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…”

2013 Financial Results
Based on the Fourth Quarter Financial Report for 2013 (presented to Council at its March 17, 2014 meeting), the Stormwater Utility operating fund revenues were $725,293 or 98% of the amended budget. The operating expenditures were $559,911 or 77% of the amended budget. Operating revenues exceeded operating expenditures by $165,382. An operating transfer-out totaling $140,168 was made to the Storm/Capital Fund and additional transfers of $6,269 were made to the Vehicle Repair & Maintenance Fund for vehicle/equipment repair. The purchase of a Vactor Truck was completed during the second quarter, requiring the expenditure of $138,634 with the remainder being financed over three years. Total expenditures for the Storm Water Fund were $941,854 and the 2013 ending fund balance is $838,283 which includes $181,825 designated as Reserved Fund Balance per City Ordinance (25% of current year operating expenditures).

The Stormwater Capital Fund revenues for 2013 were $141,327. These revenues consist of a transfer from the Stormwater Utility operating fund and a small amount of investment earnings. An interfund transfer of $105,054 to the Capital Improvement Fund was for the Storm Utility’s contribution to the Porter Way Improvement Project. The current fund balance is $664,240.

For purposes of illustration, the chart on the next page reflects combined data of the Stormwater Operations and the Stormwater Capital funds. Beginning in 2015, total expenditures are expected to exceed total revenues, resulting in a declining fund balance from 2015 forward.

The years 2009 through 2013 reflect “actuals”; 2014 reflects the adopted “budget”; and the years 2015 through 2017 are projected based on a 2% increase in revenues and 3.5% increase in expenditures. The “spike” in expenditures in 2011 is due to a one-time additional transfer from operations to capital in the amount of $300,000. The “spike” in both revenues and expenditures in 2013 (per budget) is due to the anticipation of $373,700 in grant proceeds and the associated expenditures.
2014 Financial Outlook
According to the adopted 2014 budget, the Stormwater Utility (Operations) has on-going anticipated revenues of $747,000 and on-going anticipated expenses of $846,802 which includes a transfer of $144,530 to the Stormwater Capital Fund as required by Ordinance 1656-05. The projected ending fund balance after the 2014 year is $712,820.

Stormwater Comprehensive Plan – Capital Improvement Program
The stormwater Capital Improvement Program (CIP) is a component of the Stormwater Comprehensive Plan, the last update of which was adopted in 2005. At Council’s direction, the CIP was updated with the goal of re-evaluating the City’s stormwater concerns, providing current construction costs, and developing a schedule for implementation of identified projects.

The stormwater CIP update was completed and adopted by Council at its meeting on February 7, 2011. Exhibit A, attached, is a copy of the adopted CIP. This document is reviewed annually as part of the Council’s budget process.
2013 Capital Improvements

- Construction of the Kent Street Detention Pond (project number 1 in the adopted stormwater CIP) was completed in 2012, with final payment and project acceptance by Council occurring early in 2013.
- As part of the Porter Way Overlay Project, the failing 30-inch diameter stormwater culvert under Porter Way at Juniper was replaced with a new culvert, along with repairing and cleaning the existing conveyance system and structures within the project limits.
- A landslide / embankment washout from Alder Court down to the Interurban Trail was investigated. Along with periodic monitoring, initiated design to redirect stormwater flow in this location.
- Negotiation and property acquisition for the 5th Avenue Stormwater Treatment Facility was completed. Actual design and construction of the stormwater facility was delayed due to the need to find a different engineering firm.

Other stormwater capital improvement projects that were planned in the 2013 budget were postponed until 2014, simply as a result of limited staff time.

2014 Capital Improvement Outlook

Although a portion of the stormwater fees are allocated to capital improvements, the costs of these projects typically limit the City to only one significant stormwater capital improvement project every 4-5 years. In an attempt to facilitate additional capital improvements in the short term, an additional $300,000 was transferred from the ending fund balance of the Stormwater Utility operating fund into the Stormwater Capital Fund in 2011. In addition, staff constantly looks for grant funding opportunities to supplement the Capital Fund.

