

# Business Plan Summary

## Budget Shortfall

SWM is addressing a revenue shortfall caused by an increased need for services, an increase in the cost of services, a decrease in non-rate revenues and a utility rate that has remained unchanged since 2009. To keep from depleting its reserves in 2019, SWM has reduced services and programs in both 2018 and in its proposed 2019 budget. Without a rate increase, SWM will be required to make significant cuts to the services our ratepayers value.

To address these budget challenges, SWM developed a Business Plan, which included outreach to ratepayers and convening an ad-hoc advisory panel. Six alternatives have been developed to better match SWM revenues and expenditures.

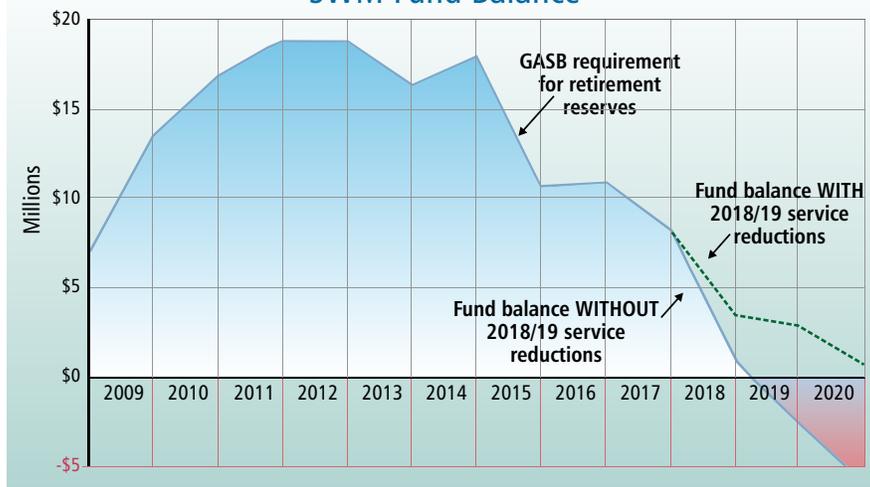


### Highlights of SWM's Services

SWM Utility service charges are used for NPDES compliance and to improve critical local and regional flooding, water quality and wildlife issues by:

- Constructing projects to reduce flooding, and to improve water quality, fish passage and fish habitat.
- Inspecting and ensuring maintenance of approximately 1,800 stormwater facilities to improve water quality.
- Responding to service calls from ratepayers for flooding and water pollution problems.
- Providing residents with river flooding alerts and helping them reduce their flood risk.
- Educating and providing technical assistance to help ratepayers reduce stormwater runoff, prevent water pollution and protect aquatic habitat.

SWM Fund Balance



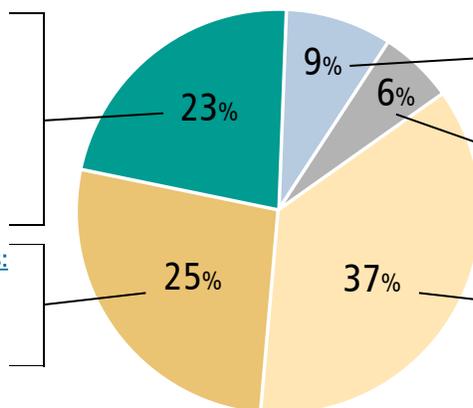
## Surface Water Management 2018 Budget

### 23% Water Quality Services:

- Stormwater facility and catch basin inspection and maintenance
- Water quality projects
- Technical assistance and education on preventing pollution
- Lakes, river and stream monitoring

### 25% Salmon, Shellfish & Marine Resource Services:

- Fish culvert projects
- Salmon habitat restoration projects
- Salmon, shellfish and marine protection/recovery



### 9% Fiscal, Billing & Administration:

- Utility Billing
- Grant Management

### 6% River Flooding Services:

- FEMA river flooding programs
- Dike and levee management

### 37% Road Flooding Services:

- Failing infrastructure
- Master drainage planning
- Drainage improvement projects
- Drainage complaint assistance

67% of water quality services budget satisfies NPDES requirements

## Ratepayer Recommendations

SWM distributed a survey to its roughly 95,000 ratepayers and 5,100 responded. In general, ratepayers demonstrated strong support for the services that SWM provides. More than half of the respondents said SWM should do more. Roughly a third said that SWM should do about the same amount of work. Fewer than ten percent said SWM should provide fewer services.

Ratepayer Survey Responses	
SWM Service	Very or Extremely Important
Maintain stormwater drainage systems	84%
Identify and fix water pollution problems	83%
Build projects that reduce local flooding	77%
Build projects to restore rivers, lakes and streams for fish and wildlife	72%

## Ad-Hoc Advisory Panel Recommendations

In 2017, an ad-hoc advisory panel was convened. The 16 members represented commercial property ratepayers, residential ratepayers, tribes, farmers, environmental organizations and municipalities. The panel's recommendations (Alternative 1) include:

- Continue current SWM services
- Implement new or enhanced services in 15 areas, such as:
  - o Replace more failing drainage pipes
  - o Replace more fish passage barriers
  - o Remove pollutants from county road runoff
- Increase SWM rates to fund the recommendations
- Implement annual rate adjustments to address inflation

## Open Houses



Four open houses were held in February 2018 to collect additional input from ratepayers

## Rate Alternatives Summary



Water quality sampling



Drainage system inspection

### 2018 Single Family Annual Surface Water Service Charges

City of Seattle	\$480 *
City of Tacoma	\$281 *
City of Everett	\$271 *
King County	\$240 *
City of Shoreline	\$202 *
City of Edmonds	\$187 *
City of Bothell	\$170 *
Pierce County	\$127 *
<b>Snohomish County</b>	<b>\$90</b>
City of Arlington	\$83

\* Rate increases implemented in the last 2 years

Out of 48 Puget Sound communities surveyed, Snohomish County is one of only four that has not had a rate increase since 2009.

