

Status Report on Consolidation of SWM Utility Districts

March 2021



Snohomish County

**Conservation &
Natural Resources**
Surface Water Management

Introduction

In 2016, Snohomish County Surface Water Management (SWM) developed a phased plan to address the financial challenges it was experiencing. The first phase of the plan involved seeking out operational efficiencies and other methods to reduce expenditures, such as through the Executive's Continuous Improvement Initiative. One of the biggest opportunities identified to improve efficiency was the proposal in 2017 to consolidate SWM's three separate utility districts: (1) the South County Watershed Management Area (WMA), (2) the Snohomish WMA, and (3) the Clean Water District. Figure 1 shows the boundaries of these three former utility districts.

In 2017, the County Council approved Ordinance 17-020 to consolidate the three service district areas into a single countywide district. The two reporting requirements below were added to code in SCC25.05.045 at that time:

- (1) To promote transparency in the allocation of resources, the director shall prepare and submit an annual report to the county council that accounts for revenue and expenditures county-wide and by council district.
- (2) The director shall report to the county council during the first quarter of 2021 concerning an analysis of the options to continue one utility district or re-establish three separate service areas. (Added by Amended Ord. 17-020, July 5, 2017, Eff date July 21, 2017).

To address the first reporting requirement, SWM has previously submitted three annual revenue and expenditure reports to Council for budget years 2017, 2018, and 2019. SWM has also just completed and is submitting the 2020 annual report. These reports have shown that SWM's revenues and expenditures fluctuate from year to year in each council district, but over the four years (2017 – 2020), the amount of SWM expenditures in each council district equals or exceeds the amount of SWM utility funds collected. The reports also show how SWM leverages other funding sources, such as Real Estate Excise Tax (REET), Road Fund, grants and other shared costs, to maximize services within its service area.

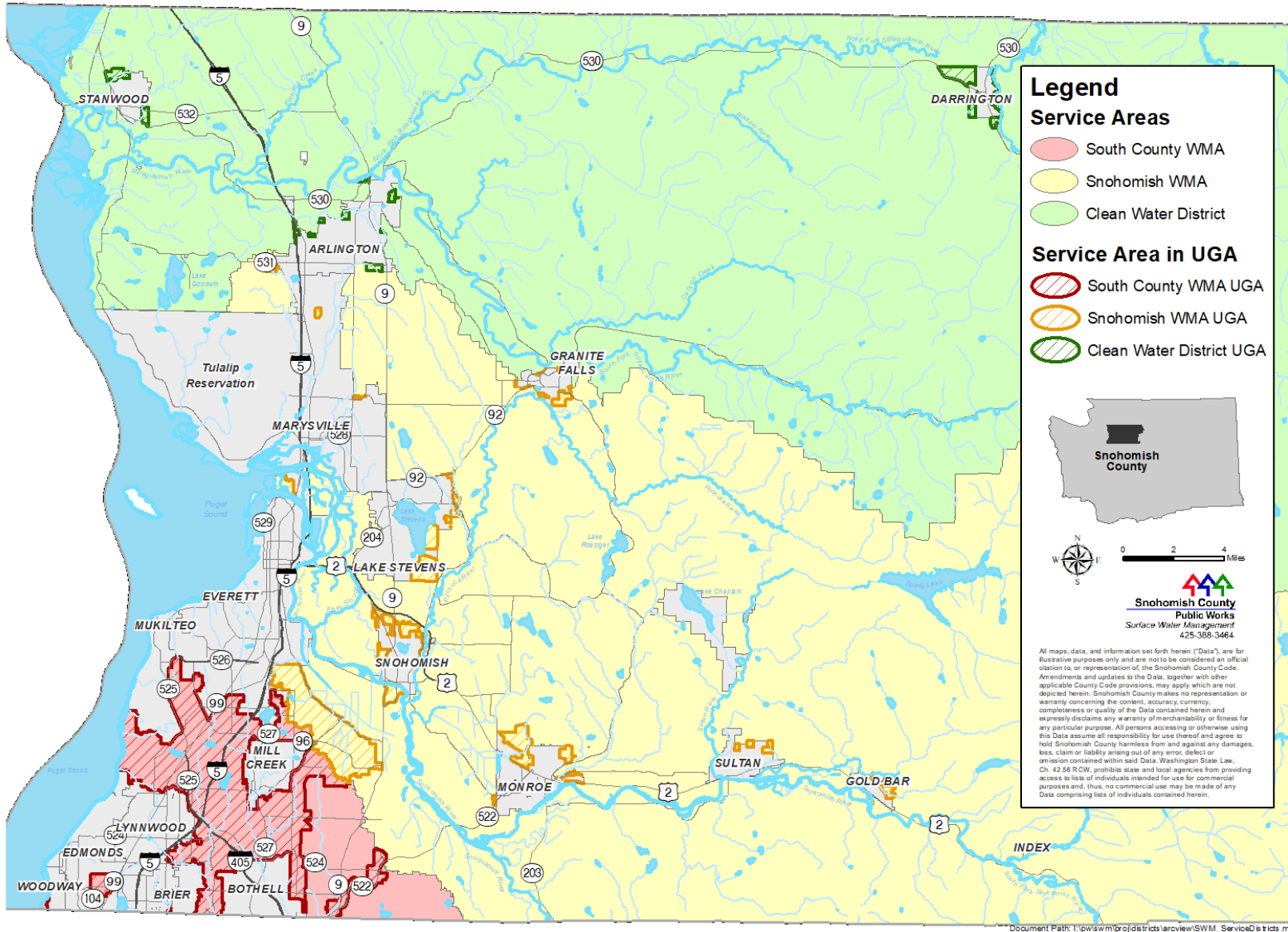
This report is being submitted to meet the requirements of the second reporting requirement stated in SCC 25.05.045(2).

