



2009
STORMWATER UTILITY
ANNUAL REPORT
April 2, 2010

Background

This annual report is being submitted in accordance with Section 13.26.120 of the Milton Municipal Code which requires that by April 1st for the preceding calendar year, “The director [of public works] shall conduct an annual review of the utility’s operations, the total costs of operation and maintenance of the stormwater retention, detention, collection and conveyance systems, and the schedule of rates and charges. The director shall submit an annual report to the mayor and city council...summarizing the review and containing any recommendations for rate adjustments...”

2009 Financial Results

Based on the 4th Quarter Financial report for 2009, the Stormwater Utility operating fund revenues were \$728,420 or 102% of the adopted 2009 budget. The operating expenditures for 2009 as of the end of the year were \$379,137 or 62% of the budgeted operating expenses. This discrepancy is primarily due to the vacant Stormwater and Water Compliance Inspector position. The Stormwater Utility Operating Fund ended the 2009 year with an ending fund balance of \$772,579 – an increase of \$207,005 over the 2008 ending fund balance.

2010 Financial Outlook

According to the approved 2010 budget, the Stormwater Utility has on-going anticipated revenues of \$791,000 and on-going anticipated expenses of \$680,837 which includes two transfers: \$131,000 to the Stormwater Capital Fund as required by Ordinance 1656-05, and \$114,685 to the General Fund to cover shared costs.

Stormwater Comprehensive Plan – Capital Improvement Program

The stormwater Capital Improvement Program (CIP) is a component of the Stormwater Comprehensive Plan, of which the last update was adopted in 2005. The CIP in that document identified 11 capital improvement projects that were needed to prevent recurring flooding threats in the City. During Council’s discussion of the 2006 Stormwater Utility Annual report and the subsequent public hearing for the recommended rate increase, there were a number of negative comments by the public regarding the projects identified in the CIP in the Stormwater Comprehensive Plan. In addition, the Public Works Department had received several complaints about stormwater problems – problems that are best resolved permanently through a large capital improvement project. Consequently, the 2007 Stormwater Utility Annual Report recommended a re-evaluation of the CIP.

On May 19, 2008, the City Council approved the expenditure of \$15,655 to contract with Gray & Osborne to update the stormwater Capital Improvement Program. The intent of the CIP update is to re-examine the City's stormwater concerns, including both historical flooding data and more current stormwater issues. The goal of the re-evaluation is to revise the Capital Improvement Program of the Stormwater Comprehensive Plan and to develop a schedule for implementation including accurate construction costs and any necessary stormwater rate adjustments.

The stormwater CIP update is complete. The results of the update are ready to present to the City Council in the near future.

2009 Capital Improvements

Although no stormwater capital improvement projects were constructed in 2009, an interfund transfer of \$177,929 was made from the Stormwater Utility Capital Fund to the Capital Improvement Fund. \$91,000 of this allocation was due to the anticipated expense of the stormwater components included in the Milton Way Sidewalks (11th to 15th) project, which is currently in the design phase. The remaining \$86,929 of the interfund transfer was to account for the cost of the 7th Avenue Repair, the cause of which was determined to be a stormwater control problem. Based on the 4th Quarter Financial Report for 2009, the Stormwater Utility Capital Funded ended the 2009 year with an ending fund balance of \$179,760.

2010 Capital Improvement Outlook

Although a portion of the stormwater fees are allocated to capital improvements, the costs of these projects limit the City to only one stormwater capital improvement project every 4-5 years.

The 2010 adopted budget includes an anticipated expenditure of \$137,000 for the Kent Street Detention Pond, which is identified as a high priority in the current Stormwater Comprehensive Plan Capital Improvement Program. However, this is a "place-holder" as the project is dependent on resolution of other stormwater issues within the City. No action will be taken on this project until the stormwater CIP update is reviewed and adopted by Council.

NPDES

In 2006, the Public Works Department established the position of Storm and Water Compliance Inspector and began the process of ensuring that all development in the City of Milton complies with the 2005 Department of Ecology Stormwater Manual for Western Washington. The City of Milton's National Pollution Discharge Elimination System Phase II (NPDES) permit was officially issued on January 17, 2007.

Early in 2008, the Stormwater Compliance Inspector position became vacant and remained unfilled for the remainder of 2008 and all of 2009.

Grants / Loans

In past versions of stormwater Capital Improvement Programs, all projects identified were intended to improve flooding and potential overflow conditions. The same is likely to be the case for the updated CIP as well. Due to the lack of water quality components in the City's stormwater projects, it is unlikely that any of the identified capital improvement projects would be awarded grant funding. The City of Milton will have to fund these stormwater capital improvement projects through a combination of utility rate increases and Public Works Trust Fund Loans.

The City was previously making payments on a Public Works Trust Fund Loan that was obtained in 2004 to assist in financing the Stormwater Comprehensive Plan Update. The loan of \$71,904 was paid off at the end of 2009, and no further loan payments are budgeted at this time.

In December of 2009, the City received a \$50,000 grant from the Department of Ecology to assist with implementation of the City's NPDES permit. These funds will be utilized in 2010 for education and outreach programs, purchasing equipment for stormwater monitoring, and modeling new stormwater regulations, among other things.

Stormwater Rates

In June of 2007, the City Council approved raising the stormwater rates from \$12.75 to \$15.50 per Equivalent Service Unit (ESU). The increase of \$2.50 per ESU balanced ongoing revenues and expenses, while also providing an additional \$0.50 per ESU for capital project funding. No further rate increases have been recommended since that time.

Inflationary increases in on-going expenses have been offset in the short term by increases in revenues resulting from development as well as the vacant Storm and Water Compliance Inspector position. Although a temporary situation, and not expected to last forever, the result has been a static stormwater rate with no increases necessary for the past 30 months.

Recommendations

The increase in stormwater rates in 2007 balanced revenues and expenses for that year as well as for 2008 and 2009. The adopted 2010 budget again shows a surplus at the end of the year, which indicates a healthy utility fund. No stormwater fee increase is recommended at this time.

After presentation of the results of the updated stormwater Capital Improvement Program, staff will review the financial needs of this utility and make rate recommendations as part of the budget process.