

**COUNCIL
AGENDA ITEM COVER SHEET**

ITEM: D-3

DATE: May 17, 2007

SUBJECT: Stormwater Utility Update

CONTACT PERSON: Connie Dunn, Public Works Director
Deborah Knight, City Administrator

SUMMARY:

The issue before the Council is an update on the Storm Water Utility. This is an opportunity for the Council to review the work completed to date, ask questions, and direct staff to areas of concern.

BACKGROUND:

The City is seeking to adopt a stormwater utility to address flooding, water quality, and riparian habitat needs within the City. A stormwater utility fee is used to finance stormwater operations, maintenance and capital improvements. It is a fee that customers pay to convey stormwater from their properties. The utility uses the amount of impervious surface on the property as the primary basis for the fee. The user fee system is a way to raise revenue for the program by charging those who directly contribute to stormwater. Attachment A is a Frequently Asked Questions summary of the Stormwater Utility and its benefits to the Sultan community

The utility fee raises the revenues needed to fund Sultan's stormwater management program. This program will bring the City into compliance with federal regulations and safeguards the community through improved drainage and protection of local waters.

The City has formed a Stormwater Utility Group to review alternatives and prepare a recommendation for the Planning Boards consideration. The Planning Board received an update in March on the Group's efforts.

The Stormwater Utility Group met on Tuesday, April 19, 2007. The purpose of the meeting was to:

1. Review the calculations for the ERU – The City of Sultan ERU is 4,519 square feet.
2. Review the Draft Stormwater Utility Rate Study report (Attachment B)

The next step is for the Group to review the sample ordinances and make recommendations for the City's draft ordinance to address issues such as:

- Rate policy
- Classification of property
- Properties exempt from services charges
- Credit potential
- Billing, service charges, rate adjustments and appeals

DISCUSSION:

The stormwater utility is made up of three components:

1. Calculation of Equivalent Residential Units (ERU)
2. Annual budget needed to accomplish stormwater functions within the City (e.g. maintenance, operations, capital improvements, public outreach, etc.)
3. Stormwater fee charged to for each ERU

Equivalent Residential Units

The Equivalent Residential Unit is the most prevalent method for calculating a stormwater rate. ERU's are used for the purpose of calculating the stormwater user's rate. An ERU represents the average square footage of impervious surface of a detached single-family residential property and is applied to commercial properties to calculate the commercial rate. The ERU is established by reviewing a representative sample of recorded data, maps, surveys or field measurement to obtain the average impervious area for a single-family lot. Non-residential properties are converted into ERUS based on the amount of impervious area on the property.

Each single family residential customer = 1 ERU

Each non-residential customer = n ERUs

When n = the property's impervious area divided by the average single-family parcel impervious area (x square feet)

For the City of Sultan, the calculated ERU is 4,519 square feet. Of the 14 jurisdictions examined in the phone survey for the study, Sultan's ERU was the second highest. This is largely due to the rural nature of residential properties and the number of barns and outbuildings.

The draft Stormwater Utility Rate Study includes a section Appendix B to the Study titled "Equivalent Residential Unit – City of Sultan Stormwater Utility". This section provides the detail on how the ERU was calculated for the City. Appendix C to the

Study details the impervious surface calculation for each commercial property. The small group is currently considering ERU calculations for multi-family properties.

All residential units are considered to be 1 ERU regardless of size. In Sultan, Commercial properties range from 1 ERU to 39.2 ERUs.

Annual Budget

Costs to operate a stormwater utility are broken down into two categories:

1. On-going costs or costs of conducting Operations and Maintenance, and for associated administrative costs for the stormwater system
2. One-time costs or capital improvements

The City currently maintains 3 detention ponds, 15 infiltration trenches, 592 inlets and 5 outlets. The proposed six-year budget is as follows.

Surfacewater Fund	2008	2009	2010	2011	2012	2013
# of full-time Equivelent employees	3	3	3	3	3	3
Salaries and Wages	\$ 209,300	\$ 216,626	\$ 224,207	\$ 232,055	\$ 240,177	\$ 248,583
Benefits	\$ 52,325	\$ 54,156	\$ 56,052	\$ 58,014	\$ 60,044	\$ 62,146
Operating Supplies	\$ 12,000	\$ 12,240	\$ 12,485	\$ 12,734	\$ 12,989	\$ 13,444
Other Services/charges	\$ 115,000	\$ 40,750	\$ 16,538	\$ 17,364	\$ 18,233	\$ 19,144
Intergovernment Services	\$ -	\$ -	\$ -	\$ -		\$ -
Capital Outlay	\$ 62,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 23,000
Debt Service Payment w/ Interest	\$ 29,631	\$ 29,631	\$ 29,631	\$ 29,631	\$ 29,631	\$ 29,631
Operating Transfer Out to Capital Improvement	<u>\$ 50,000</u>					
Total Surface Water Fund	<u>\$ 530,256</u>	<u>\$ 424,403</u>	<u>\$ 409,913</u>	<u>\$ 420,798</u>	<u>\$ 432,073</u>	<u>\$ 445,947</u>

The first year (2008) budget includes start up capital equipment costs such as a utility pick-up, computer, inspection equipment. Debt service payments are for a vactor truck street sweeper, and 2002 Water Quality Report. Pages 9 and 10 of the Utility Rate Study provide additional budget details.

Stormwater Fee

There are 1,246 residential structures on real property in Sultan. There are 920 commercial ERU's for a total of 2,241 ERUs in the city limits.

The annual cost for operations, maintenance, and capital improvements divided by the number of ERUs yields the total annual amount that must be charged per ERU to satisfy the needs of the utility. The required rate per ERU per month would be approximately \$12.35. The fee determination must take into account the increase in ERUs that happens every year due to development and annexations.

Implementing the Fee

Four options for stormwater fee implementation are presented in the draft report (below). The draft Study assumed that the budget for the Stormwater Utility would stay constant over the six-year planning period while the number of ERUs would increase. After reviewing the "constant" budget assumption, the Small Group directed staff to prepare an actual six-year budget (Attachment E). The draft budget shows increasing costs over the six-year period. The Small Group will consider developing another alternative where the Fee stays constant (e.g. \$12.35/month) over the six-year period to match the growing budget and additional ERUs.

- Fee Phasing Strategy- The numbers that change in this option are the number of ERUs (new houses, new businesses, etc.) due to development in the City and annexed Urban Growth Areas (UGAs). An estimated annual growth rate of 5% was assumed. Also, the monthly ERU fee was assumed to increase by 7% annually from its low introductory rate of \$8.50 per ERU per month. In 2013, using this assumption the rate would be \$12.76 per ERU per month.

Prior to 2010, costs will have to be supplemented by the Streets and Sewer Fund to compensate for the discrepancy caused by the low introductory rate. The total amount of supplemented funds will be \$229,960.24. After 2010, the rate will exceed costs and the utility will be able to pay back the Streets and Sewer Fund for a surplus of \$7,082.09 for anticipated Capital Improvements in the following year's budget. Attempts should be made to remain "revenue neutral" in subsequent years.

- Fee Phasing Strategy #2 - If the City were planning to implement a reducing fee for the entire billing period (until 2013) it would start at \$12.51 per ERU per month for the first year. This amount would cover all budged Operations and Maintenance costs and Capital Improvements scheduled for the year. With ERU

increases every year due to development and annexations, this fee could actually decrease as ERUs are added, if expenses stay the same. The fee in this example decreases from \$12.51 per ERU per month to \$9.21 per ERU per month in the year 2013.

- Flat Fee - Approximately \$95,700.66 would have to be borrowed from the Streets and Sewer Fund if the fee is \$10.62 per ERU per month. The utility would break even in 2010 and be able to repay the Streets and Sewer Fund by 2013 with \$1,224.60 left-over.
- No Fee - No implementation plan is necessary for this option. The Stormwater Utility fee would come out of the Streets and Sewer Fund with no increase to the stormwater level of service in the City.