Based on the information presented to Council in 2017, SWM had identified four primary benefits of consolidating SWM's utility districts:

- Reduce costs
- Make the SWM budget more transparent
- Provide flexibility to address emerging priorities
- Provide more equitable levels of service

This report will provide a brief history of SWM's utility districts, an analysis of SWM's ability to achieve the above goals, and a conclusion as to the efficacy of the single district model.

Figure 1. Three Former Surface Water Management Service Districts prior to 2017 consolidation



Background

History of SWM's Utility Districts

In 1981, the Council created a countywide storm and surface water division as a single countywide district. Since the inception of SWM, the Council has enacted numerous ordinances or other actions to define or revise SWM's scope, service area and rates.

In 1987, Council enacted Title 25 under the authority of RCW 36.89. At that time, the Council more narrowly defined the scope of SWM services and limited its service area to specific areas called Watershed Management Areas (WMAs). This action established the first WMAs in the Chase Lake/Lake Ballinger, Swamp Creek, and the Puget Sound Tributaries in 1988. Between 1989 and 1992, six additional WMAs were created in different areas of the county. In 1993, the Lower Stillaguamish River Clean Water District (CWD) was established in county code as Title 25A under the authority of both RCW 36.89 and RCW 90.72. This new district was adopted by Council to provide a broader set of services than in the previous individual WMAs.

In 1996, Council adopted a motion that directed SWM to expend funds and organize its programs on the basis of three districts: (1) the South County WMA, (2) the Snohomish WMA, and (3) the Stillaguamish River CWD. This required SWM to track its programs, revenues and expenditures by three geographic areas rather than by each individual WMA. In 2003, the original set of smaller WMAs were consolidated within the three larger districts. Although the three districts covered most of the unincorporated areas, they did not cover the entire unincorporated area of the county until 2015, with the exception of tribal lands, which are still not included.