The 2014 adopted budget includes funds to continue and complete the 5th Avenue Stormwater Treatment Facility that was begun in 2013, as well as complete the design and construction of the Emerald Street Culvert Replacement Project (project number 8 in the adopted stormwater CIP) and design the 11th Avenue Pipe Installation Project (project number 2 in the adopted stormwater CIP). Both of these projects are carried over from the 2012 and 2013 budgets, and do not have any grant funding associated with them.

2013 Maintenance Efforts

Due to staff turnover, annual inspections of storm structures and conveyances systems were not completed. Several ditch lines were re-established and gravel road shoulders were repaired, re-shaped and armored at various locations to solve persistent street run-off problems. Routine annual maintenance efforts included keeping catch basins clear of debris both during and after storm events, minor cleaning of culvert mouths, and vegetation control in stormwater ponds.
2014 Maintenance Plan
Much of the annual maintenance on the City’s stormwater system is in response to citizen complaints. This has resulted in a very reactive program that is not the most efficient use of staff time and effort.

One of the department goals continues to be development of a more practical, proactive approach to ongoing stormwater maintenance needs for City-owned stormwater facilities. Recommendations included in the City’s Stormwater Comprehensive Plan Update (adopted 2005) as well as requirements in the City’s NPDES permit and the 2005 Department of Ecology Stormwater Manual for Western Washington are considered as part of this on-going in-house planning effort.

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

A new and updated NPDES permit became effective on August 1, 2013. On September 3, 2013, in addition to a technical memorandum outlining the history of the City’s NPDES permit and changes, Council heard a presentation from the City’s Stormwater Compliance Inspector on the changes and impacts of the new NPDES permit. Significant new requirements include:

- Review of municipal codes to incorporate Low Impact Development (LID)
- Requiring LID for public and private new development and redevelopment
- Increase in catch basin inspections
- Other increased inspection requirements
- Cost sharing for regional stormwater monitoring

These new requirements are phased in over the five year permit cycle.

The purchase of a vactor truck, completed in 2013, will be a key element in meeting the new NPDES requirements for inspection and cleaning of stormwater structures.

Grants / Loans
In past versions of stormwater Capital Improvement Programs (CIP), all projects identified were intended to improve flooding and potential overflow conditions. Without water quality components, there is virtually no grant funding available. The current CIP, adopted in February of 2011, identifies ten (10) needed capital improvement projects of which only two (2) have the potential to be funded by grants. The remainder will need to be funded through a combination of utility rates and Public Works Trust Fund Loans. The current CIP was prepared assuming no utility rate increases.

Although not included on the adopted stormwater CIP, the City was successful in obtaining a Department of Ecology grant for the 5th Avenue Treatment Facility which was accepted by the Council.
in June of 2012. The project was begun in 2013, is included in the adopted 2014 budget, and is anticipated to be complete by the end of 2014.

The 2013 adopted budget included the purchase of a new vactor truck. A significant amount of the cost was covered by a Department of Ecology grant, with the remainder funded through a short term loan.

The City has received grants in various amounts from the Department of Ecology for several years, specifically to assist with implementation of the City’s NPDES permit. These funds have been and continue to be utilized for education and outreach programs, purchasing equipment for stormwater monitoring, and modeling new stormwater regulations, among other things. In addition, this year the City received $120,000 for stormwater capital LID improvements, with project development and design to occur in 2014.

**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.

However, an informal survey in 2011 of 100 random parcels in the City revealed some discrepancy in how stormwater rates have been applied in the past. It may be desirable in the future to clarify the rates and re-examine the amount of stormwater fees being charged to each parcel owner for equity and accuracy.

**Recommendations**

The increase in stormwater rates in 2007 balanced revenues and expenses for that year as well as for the past six (6) years. The adopted 2014 budget shows ending fund balance in the operating fund declining over the previous year, which will necessitate a review of rates in the future. To date, much of the cost of NPDES requirements implementation has been covered by Department of Ecology grants. It is unknown whether these grants will continue in the future. No stormwater fee increase is recommended at this time.

Staff will continue to review the future financial needs of this utility on an annual basis and make rate recommendations as part of the budget process each year. Based on current application of rates and financial data, a rate increase may need to be considered for the 2015 calendar year.

As discussed previously, staff continues to recommend that the application of the current stormwater rates be re-examined for equity and accuracy. Such a task could be accomplished in-house over an extended period of time. The final results and summary of changes made would be brought to Council for consideration during future rate adjustment discussions.