Dear Stillaguamish River Clean Water District (CWD) Advisory Board:

Thank you for your time and effort to advise Surface Water Management (SWM) in your annual recommendations letter dated April 29, 2014. We have responded point by point to your recommendations below to illustrate how we have incorporated them into our 2014 work plan.

Pursuant to Title 25A.30.030 of the Snohomish County Code, the Stillaguamish River Clean Water District Advisory Board (CWDAB, the Board) offers the following comments and recommendations to Snohomish County Surface Water Management (SWM) regarding the 2015 work plan and budget, and concerning the immediate issues that have arisen from Snohomish County Ordinance 13-009.

**Restoration of RCW 90.72 Revenue**

In response to your comments on the Board’s earlier proposal to restore RCW 90.72 (shellfish protection/water quality) revenues, the CWDAB Finance Committee has offered an alternative in the form of the following amendment to Title 25A.10.070(3):

“From the funds collected under the authority of chapter 90.72 RCW, and 13.33% of funds collected under chapter 36.89 RCW pursuant to 25A.10.070(2);”

This alternative amendment restores the RCW 90.72/RCW 36.89 (storm water) revenue ratio that existed prior to 13-009, while avoiding the loss of $36,000 in total revenue that would have occurred with the earlier proposal.

The intent of Council Ordinance 13-009 was in granting provisional rate relief, in the amount of 35%, for surface water service charges to NPDES permit holders. Ordinance 13-009 was not intended to resolve all of the revenue, funding, and equity issues associated with Title 25 and Title 25A.

SWM acknowledges the CWD Advisory Board position to reinstate RCW 90.72 revenues to a level that pre-dates Ordinance 13-009 (NPDES Credit.) SWM has concerns about the negative impact on RCW 36.89 project funding that this proposal will create. As discussed at a previous CWD meeting, the proposed transfer of $229,000 will result in a 27% cut in 36.89 projects. In addition, RCW 36.89 funding can be used for RCW 90.72 purposes, but not vice versa. SWM prefers to retain the flexibility that will better serve all projects and programs in the Clean Water District.
While SWM cannot currently support the proposed alternative amendment as described above, SWM will actively pursue alternative sources to maintain 90.72 program funding at the pre-ordinance levels.

To understand what this commitment entails, please refer to the bar chart on the next page. The bar chart shows the actual 90.72 expenditures from 2008 – 2013, and the budgeted expenditures for 2014 and 2015. The chart breaks out the different funding types applied to 90.72 uses. 2013 is shown twice—the first bar shows the original budgeted amount, while the second bar shows the post ordinance amount actually collected. The chart shows that, while 90.72 collections have decreased from pre-ordinance levels, the overall program funding has been maintained at a higher level.

The table below shows average revenue levels—with and without grant sources averaged in.

<table>
<thead>
<tr>
<th>90.72 Revenues</th>
<th>All sources</th>
<th>No grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$732,224</td>
<td>$732,224</td>
</tr>
<tr>
<td>2009</td>
<td>$581,708</td>
<td>$581,708</td>
</tr>
<tr>
<td>2010</td>
<td>$732,408</td>
<td>$732,408</td>
</tr>
<tr>
<td>2011</td>
<td>$798,214</td>
<td>$798,214</td>
</tr>
<tr>
<td>2012</td>
<td>$838,221</td>
<td>$838,221</td>
</tr>
<tr>
<td>Pre-ordinance average:</td>
<td>$ 736,555</td>
<td>$ 736,555</td>
</tr>
<tr>
<td>2013</td>
<td>$851,038</td>
<td>$851,038</td>
</tr>
<tr>
<td>2014</td>
<td>$1,364,531</td>
<td>$1,082,085</td>
</tr>
<tr>
<td>2015</td>
<td>$922,813</td>
<td>$656,663</td>
</tr>
<tr>
<td></td>
<td>$3,138,382</td>
<td>$2,589,786</td>
</tr>
<tr>
<td>Post-ordinance average:</td>
<td>$1,046,127.33</td>
<td>$863,262</td>
</tr>
</tbody>
</table>