At the conclusion of SWM's Drainage Needs Report, in 2002, Council adopted a surcharge on surface water charges within the unincorporated urban growth areas (UGAs) of the southwest portion of the county. That surcharge started in 2003. The UGA surcharge was expanded in 2004 to include all the unincorporated UGAs in the county, which are shown in Figure 1. These additional surcharge revenues were primarily intended for SWM to implement drainage improvements within the UGAs. The result is that SWM not only managed revenues and expenditures by the three WMAs, but also by the UGA areas within each WMA. This resulted in a total of six areas in which SWM tracked revenues and expenditures:

- South County WMA
- Snohomish WMA
- Stillaguamish CWD
- UGAs within South County WMA
- UGAs within Snohomish WMA
- UGAs within Stillaguamish CWD

The need to track revenues and expenditures for these six areas created certain challenges. Some SWM services, such as drainage complaints and infrastructure work, occur at geographically discrete locations and are therefore more straightforward to budget and implement within the districts. However, many of SWM's programs require countywide implementation or have countywide benefits and therefore required additional time to budget and track expenditures across the multiple districts. When preparing the SWM budget, project managers and fiscal staff had to determine how to split SWM revenue and expenditures for all projects that covered multiple districts. In general, the system was inefficient and time consuming.

In addition, due to funding shortfalls and geographically restricted service charges, fully implementing SWM’s mission proved challenging. Areas with low revenue or areas with a project requiring a significant investment may not have been provided equal or similar levels of service due to the amount of revenues collected within that particular district.

In 2015, Council adopted an ordinance that expanded SWM’s three utility districts to include all unincorporated areas outside of tribal reservations and other tribal trust properties.

Background of District Consolidation Proposal

In 2016, SWM developed a plan to address the financial challenges it was experiencing. The first stage of the plan involved looking for operational efficiencies and other methods to reduce its expenditures. The second stage involved the development of a business plan in 2018 ([here](#)) to review its core services and evaluate potential funding options.

In 2016, SWM was also struggling to carry out the organization’s mission due at least in part to the geographically restricted revenues. SWM maintained service levels and addressed new requirements of the NPDES permit partly by utilizing its fund balance, but the continued use of fund balance was determined to be unsustainable. SWM began looking for efficiencies and other ways to reduce its expenditures, such as implementing a new database (called Cartegraph) in Public Works to track maintenance and other activities, and reducing the number of vehicles assigned to SWM. One of the most significant efficiencies SWM identified was a proposal to consolidate SWM’s three utility districts into a single district.

As part of the consolidation proposal, SWM contacted similar organizations to determine how other utilities in the region define their utility district or service area. As indicated in Table 1, surface water utilities within Snohomish County and jurisdictions throughout the region primarily operate only a single district.

Table 1. Regional Utility Structure

Jurisdiction Utility	Management Areas	Governing Board
King County Surface Water Management	One Area	County Council
Pierce County Surface Water Management	One Area	County Council
Skagit County Drainage Utility	One Area	Board of Commissioners
Kitsap County Public Utilities	One Area	Board of Commissioners
Whatcom County	Two Areas	Citizen Advisory Committee and County Council
Clark County	One Area	County Council
City of Everett Utility Service	One Area	City Council
City of Seattle	One Area	City Council
Snohomish County PUD	One Area	Board of Commissioners
Alderwood Water and Wastewater District	One Area	Board of Commissioners
Snohomish County Conservation District	One Area	Board of Supervisors

The following goals for consolidating SWM's three previous districts into a single countywide district were presented to Council in 2017:

- reduced administrative costs
- more transparent (simpler) SWM budget
- greater flexibility to address emerging priorities
- providing more equitable levels of service

In 2017, Council approved an ordinance that revised Title 25 and eliminated Title 25A, thus consolidating SWM's three utility districts into a single district.

Benefits of Consolidation

Each of the four goals or benefits of consolidating SWM's former utility districts into one countywide district are evaluated below based on what has occurred since the code was revised in 2017.

Reduced Administrative Costs

SWM's previous structure of using three utility districts, as well as an urban growth area (UGA) surcharge in each district, required SWM to budget and track finances and work in multiple areas independently. As a result, SWM was required to track revenues and expenditures for a total of six geographic areas:

- the three utility districts for base surface water charges
- inside of UGAs only for the surcharge revenues in each district

When preparing the SWM budget, project managers and fiscal staff had to determine how to split SWM revenues based on the geographic location(s) of each project. For countywide projects, the allocation of revenues for a project was based on the percentage each of the districts contributed to the total amount of revenue collected by SWM. The actual percentage used to budget for each district changed from year to year because the percentages were based on annual revenue projections. The end of year financial reconciliation, likewise, had to be reviewed and expenses allocated to the six areas. SWM also tracked separate fund balances for each of the six areas described above.

The consolidation of the districts, combined with the later elimination of the UGA surcharges, enabled SWM to now track revenues and expenditures for just one countywide utility district, which is a significant improvement. The staff time saved through this efficiency is now used to provide more direct services to the public.

More Transparent SWM Budget

Consolidation of SWM's three previous utility districts included a reporting requirement to Council outlining the work SWM accomplished in the previous year and the revenue and expenditures by council district. This annual report has provided more transparency about SWM programs and expenditures for the entire service area to both Council and the Executive.

This annual report has also demonstrated that, as expected, there are fluctuations from year to year in terms of expenditures within each council district. One of the biggest factors that influence these fluctuations is the implementation of large capital projects. For example, the construction of the Smith Island Project, largely with grant funds, caused a significant short-term increase in expenditures in Council District 2 in 2017. Similarly, the large flood reduction project at Ash and Maple, in partnership with the City of Lynnwood, caused an increase in expenditures in Council District 3 in 2018.

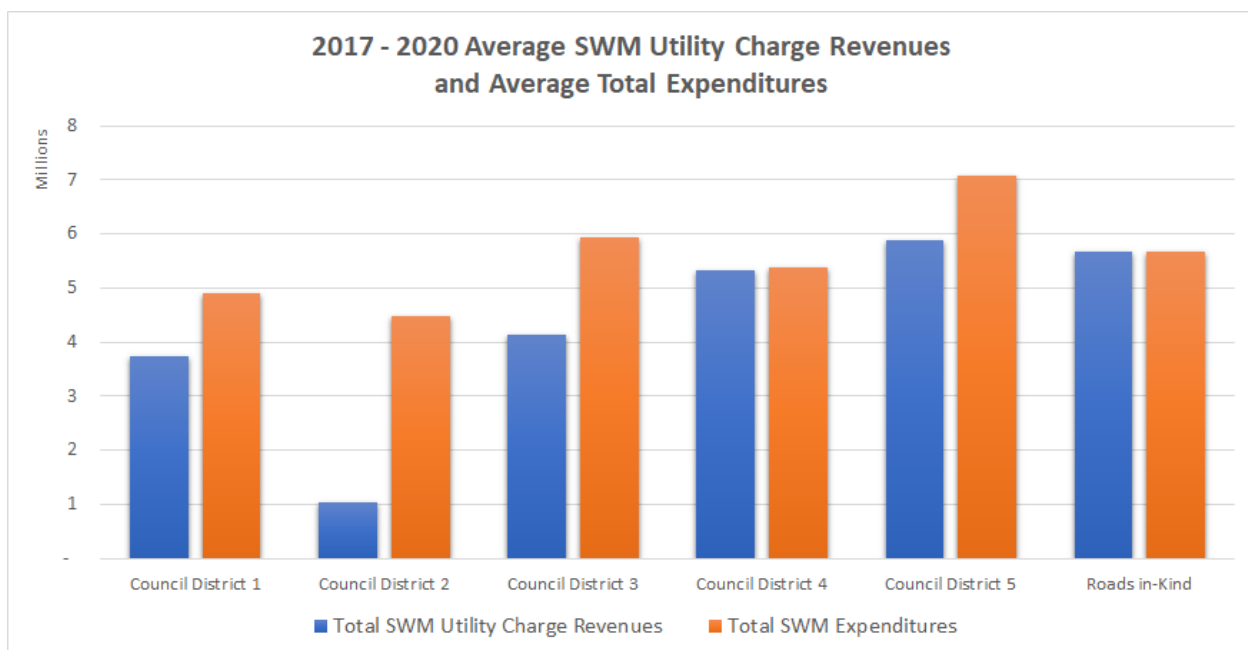
When revenues and expenditures are averaged out over multiple years, these fluctuations balance out. Since the annual reporting first began, SWM has reported revenues and expenditures in each council district for the previous calendar year as well as the average of previous years that were available. The current annual report for 2020 includes the average revenues and expenditures in each council district for the past four years from 2017 through 2020.