ANAYLSIS:

The City of Sultan wishes to establish a stormwater utility. The separation of stormwater management functions and funding from other municipal utilities will enhance the City's ability to provide for Operations and Maintenance, and Capital Improvements associated with stormwater quality.

The Small Work Group is nearing the completion of its work. The Group has selected the ERU method of calculating stormwater fees. The analysis of the ERU for Sultan is complete. A draft 6-year budget for maintenance and operations is done. An approximate monthly fee is available for comment and review.

There are still policy issues that should be reviewed and decided upon prior to implementing the billing system. Issues of concern include:

- Billing of Schools
- Senior Citizen/Low Income Discounts
- Incentive for "Green Building" Discount
- Review of the City's Exempt Classifications
- Discounts for businesses with existing and maintained stormwater control.

As with all utilities, the actual process of billing must be decided. A variety of methods are employed by nearby jurisdictions that range from:

- Billing for stormwater with other utility billings.
- Billing annually or bi-annually with the County Tax Assessor bill.
- Billing separately using a variety of commercially available electronic billing systems.

The Council will have additional opportunities to review the work completed by the Small Work Group, ask questions, and direct staff to areas of concern. The schedule to review and adopt a Stormwater Utility is as follows:

- Planning Board update on fee report- 5/1
- Planning Board update on ordinance and fee - 5/15
- Update to City Council subcommittee - 5/17
- Planning Board Public Hearing and discussion - 6/5
- Discussion (update) with City Council - 6/14
- Planning Board recommendation to Council - 6/19
- Final Draft Report recommendation to Council
- City Council Action to adopt ordinance and fee - 6/28
- Final Report

ATTACHMENTS:

- A. Frequently Asked Questions
- B. Draft Stormwater Utility Rate Study report

**City of Sultan
Municipal Stormwater Utility (2007)**

Frequently Asked Questions



Under normal circumstances stormwater flow impounds in wetlands, depressions, ponds and puddles and soaks into the water table slowly. This process allows toxins and pollutants in the water to filter out in the soil, lessening the impact of the stormwater on our aquatic resources and our private well systems. This process also slows the volume of water that goes into our streams during a rain event, reducing flooding.

Increased development and impervious (paved) surfaces in populated areas causes stormwater to flow rapidly from the impervious surfaces into streams, lakes and marine waterways. The stormwater carries pollutants and causes long-term damage to our salmon and other aquatic life. Rapid stormwater flows increases the water volume in streams to the point of flooding.

As the population of Sultan grows, so do its impervious surfaces and the need for stormwater infrastructure improvements to handle the additional run off.

In the future, when Sultan's population reaches a certain level, the State will require the city to comply with the NPDES¹ permit program, which dictates that cities and counties develop stormwater quality management programs.

EPA regulation (40CFR 122.34) requires permitted cities at a minimum to develop, implement, and enforce a stormwater program designed to reduce the discharge of pollutants from the city to the maximum extent practicable. The stormwater management program must include these six minimum control measures:

¹ National Pollution Discharge Elimination System

1. Public education and outreach on stormwater impacts
2. Public involvement/participation
3. Illicit discharge detection and elimination
4. Construction site stormwater runoff control
5. Post-construction stormwater management in new development and redevelopment
6. Pollution prevention/good housekeeping for municipal operations

As a proactive approach to the state requirement Sultan is establishing a stormwater utility to manage stormwater infrastructure now, lessening the cost of compliance and the costs of flooding and poor water quality in the future!

1. What is a stormwater utility?

A stormwater utility is an enterprise fund that provides stable funding for stormwater operations and capital projects within a jurisdiction. The existence of a stormwater utility will allow the City of Sultan to charge a stormwater utility fee and use that money exclusively for stormwater management, including maintenance and improvements.

2. What are the benefits of proper stormwater management?

Managing stormwater properly reduces flooding on your property, reduces water pollution and reduces road erosion due to improper drainage.

3. What is a stormwater utility fee?

A stormwater utility fee is used to finance stormwater utility operations, maintenance and capital improvements. It is a fee customers pay to convey stormwater from their properties. It is very much like a water or sewer fee. The stormwater fee is user based and dependent on the contribution to the stormwater system of a property.

4. Who will pay the city's stormwater utility fee?

Every parcel owner in the City of Sultan is responsible for paying a stormwater utility fee including the City of Sultan. Some properties such as state and federal government parcels, public institutions, undeveloped parcels, parcels returned to their natural state, and Washington State Department of Transportation roads may be exempt from the fee.

5. Is there anything I can do to reduce my stormwater bill?

Yes, a credit system exists for qualified, properly designed, installed and maintained water quality Best Management Practices (BMPs). This credit is only available to non-residential properties. Residential properties are not eligible for fee reductions because they typically only have a small amount of impervious surface, they pay only a small fee when compared to non-residential properties.

6. What will my stormwater utility fee be used for?

Your stormwater fee will be used to maintain existing stormwater infrastructure, build new infrastructure in areas that experience frequent flooding and to fund educational outreach programs and any future state required water quality studies.

7. If I live in an area that does not have any drainage problems, or live on the edge of the City and water drains on my property away from streets and the public drainage structure, or live at the bottom of a hill and my property is not the cause of increased flooding from uphill, why would I have to pay for stormwater services?

Impervious surface on your parcel places a certain demand on the stormwater system. Stormwater runoff generated by any property must be controlled and conveyed once it leaves the property so that it does not create problems for others. While certain projects funded by the program would address drainage problems on private properties, all property owners would receive indirect benefits from a properly maintained and city operated stormwater system.

Stormwater management activities have broad benefits including keeping the public streets drained and cleared, making necessary stormwater infrastructure upgrades, reducing erosion and other pollutants that enter streams and lakes, protecting and restoring streams and other aquatic habitat areas and collecting and conveying stormwater safely through all parts of the City. A portion of the fee also provides for compliance with federal, state, and local regulations for water quality improvements; administration of the City's land use ordinances through development review; public involvement and educational programs; and responding to public health and safety issues that benefit all property owners.

8. Doesn't rainwater dilute polluted wastewater? And isn't it diluted further by the water in its final destination point?

Yes, it's diluted, but there are several reasons why this is still undesirable. We have laws to prevent even diluted wastewater from being discharged into our surface waters because it poses an immediate threat to public health. Although concentrations may be diluted, the overall load of disease causing

microorganisms and other chemical pollutants (such as nutrients, sediments, organic matter and toxic contaminants) is enormous.

9. How does the volume of rainwater runoff affect the streams?

It is not only the quality of stormwater runoff that can degrade streams but also the amount of water. In an undeveloped watershed with entirely natural vegetative cover, most rainfall and snowmelt can soak into the soil before entering the streams. When this happens the increase in flow is much more gradual than in a watershed with lots of hard, impervious surfaces such as roofs, roads and pavement. When water gets into the streams too quickly, the water volume increases rapidly, which results in higher stream velocities. High stream velocities lead to stream bank erosion and the potential for flooding.

10. What about if I live on a large piece of land; doesn't the water just filter into the ground?

The answer depends on many things. It depends on what has been done to the land, how your lawn and buildings are situated on the land, and where the runoff from those developed areas goes. Lawn allows very little rainwater to infiltrate, compared to the natural landscape. If most of your land is grass, there is more water running off those areas. Recently logged areas (less than 10 years ago) produce more runoff. Impervious surfaces result in major increases in runoff. If water from these areas can be directed through natural areas such as forested areas, meadows, or rain gardens, much of it will likely soak into the ground before reaching a stream and causing problems. Even then, during large storm events when erosion problems are worst, any reduction in infiltration anywhere in the watershed can cause harmful increases in runoff to your local stream.

11. Why should I pay the Stormwater Service Charge if flooding still occurs in my neighborhood?

Unfortunately, it is not feasible to fix all of the problems with the public drainage system all at one time. It may be necessary to complete downstream drainage system improvements before it is feasible to address upstream concerns. Spreading out the cost of system improvements in a particular area to all users in the city keeps the cost as low as possible.

Even if a project doesn't provide direct benefits to your neighborhood, you will likely derive indirect benefits from the project, including improved water quality, improved salmon habitat and better road conditions.