SWM continues to work on our Service District Reassessment Study (SDRS) that will help to identify the level of service for existing and new SWM programs, prepare options for realignment of our service area boundaries with our expanded county-wide responsibilities, and revise our existing rate structure so that our service charges are both equitable and predictable to our ratepayers. Through the SDRS in 2014 and 2015, SWM will continue to evaluate service charges collected under the authority of 90.72 RCW and 36.89 RCW to ensure that existing RCW 90.72 funded programs can continue at a level of funding proposed by the Stillaguamish CWD Advisory Board.
Surface Water 90.72 Analysis
Actual 08-13/Budgeted 14-15

- Grants (PIC)
- Road fund (Drg Projects)
- 36.89 FB
- 90.72 FB
- 90.72 Actual $s
- 90.72 Budget $s
Nevertheless, because 13-009 cut CWD revenue by well over $500,000, the revenue for 90.72 programs, even with this amendment, still falls by about 22% (instead of 52%) from 2012. The base funding estimates resulting from the amendment are as follows:

**Reconciling Numbers:**

When Ordinance 13-009 passed in 2013, SWM estimated the impact to CWD RCW 90.72 funds at approximately $393,890. Of this amount, nearly 75% or $294,856 was from SWM service charges assessed to County Roads.

When one compares actual revenues received from 2012 to 2013, there is a decrease of $429,412 in CWD RCW 90.72 funds from 2012 to 2013.

1) Discretionary Fund (DF) – $52,000. The 2013 expenditures were $172,510. Even assuming substantial savings from the proposed On Site Septic (OSS) loan program, this amount is barely sufficient to sustain the DF, which funds not only OSS projects but other types as well. Moreover, it virtually prohibits, in the future, larger grants such as the $40,000 requested by SWM for phosphorus pollution abatement in Lake Ketchum, or the $30,000 granted to Drainage and Diking District 7 (DD7) by CWD funds to aid water quality in Skagit Bay.

**Reconciling Numbers:**

SWM calculates that the CWD proposal will result in a total of $49,060 in funding for the Discretionary Fund.

Based on our 2015 revenue projection, the amount of RCW 90.72 funds available for the Discretionary Fund is $30,995. Of this amount, $10,965 is included in WO539 Stillaguamish Discretionary Fund Project and $20,000 is included in WO145 Septic Loan and Grant Program.

You identify the 2013 Discretionary Fund expenditures as $172,510. This includes $35,453 in Discretionary Funds and $137,057 in RCW 90.72 Discretionary Fund fund balance.

**Other notes:**

The CWD Advisory Board has done an exemplary job in promoting the Discretionary Fund grant program. As you can see from the total number of projects, increasingly more projects have been funded each year. It is also evident that a greater percentage of the projects have been septic system replacement/repair. The new Onsite Septic Loan Program grant will significantly augment CWD DF dollars, and should result in larger funding amounts becoming available for projects other than OSS.
<table>
<thead>
<tr>
<th>Year</th>
<th># DF Projects</th>
<th># OSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>20:1</td>
<td>4</td>
<td>1 OSS</td>
</tr>
<tr>
<td>20:2</td>
<td>7</td>
<td>4 OSS</td>
</tr>
<tr>
<td>20:3</td>
<td>15</td>
<td>14 OSS</td>
</tr>
</tbody>
</table>

2) Snohomish Conservation District (SCD) – $215,000. The 2013 expenditures were $239,739 – 71% of the budgeted amount. The Board values highly the special relationship between SCD and the CWD, a view fully shared by the SCD Board of Supervisors. The Stillaguamish River watershed leads the county in the extent of farm activity – commercial, small farms, and widespread horse ownership. SCD also offers habitat restoration resources (bank stabilization and revegetation), that are likely to be called upon to assist in remediation of the Oso slide.