These annual reports document that total expenditures within each council district have exceeded the amount of surface water utility funds collected from property owners within each council district. As indicated in Table 2 and Figure 2 below, the average expenditures for the four years since the consolidation, 2017-2020, show that expenditures in each of the council districts have equaled or exceeded the SWM utility funds collected in each district. In Council District 4, SWM has spent an equivalent amount to what was collected over the four-year period. SWM has started planning additional projects in Council District 4 in the coming years.

Table 2. Four Year Average of SWM Revenues and Expenditures

	Council District 1	Council District 2	Council District 3	Council District 4	Council District 5	Roads in-Kind
Average Revenue from SWM Service Charges 2017 - 2020	\$ 3,734,607	\$ 1,047,292	\$ 4,122,391	\$ 5,336,146	\$ 5,877,782	\$ 5,672,955
Average Total Expenditures 2017 - 2020	\$ 4,902,905	\$ 4,480,295	\$ 5,929,211	\$ 5,379,876	\$ 7,075,488	\$ 5,672,955

Figure 3. Four Year Average of SWM Revenues and Expenditures



Prior to the consolidation of its districts, SWM managed two advisory committees that provided advisory reports to Council: the Stillaguamish Clean Water District (CWD) Advisory Board and the Marine Resources Advisory Committee. As part of the consolidation process, the Stillaguamish CWD Advisory Board was dissolved. This was primarily done as a cost savings measure since SWM typically spent between \$30,000 to \$40,000 each year to manage the board, primarily in staff costs.

Since then, SWM has sought other, more effective and less costly ways of engaging with and informing ratepayers and stakeholders about SWM's services and budget. For example, while developing the SWM Utility Business Plan ([here](#)) that was delivered to Council in 2018, SWM formed an ad hoc advisory panel to review SWM's services and budget and to provide recommendations for the business plan. The advisory panel consisted of stakeholders representing multiple interest groups (tribal, agriculture, business and environmental groups) as well as property owners within the county. Over the course of roughly six months, that panel produced an independent report ([here](#)) that was also delivered to Council.

As part of developing the SWM Utility Business Plan, SWM also engaged with SWM ratepayers to solicit their input. SWM sent a notification to all property owners in the utility district, inviting them to participate in an online survey. Over 5,100 property owners completed the survey. The results of the survey were then compiled into a report ([here](#)) that was provided and summarized in briefings to Council. In addition, SWM held several public meetings throughout the county to solicit additional input from ratepayers.

The results of that online survey showed that more than 70 percent of survey respondents indicated that SWM services are "very" or "extremely" important to them. Survey respondents indicated the strongest support for repairing and replacing aging stormwater infrastructure, with 64 percent indicating that SWM should do more work in this area. In addition, 80 percent of respondents favored SWM maintaining and increasing work related to improving public safety and water quality. In general, about half of all respondents indicated they wanted SWM to do more work in each service area, with less than 10 percent indicating the opposite.

In addition, SWM informs ratepayers and stakeholders about its services and budget through an annual Surface Water Management Highlights brochure ([2019 & 2020](#)) and a quarterly emailed Surface Water Management Utility Newsletter. The newsletter started in 2019 and is emailed to over 5,200 recipients, all of whom signed up to receive information from SWM. The excerpt below from the most recent

Excerpt from Winter 2020/2021 SWM Newsletter

SWM Capital Projects Completed in 2020 Improve Drainage and Infrastructure

SWM worked with other Public Works divisions to construct 15 projects in 2020 at a total construction cost of \$2.34 million. Six projects were completed by contract construction and nine were constructed by Road Maintenance. This includes:

- 4 neighborhood drainage improvements projects to address local flooding issues
- 8 failing culvert replacement projects
- 2 water quality / low impact development (LID) projects
- 1 project that replaced 5 driveway culverts to address fish passage and flooding issues on Connors Road

At [Logan Park](#), an LID project replaced the asphalt parking lot with pervious concrete pavement. At [Meadow Creek Park](#), the Carter Road stormwater facility was rebuilt to improve water quality.

