

# SULTAN CITY COUNCIL

## AGENDA ITEM COVER SHEET

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ITEM NO: Action A 5

DATE: January 9, 2006

SUBJECT: Surface Water Utility

CONTACT PERSON(S): Deborah Knight, City Administrator  
Connie Dunn, Public Works Director  
Rick Cisar, Community Development Director

### SUMMARY:

This report is a general overview of the City's efforts to date to establish a surface water utility. The report also recommends a series of steps to create an enterprise fund and establish a surface water utility fee for each parcel of land in Sultan that is linked to the amount of surface water runoff that a parcel of property contributes to the City's surface water facilities.

### Statutory Authority

A surface water utility is essentially a special assessment district set up to generate funding specifically for surface water management. Users within the district pay a surface water fee, and the revenue generated directly supports maintenance and upgrade of existing storm drain systems; development of drainage plans, flood control measures, and water-quality programs; administrative costs; and sometimes construction of major capital improvements. Unlike a surface water program that draws on the general tax fund or uses property taxes for revenue, the people who benefit are the only ones who pay.

Surface water management within the City is governed by federal, state, regional, county and city laws including the Clean Water Act, Endangered Species Act, the Growth Management Act, Shoreline Management Act, State Environmental Policy Act, Stormwater Management Performance Standards, and Puget Sound Water Quality Action Plan.

There are a number of state statutes that pertain either directly or indirectly to the City's authority to form a surface water utility. One of the more broad based statutes pertains to municipal utilities in general and states that a code city may provide utility service within and outside its city limits and this includes the exercise of all powers to the extent authorized by law (RCW 35A.80.010).

### Establishing the Need

The City of Sultan is considering the establishment of a Surface Water Utility based on the recommendations in the 2002 *Surface Water Quality Management Plan*. The Plan consists of a review of the existing conditions that affect surface water flow and quality within the City to establish a basis for surface water quality management within the City.

The Plan was incorporated in the Comprehensive Plan in February 2006 by Ordinance No. 913-06 (Attachment A). Attachment B contains portions of the Plan as background information for this report. Copies of the Plan are available upon request.

The Plan recommended forming a Surface Water Utility to:

- Provide a stable source of funding to adequately operate and maintain the City's existing surface water facilities
- Create a source of funding that could be set aside in reserve for capital expansion, including upgrading the existing surface water facilities and constructing new surface water facilities which are identified as solutions to the surface water quality and quantity problems in the City.

Surface water facilities consist of catch basins, culverts, ditches, pipelines, retention/detention ponds and underground vaults. Most surface water is carried to the Skykomish and Sultan Rivers. Some of the water is conveyed through the Waste Water Treatment Plant.

Presently, the operation and maintenance of the City's existing surface water facilities is one of many functions of the Sultan Public Works Department. Currently, surface water management is financed through the Street, which receives the majority of its funding (\$231,893) from property taxes, motor vehicle excise taxes, and business and occupation taxes on electric utilities, and the Sewer Fund which funded the Water Quality Management Plan. The Street Fund is also used to support other public works functions such as street maintenance and repair.

The limited amount of funding that is allocated to the Sultan Public Works Department goes primarily toward street maintenance and leaves very little funding and staff resources to operate and maintain the City's surface water facilities. The 2002 Plan notes that previous budgeting activities have been "inadequate to meet the Puget Sound Water Quality Action Plan guidelines."

In 2005, the Council passed Resolution #05-30 (Attachment C) directing staff to proceed with the formation of a surface water utility to serve the City.

The formation of a surface water utility would create an enterprise fund specifically for managing surface water. Funding of the surface water utility will be geared toward establishing utility fees for each parcel of land in Sultan that is linked to the amount of surface water runoff that a parcel of property contributes to the City's surface water facilities. Staff will present funding alternatives to the City Council during the first quarter of 2007.

## Surface Water Utility Formation

City staff recommend forming the City of Sultan's Surface Water Utility through a phased process:

- Phase I - The adoption of the *Surface Water Quality Management Plan*. This is complete.
- Phase II (January 2007-March 2007) - An assessment of revenue sources for the major surface water utility functions centering around operations, maintenance and capital expansion. Some of this work was done in the 2002 Plan but must be updated for an analysis of current costs. The principal source of revenue will be user fees and this will entail a detailed analysis to determine an appropriate and equitable rate structure. This work has just started and should be complete by March.
- Phase III (February 2007-September 2007) - Public outreach including a public awareness/education program and public hearings. This work should begin in late January and early February, following Council direction, and continue until the Storm Water Utility is adopted and fees are established.
- Phase IV (April 2007-July 2007) – The formation of the utility which would be codified through the passage of the Surface Water Utility formation ordinance. This work would begin in April and should be complete by mid-summer.

This phase would be predicated upon the outcome of the previous phases. The City will need to have been successful in both making the public aware that there is a surface water need as well as successfully building support for the formation of a utility as the most optimal means to correct the surface water problems that currently exist and proactively address future problems.

Public hearings will be used to address any concerns that might not have been fully addressed during the awareness/education program, or to make any corrections to the cost of service and rate study.

- Phase V (June 2007-September 2007) – Establishing and initiating a surface water utility billing system. There are at least three potential billing systems: including the surface water utility charge with the annual property tax, using the City's existing utility billing system or creating a new billing system with software and hardware specifically for surface water with billings sent out on a monthly, quarterly or annual basis. This work would start June and be complete by September.

## FISCAL IMPACT:

### Subsidizing Surface Water Management

The *Surface Water Quality Management Plan* identifies conditions that require ongoing maintenance. The City currently maintains 3 detention ponds, 15 infiltration trenches, 592 inlets and 5 outlets. 2003 operations and maintenance costs were estimated at \$139,650 annually. Identified capital needs in 2002 were estimated to exceed \$1,000,000.

The total estimated costs for surface water operations and maintenance and capital improvements was approximately \$306,000 in 2002. The City will need to collect sufficient revenues to cover the cost of providing surface water services. The City's General and Sewer Funds are currently subsidizing the operations and maintenance costs of surface water facilities in the City of Sultan.

In 2007, the General Fund is estimated to collect approximately \$2 million. \$1,000,000 is budgeted for police services leaving approximately \$1,000,000 to provide city services such as street

maintenance, planning, building permit review, finance and legislative activities. Adopting a Surface Water Utility fee would make additional funds available for other necessary city activities.

Cost to Adopt a Surface Water Utility

The cost to adopt a surface water utility include the fee analysis work currently contracted with Shockey Brent. This work is budgeted at approximately \$10,000.

The proposed public education/awareness program consists of press releases, community workshop(s), flyers, discussions with interested citizen groups, and public hearings. The estimate for education/awareness is approximately \$1,500.

The cost of establishing a billing system is estimated between \$2,500 to use the City's existing billing system to \$20,000 for a separate system. These costs will be refined throughout the year and will be included in the overall cost of running the utility.

RECOMMENDED ACTION:

Review the materials presented and provide staff with any feedback regarding the proposed approach to adopting a surface water utility.

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COUNCIL ACTION:

DATE: