Inflation to maintain existing services - \$7.3 million. This funding would cover the inflationary impacts that accumulated over the years when a SWM fee was not adopted. Also, this includes the SWM billing replacement system IT project costs and the Citywise system IT project costs that are captured in the 2017-2018 King County Information Technology central rates for the division. Staff analysis of the IT projects is ongoing.

Implement asset management for WLRD assets - \$5 million. This funding would implement the asset management program for WLRD-maintained stormwater assets, prioritize investment based on condition assessments, and eliminate the backlog of high priority facilities in 10 years.

Stormwater Asset Management \$4,965,503, 4.0 FTEs

To implement SWM's 10-year Stormwater Management Asset Plan to proactively manage the 1,100 WLRD-owned stormwater facilities including stormwater ponds, vaults, tanks and swales. It also includes pipe systems, channels and ditches. Approximately \$3.2 million of appropriation would address the expired and expiring components at 72 of the stormwater facilities. The remaining increase in appropriation would address inspection, assessments and maintenance demands that are not currently addressed in the 2015-2016 budget, according to Executive staff.

Expand programs to support agriculture and rural residents - \$2.2 million. This funding amount would expand local flood response and respond to rural flooding in 4 – 5 drainages, pilot beaver management strategies in response to rural flooding concerns, and expand the Agricultural Drainage Assistance Program (ADAP) to expand rural farm production 200 acres / year.

Implement Farm, Fish and Flood \$251,843 (one-time), 1.0 TLT

This \$252,000 request of one-time funding is to hire a 1.0 TLT Agriculture Permitting Specialist to support the Farm, Fish and Flood effort and the Regulatory Task Force. The position would lead the Department of Natural Resources and Parks and the Department of Permitting and Environmental Review Agriculture Permit Team. The position would also work with the Agricultural Drainage Assistance Program staff to identify priority farmlands in need of drainage assistance and support landowners to navigate the permitting process.

Agricultural Drainage Assistance Program \$700,000

SWM has requested funding to increase farm ditch cleaning efforts in the Agricultural Drainage Assistance Program. This would enable SWM to clean approximately two miles or 10,000 linear feet of ditch (about 4 to 6 projects) annually. SWM currently has \$400,000 proposed in the 2017-2018 base budget dedicated for this effort. This request would increase the total appropriation for ADAP to \$1.1 million for the biennium.

Beaver Management \$284,689

The request is to implement the Beaver Management Strategy identified in King County's 2016 Comprehensive Plan Update. SWM would develop and implement a beaver management plan to address and monitor the growth of beaver populations in King County as well as develop effective approaches to various issues caused by beavers.

Natural Drainage System Flood Projects \$1,000,000

This request would increase the operating transfer to the Capital Improvement Program (CIP) by \$1 million to address chronic drainage flooding issues in unincorporated King County.

Habitat restoration and water quality improvement capital program expansion - \$1.7 million. This funding would increase habitat projects along rivers by four projects and implement continuous improvement monitoring of habitat investments.

Increase for the Habitat Restoration Capital Improvement Program, \$1,036,348

SWM has requested to increase the operating transfer to the Habitat Restoration CIP by approximately \$380,000 and transfer \$656,000 in the Monitoring and Maintenance program from the CIP to SWM operating. Executive staff states that despite increased grant funding for design and construction of restoration projects, grants frequently do not fund the required ongoing costs for monitoring and maintenance of constructed projects. This has required an increasing portion of SWM CIP funds being used to cover these requirements, and has resulted in smaller amounts being available to fund design and construction directly. Executive staff also states that the request moves the costs from capital to operating, with no net change in the cost of the work. The additional CIP funds would allow for four new capital projects and keep current staff fully allocated. Executive staff asserts that without these funds, SWM would need to reduce staffing by 2 FTEs.

Lower Green River Basin Stewardship \$122,229, 0.75 FTE

This would add a .75 FTE Project Program Manager III to coordinate and help implement opportunities and programs to develop a continuous tall tree canopy along the twenty-one mile-long Lower Green river shoreline in order to provide the maximum potential shade as defined in the Green River Total Maximum Daily Load report and to implement the solar radiation maps, known as the Riparian aspect Priorities Map, prepared by the Muckleshoot Indian Tribe. This position would work closely with the King County Flood Control District, cities along the Lower Green river, the Water Resource Inventory Area (WRIA) 9 Ecosystem Forum and the Muckleshoot Tribe.

Fish and Habitat Effectiveness Monitoring \$500,000

This request is a transfer from SWM to Shared Services to implement a monitoring program that would provide information on fish population and habitat status and trends in unincorporated King County. The program would evaluate the effectiveness of the ecosystem restoration and land protection projects completed and other salmon recovery efforts to determine if those investments improved habitat conditions and fish populations in King County watersheds over time. Currently, there is not a comprehensive program in WLRD to assess the return on these investments.

Programs that improve performance – best run government - \$1.7 million. This would provide fee discounts to low income property owners, provide grants for community projects, and improve data management in support of asset management.

Stormwater Mapping \$1,002,481(one-time), 9.0 TLTs
SWM has requested one-time funding of approximately \$1 million to extend 9 TLT Engineer I positions in order to continue collecting and updating stormwater right-of-way mapping inventory as part of the National Pollution Discharge Elimination System (NPDES) permit requirements. The NPDES requires the county to map a portion of its stormwater system by the end of 2017. The 9 TLT positions would end on 12/31/2017.