**Reconciling Numbers:**

SWM calculates that the CWD proposal will result in a total of $204,933 in funding for the Snohomish Conservation District.

Based on our 2015 revenue projection, the amount of RCW 90.72 funds available for the SCD is $129,348.

You identify the 2013 Snohomish Conservation District expenditures as $239,739. In 2013, SWM increased the amount of SCD CWD RCW 90.72 fund balance from $60,000 in the original 2013 Council Approved Budget more than $190,000 in SCD CWD RCW 90.72 fund balance to maintain SCD CWD funding at a level of funding prior to Ordinance 13-009.

Despite the large amount of the SCD CWD RCW 90.72 fund balance added to the SWM budget after passage of Ordinance 13-009, only $91,643 in SCD CWD RCW 90.72 fund balance funds were spent in 2013.

In 2014, the SWM Director made a commitment to the CWD Advisory Board to maintain SCD CWD funding at a level of funding prior to Ordinance 13-009. This was accomplished by using $132,550 in CWD RCW 36.89 revenues to backfill for RCW 90.72 revenues. No SCD CWD RCW 90.72 fund balance is being used in 2014 or proposed for use in 2015. The SCD CWD RCW 90.72 fund balance is currently at $162,732.

**Other notes:**

In addition to the amount transferred by ordinance to SCD, SWM has entered into additional contracts for services. For the past 2 years, SWM has paid SCD $45,000 to deliver the Youth Education Program, in addition to the $55,000 (each year beginning in 2014) for the Pollution, Identification and Correction grant. SWM has been active in partnering with SCD to develop grant proposals for collaborative projects. In 2014, for example, SWM passed through $24,500 in grant funding for the Natural Yard Care GROSS grant. It is SWM’s intention to continue these partnership efforts.
3) Shellfish Protection/Water Quality — $386,000. As with other 90.72 programs, this one faces a rapidly shrinking fund balance, despite stopgap transfers from 36.89 funds. Again, this amount is barely enough to sustain efforts to protect 4,000 acres of approved commercial shellfish growing areas and to restore thousands of acres of unclassified shellfish beds, for SWM administration and water quality monitoring, for support of the Pollution Identification and Correction (PIC) program, and for funding the CWD contract with Snohomish Health District (SHD). Added expenditures resulting from the water quality impacts of the Oso slide also fall within the responsibility of this program.

Reconciling Numbers:

SWM calculates that the CWD proposal will result in a total of $375,635 in funding for the shellfish protection/water quality programs.

Based on our 2015 revenue projection, the amount of RCW 90.72 funds available for water quality restoration activities is $231,650. In 2015, the $231,650 in RCW 90.72 water quality restoration funding is allocated to 25 different projects with $88,902 being allocated to WO561 Shellfish Protection Program. SWM will continue to work with our partner organizations in the Stillaguamish Clean Water District to secure grant funding, as with WO268 Lower Stillaguamish Pollution Identification and Correction (PIC) Program, to supplement RCW 90.72 water quality restoration funds in the Clean Water District. SWM is also working on grant opportunities to fund flooding and habitat restoration projects in the floodplain areas of the Stillaguamish River.

The Board regards the 90.72 programs as key to the mission and identity of the Clean Water District. Only through dedicated revenue for a base level of funding can these programs be reliably sustained. We recommend that the alternative amendment above be included in your Title 25A amendment package, and urge you to actively support it before the Snohomish County Council.

Service District Reassessment Study (SDRS)

It was suggested to our Finance Committee at our April 16th meeting with SWM that the SDRS process might lead to establishment of a county-wide 36.89 district, to improve administrative “flexibility.”