### Current Services Plus

- Maintains current service levels
- Implements some or all of advisory panel recommendations
- Consistent with ratepayer input for SWM to provide more services
- Proactively addresses failing drainage pipes
- Replaces more fish passage culverts
- Continues financial support to partners and stakeholders

### Current Services

- Maintains current service levels
- Consistent with ratepayer input to at least maintain current SWM services
- Continues financial support to partners and stakeholders

### Current Services Reductions

- Reduces current service levels by \$1.1 to \$1.5M in 2019
- Alternative 6 requires progressive staff layoffs
- Service reductions impact all SWM programs
- Eliminates most funding for partners and stakeholders
- Inconsistent with ratepayer and advisory panel input and recommendations

	SWM Services	2019 Annual Residential SWM Charge*	UGA Surcharge	2019-2020 REET
<b>Current Services Plus</b>		<b>Base Rate</b>	<b>Base + UGA</b>	
Alternative 1	Current Services + \$6.8M/yr enhancements	\$153	\$185	Renewed 2021 \$600K
Alternative 2	Current Services + \$2.8M/yr enhancements	\$131	\$163	Renewed 2021 \$600K
<b>Current Services</b>				
Alternative 3	No change in service levels	\$113	\$145	Renewed 2021 \$600K
Alternative 4	No change in service levels	\$128	\$128	Eliminated \$2.1M
<b>Current Services Reductions</b>				
Alternative 5	Cuts of \$1.1M in 2019, no FTE cuts	\$122	\$122	Eliminated \$2.1M
Alternative 6	Cuts of \$1.5M in 2019; 2020-2023 cuts totaling roughly \$8M, FTE cuts	\$90	\$122	Sunsets 2021 \$2.1M

\* Annual rate adjustments are needed to keep pace with increasing costs of doing business. The current recommended rate is 2.8%.

\* None of the alternatives account for the potential increase in costs to meet requirements of the upcoming 2019 NPDES permit.

## Cuts to Services

SWM proactively reduced and cut services in response to its current financial challenges. To reduce costs, service reductions were made in 2018 and in the proposed 2019 SWM budget. Service reductions shown in the table below will slow projects, increase response time and reduce payments to partners. SWM has also instituted a hiring freeze, starting in 2018, to help reduce spending.

### 2018-2019: Cuts Made or Proposed Across All SWM Programs

Programs and Examples	2018	2019
<b>Water Quality Services</b> <ul style="list-style-type: none"> <li>Reduce programs to understand the health of lakes, rivers and streams</li> <li>Reduce outreach to ratepayers aimed at preventing water pollution</li> </ul>	\$ 146,000	\$ 500,000
<b>Salmon, Shellfish &amp; Marine Resource Services</b> <ul style="list-style-type: none"> <li>Complete river habitat projects slower</li> </ul>	\$ 598,000	\$ 389,000
<b>Road Flooding Services</b> <ul style="list-style-type: none"> <li>Slower response to resolve road flooding</li> </ul>	\$ 247,000	\$ 347,000
<b>River Flooding Services</b> <ul style="list-style-type: none"> <li>Increase risk of dike/levee failure</li> </ul>	\$ 100,000	\$ 140,000
<b>Fiscal, Billing &amp; Administration Services</b> <ul style="list-style-type: none"> <li>Reduce communications to our ratepayers</li> </ul>	\$ 45,000	\$ 89,000
<b>Total</b>	<b>\$ 1,136,000</b>	<b>\$ 1,465,000</b>

### County Departments and Partners Impacted by Cuts

Parks | PDS | Flood Control Districts  
 Snohomish Conservation District  
 Salmon Recovery Partners  
 Tribes | King County | WSU Extension  
 Snohomish Health District

## Summary

- SWM provides a range of important surface water services that the public strongly supports.
- SWM has insufficient funds to keep up with rising costs and continue to provide current levels of service.
- The SWM Business Plan Advisory Panel recommends increasing SWM rates to continue existing services and provide additional service enhancements.
- Stakeholder groups have expressed strong opposition to proposed cuts to services in 2018 and 2019.
- Without additional revenues, SWM will need to make significant cuts to services that will become deeper each year.

More than 70 percent of survey respondents said they value SWM services that maintain drainage pipes, improve water quality, address flooding and restore streams, lakes, and rivers. Without a rate increase, SWM will have to cut approximately \$2.6 million of services in 2018 and 2019.



Capital drainage project



Education and outreach



Culvert replacement project



Lakes program