Cityworks Stormwater Information System \$349,214, 1 FTE
This request would add 1.0 FTE Engineer I to implement the Cityworks Information Management System. In addition, the appropriation includes KCIT support and the associated licensing fees needed for the new system.

Water Quality Grant Program \$250,000
This appropriation request would create a new program in SWM that would allow unincorporated King County residents to apply for grant funds in order to make water quality improvements through community-based projects and/or increasing community awareness. The program would be modeled similar to the Wastewater Treatment Division's (WTD) Waterworks Program which provides grants for water quality improvements in the WTD service areas. Eligible applicants of the Waterworks Program includes: non-profits groups, cities and counties, special purpose districts and tribes. The Executive did not transmit any legislation to create the program and WLRD has yet to develop program criteria.

Low-Income Discount Program \$50,000 expenditures, (\$200,000) revenue
This would create a discount program for low-income property owners in unincorporated King County in order to mitigate the impacts of a SWM rate increase. The new program would be administered by the Assessor's Office similar to SWM's current Low-Income Senior Exemption Program. Only residential properties are eligible for the low-income senior program. Council's legal counsel has not identified any issues with the creation of a low-income discount program for SWM fees.

2015-2016 unfunded carryover transfer for ROW drainage projects - \$2 million. This would provide \$2 million of one-time funding of the \$4 million 2015-2016 transfer.

Funding to mitigate impacts of fee increase for RSD - \$4,489,959. This would offset the cost of the increased SWM fee, if approved, to RSD for additional ROW drainage work.

Respond to imminent failure in ROW - \$0. This funding would have addressed some of the failed/failing drainage assets.

Table 5 below illustrates the SWM funding options that were provided in the proviso response (2016-0348) and the proposed SWM funding levels in the Executive's 2017-2018 Proposed Budget.

Table 5. Proviso Response Funding Options vs. 2017-2018 Proposed Funding

Rate Component	(A) 2016-0348 Proviso Response 2017-2018 Estimates (in millions)	(B) 2016-0348 Proviso Response 2017-2018 Annual fee for a SFR*	(C) 2017-2018 Executive Proposed (in millions)	(D) 2017-2018 Executive Proposed Annual Fee for SFR*
Existing services within existing rate	\$48.5	\$171.50	\$48.5	\$171.50
Inflation to maintain existing services	\$4.9	\$17.32	\$7.3 ¹	\$25.76
Implement asset management for WLRD assets	\$6.5	\$23.12	\$5.0	\$17.56
Expand programs to support agriculture and rural residents	\$2.3	\$8.02	\$2.2	\$7.91
Habitat restoration and water quality improvement capital program expansion	\$1.7	\$6.00	\$1.7	\$5.86
Programs that improve performance – best run government	\$2.5	\$8.67	\$1.7	\$5.83
<i>Sub-total for WLRD programs:</i>	\$66.4	\$234.63	\$66.4	\$234.42
2015-2016 unfunded carryover transfer for ROW drainage projects	\$2.0	\$7.07	\$2.0	\$7.08
Funding to mitigate impacts of fee increase for RSD	\$4.6	\$16.26	\$4.5	\$15.87
<i>Sub-total for WLRD programs & some funding for RSD:</i>	\$73.0	\$257.96	\$72.9	\$257.37
Respond to imminent failure in ROW	\$3.4	\$12.02	\$0	\$0
Total	\$76.4	\$269.98	\$72.9	\$257.37

¹ This figure also includes \$3.79 million of expenditures that are proposed to be supported by revenues other than the SWM fee - \$1.70 million from the General Fund and \$2.09 million from other revenues such as grants.

ANALYSIS

Council staff has identified two issues that the Council may wish to consider.

Funding to Respond to Imminent Failure in the ROW

The 2017-2018 proposed budget does not include a funding proposal to address drainage assets that are at-risk of imminent failure within the ROW. Executive staff estimated \$3.4 million in Table 5 – Column A, to respond to imminent failure of assets in the ROW.

SWM Rate Stabilization Reserve

In the proposed 2017-2018 SWM financial plan, the SWM rate stabilization reserve would be increased by \$2,954,877, if the fee increase is approved. The total rate

stabilization reserves for SWM would be \$3,981,908 for the 2017-2018 biennium and is projected to be \$3,790,392 for the 2019-2020 biennium. Executive staff indicates that the SWM fund does not have a reserve target. The King County Comprehensive Financial Policies, approved by Motion 14110, notes that:

“The size of any rate stabilization fund balance shall depend on a specific analysis and legal requirements.”

According to Executive staff, the rate stabilization reserve is accumulated to mitigate against future rate increases since the SWM program faces potential large revenue losses due to potential annexations in the future. Table 6 lists the potential annexation financial impacts in future biennia, if the proposed SWM fee is approved.

**Table 6. Future Annexation Financial Impacts
(\$258 SWM Fee)**

Area	Estimated Loss of Revenue
Sliver – 2017	(\$287,626)
North Highline – 2020	(\$1,930,219)
West Hill – 2020	(\$1,416,966)
East Federal Way – 2020	(\$1,865,095)
Roads Services Division	(\$801,312)

ATTACHMENTS

1. Proposed Ordinance 2016-0490
2. Transmittal Letter
3. Fiscal Note
4. 2017-2018 SWM Proposed Financial Plan

INVITED

1. Dwight Dively, Budget Director, Office of Performance, Strategy and Budget