The Board has concerns about this option, for the following reasons:

1) If CWD 36.89 revenue is not accounted for separately, our proposal for restoring revenue to 90.72 programs would no longer be feasible. Furthermore, the legal basis for the Board’s authority to advise SWM or Council on 36.89 “funding levels and priorities” for water-quantity management is called into question.
2) Title 25A.05.010 states: “It is the purpose and intent of this title to: ... (6) Recognize that programs to restore water quality and manage water quantity will vary from watershed to watershed...” This recognition stems from the fact that service needs also vary. The Stillaguamish basin is not South County, and ease of administration is not identical to service responsive to local needs.

3) Creating a county-wide 36.89 district would mean substantial revision to both Title 25 and Title 25A, as well as to the watershed-specific promiscs reflected in those laws. Consideration of such a sweeping change has not been part of the SDRS public outreach process.

The Board requests a workshop with SWM for additional information and the opportunity to provide input and formal comments on SDRS proposals.

The consolidation of the Stilly CWD, South County WMA, and Snohomish WMA service districts into one large county-wide WMA as a means of improving fiscal/administrative flexibility was one of the multiple service district boundary configurations identified through the Service District Reassessment Study. Over the course of this year, SWM has made several presentations before the Council Public Works Subcommittee including discussion on expanding our service area boundaries and service district configurations. Feedback from these meetings has been clear that the Council prefers to maintain the existing three district structure. Proposals to expand the district coverage will utilize the existing three district structure.

SWM staff is available to meet with CWD Advisory Board or Finance Subcommittee members to discuss options for service district boundary configurations or any other issues related to the Service District Reassessment Study.

On Site Septic System Point of Sale Verification:
The CWD Advisory Board has supported SHD’s efforts to develop a program for point of sale verification of OSS compliance with operation and maintenance guidelines. In view of the proposed OSS loan and grant program, it is more important than ever to help encourage participation by homeowners. The Board encourages SWM to support SHD’s creation of a point of sale verification program.

SWM concurs and will continue to support and work with the Snohomish Health District to help create a point of sale verification program.

Referral and Compliance:
The Board continues to be concerned that the regulatory referral and compliance process for environmental protection now in place has been ineffective, and polluting practices are too often allowed to persist for lack of enforcement. We appreciate that SWM is currently working with the Snohomish County Department of Planning and Development Services (PDS), SCD, SHD, and Washington Department of Ecology (WDOE) to clarify
the County’s referral and compliance process. The Board requests that SWM continue its efforts to develop an effective referral and compliance policy.

SWM will continue to coordinate work with PDS, SCD, SHD, and Ecology on the County’s referral and compliance process and policy.

Redefining Unincorporated Urban Growth Area (UGA) Board Position to At Large:
The current CWDAB position for Single Family-Unincorporated UGA has proven very difficult to fill. The Board recommends that the Title 25A amendment package include changing this position to Single Family At Large #4.

There are approximately 219 single-family residential parcels within the unincorporated UGA of the Stilly Clean Water District. SWM understands that filling a CWD Advisory Board position from such a few numbers of parcels is difficult.

Through SWM’s Service District Reassessment Study, SWM is looking to expand our service area boundaries to align with our county-wide responsibilities. If the Council approves expanding SWM service area boundaries, then the Stillaguamish floodplain and the Sauk River area would be added to the Stillaguamish CWD.

As a result, the Stillaguamish CWD Advisory Board might want to examine other potential additions to the CWD Advisory Board (e.g., Sauk representative) in addition to, or instead of, the proposed Single-Family at Large Position (#4). SWM would appreciate a recommendation from the CWD Advisory Board to determine if there should be one or two new positions added.

Thank you again for your thoughtful recommendations to SWM. We hope this response helps to inform your annual recommendations letter to the Snohomish County Council in October. We look forward to continuing to work with the CWD Advisory Board on the Service District Reassessment Study later this year and in early 2015 to help refine and further improve the programs funded by the CWD revenues. The CWD Advisory Board’s recommendations help to ensure that the County’s annual work program and budget are responsive to the interests and needs of the local community. As always, it is a great pleasure to work with such a committed group of citizens.