Winter 2020/2021 email newsletter demonstrates SWM's ongoing efforts to show ratepayers and stakeholders the services being provided to them and the investments being made.

Finally, during the formation of the Department of Conservation and Natural Resources, outreach was conducted with stakeholders and the public in late 2020 and early 2021. Input regarding the new department's mission and vision was gathered via an online survey completed by over 100 stakeholders as well as via online workshops. The public was informed about the formation of the department through the SWM newsletter and social media posts (Facebook, NextDoor and Twitter) that directed people to a new web page for the department.

Greater Flexibility to Address Emerging Priorities

SWM is a division built on flexibility of implementing new priorities from programs such as NPDES and salmon recovery to road flooding and water quality problems. However, the use of three utility districts, together with a separate UGA surcharge, limited SWM's ability to easily address certain types of priorities quickly, especially within a single budget cycle. If revenues in a given utility district were insufficient to support an emerging priority, then the priority was delayed pending sufficient funds being saved to address that priority. The drainage project at Ash and Maple is an example of a delayed priority because a certain amount of UGA surcharge revenues in the South County WMA had to be set aside (or saved) for multiple years in order to fund the project. Consolidation into a single utility allows SWM to address priorities in specific areas more quickly and balance out the services across the county over multiple years.

Providing More Equitable Levels of Service

Budget

Over the last four years, SWM has summarized and reported its revenue and expenditures by council district to demonstrate equitable levels of expenditures compared to the revenues collected within each district. Table 2 illustrates that SWM's average expenditures from 2017 to 2020 in each council district were equal to or greater than the average surface water revenues collected in each district over that same period. In Council District 4, SWM has spent an equivalent amount to what was collected. SWM has started planning additional projects in Council District 4 in the coming years. Also, in many cases, SWM leveraged its surface water revenues with other funding sources such as REET, grants, road fund, and other revenues to maximize services within its service area.

Due to SWM's strong working relationships with other county departments and divisions, the benefits to ratepayers from SWM revenues and services are not always captured in illustrations like Table 2. For instance, in 2019 SWM applied for and acquired a two-million-dollar grant to purchase four high-efficiency street sweepers for the Road Maintenance Division to meet an NPDES requirement. SWM worked with Road Maintenance staff to develop an enhanced maintenance plan for these sweepers which will provide the greatest potential water quality benefit. This pilot program is scheduled to begin sweeping in the Spring 2021, with most of the sweeping occurring in District 4. SWM estimates this program will provide over a 200 percent increase in the amount of sediment, copper and zinc picked up from roadways compared to the current sweeping program. Since this work resides with the Road Maintenance Division budget, much of the two-million-dollar grant for the purchase of the street sweepers are not included in Table 2.

Services

As previously mentioned, consolidation of the utility districts has given SWM additional flexibility to provide the same level of service throughout the entire county for certain high priority programs, such

as NPDES, drainage, water quality and salmon recovery programs. Without this flexibility, SWM would not always be able to provide the same level of service to areas in which less revenue is collected.

Consolidation has made it easier for SWM to balance resources to address council and ratepayer priorities, as well as to address underserved populations within its service area. As environmental or safety issues arise around its service area, SWM is now able to more easily direct short-term funds to areas that historically have lower revenues, but not reduced needs.

The issue of underserved populations has recently arisen in a new NPDES permit condition. In 2020, SWM was required to begin developing tools to identify overburdened communities. In 2021 and beyond, SWM will use this data to determine how its NPDES-required outreach programs can ensure all members of the community have an equitable opportunity to provide input. SWM also plans to look more holistically at all programs through this social justice lens.

Conclusion

Based on the information provided in this report, the current approach of using a single countywide district for SWM has distinct advantages to the previous model of operating multiple service districts. As discussed above, these advantages include reduced administrative costs, a more transparent SWM budget, greater flexibility to address emerging priorities, and the ability to provide more equitable levels of service. SWM has also demonstrated, through annual reports to Council, that SWM's average expenditures from 2017 to 2020 in each council district were equal to or greater than the average surface water revenues collected in each district. Finally, this approach of using a single utility district is consistent with the practice used by other stormwater utilities throughout this region.