

September 22, 2006

San Juan County Council  
350 Court St #1  
Friday Harbor, WA 98250

Dear Councilmembers:

The San Juan County Stormwater Utility Steering Committee has completed the task of developing a recommendation regarding the utility's mission statement, goals, and funding/rate structure for the recently formed Stormwater Utility. The utility was created to meet State stormwater requirements. The Steering Committee was formed and managed by the San Juan County Department of Public Works to assist the San Juan County Council with the implementation of the new Utility. The Steering Committee was coordinated by an independent facilitator hired by San Juan County.

The Steering Committee, comprised of County citizens who represent a diverse range of viewpoints, has agreed on its recommendation as a result of five meetings over a three-month period. Our recommendation is included in the body of this letter. Summaries of each of the five meetings and financial documentation are enclosed with this letter.

### **Our Recommendation**

Our recommendation consists of three primary elements: a mission statement to guide the utility, a set of goals for the utility to achieve, and a funding option and rate structure that is equitable and fair, and makes it possible for the utility to achieve the identified goals. Throughout the course of our deliberations, we also arrived at a number of other recommendations we believe the County Council and the Department of Public Works should consider as it moves ahead with utility development.

### Mission Statement

The mission statement provides guidance to San Juan County because it communicates the utility's desire to improve a situation through doing a series of things in order to achieve a stated result.

We therefore recommend that the County adopt the following mission statement.

*Improve flood protection, water quality, and groundwater recharge through education, coordination, development, and maintenance of stormwater systems in an efficient and cost effective manner that balances the need for protection of public health, private property, and the natural environment.*

### Goals

It is very important for the utility to have clearly defined goals because they provide specific direction to utility managers to facilitate the development and implementation of targeted programs, projects, and policies.

In order to provide short-term guidance to the utility and to develop long-term goals, we recommend that:

*Within its first year of operation the stormwater utility should:*

- a. Address stormwater problems within Eastsound Urban Growth Area as its top priority; the utility should implement effective and efficient solutions, include low impact development approaches and work with property owners most impacted from stormwater draining onto their site*
- b. On a prioritized basis, develop watershed basin stormwater management plans that identify, develop and evaluate solutions for stormwater flows and water quality problems within those basins.*

- c. *Coordinate and/or contract with other agencies and organizations to develop and implement stormwater education and technical assistance programs with the aid of a technical assistance manual suited to meet the needs of San Juan County for building professional and property owners; the programs should reduce stormwater impacts through an outcomes-based approach, encourage low impact development practices, and provide a single source for ratepayers on stormwater issues.*
- d. *Convene a diverse citizen advisory committee that will meet on a regularly scheduled basis to develop specific long-term projects, policies, and programs for the utility.*

### Funding/Rate Structure

The committee received and considered funding and rate structure information from the FCS Group, the consulting firm hired by the County based on its experience with establishing funding options and rate structures for other utilities. The committee reviewed and analyzed multiple rate structures in terms of their practical and equitable applications. The issue of funding and rates is very important to the committee; it does not want to put an unfair burden on citizens nor does it want to fund a utility that has an inadequate budget to fulfill its duties. The Committee determined that because we all contribute to stormwater problems in some way that all developed parcels will participate. Because perfect impact equity is impractical to achieve, the recommendations are a practical balance of equity and simplicity.

For this reason we recommend that:

- a. *The utility should adopt a budget for operations and maintenance, and ongoing minor capital costs, and for current major capital projects for the six-year period, beginning 2007 (see budget attachment).*
- b. *The utility should charge all developed parcels and county road equivalent a uniform rate of \$3.85/month (\$46.20/year) to cover all costs, including current major capital projects, for the six-year period beginning in 2007.*
- c. *After six years, the rate (\$3.36/month) will only be based on operations and maintenance and minor capital costs.*
- d. *The utility should levy a surcharge on all non single family parcels and county road equivalent within urban growth areas of 50% of the base rate.*
- e. *The utility should seek guidance from the established advisory committee on how to fund solutions to problems beyond major current capital costs.*
- f. *The utility should review its rate structure after three years, with the established advisory committee.*
- g. *The utility should fund capital projects through cash rather than debt.*
- b. *New development should pay for its associated incremental impact.*

### Other Recommendations

Throughout our meetings, we discussed and came to agreement on a number of other issues that we think are important for us to provide our input on for your consideration. We strongly believe that ratepayers deserve a clear understanding of requirements, that those requirements be straightforward, and that ratepayers should be able to reduce the fees they pay to the utility if they do things that reduce their stormwater impacts.

Therefore, we recommend that:

- a. *The utility make the process for meeting stormwater requirements simple and direct.*
- b. *The utility encourage low impact development.*
- c. *Relief of road fund costs associated with this utility shall not be redirected to County current expenses or other County departments.*

We are confident our recommendation is made with the best interests of San Juan County citizens in mind. Should you want to discuss our recommendation in further detail, we would be happy to make arrangements to do so. We are also available for consultation and assistance as you move our

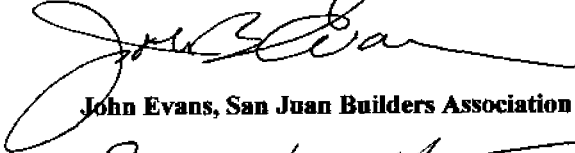
recommendation forward through the County Council review process. Thank you for the opportunity to be truly engaged in the development of San Juan County's stormwater utility.

Sincerely,

The San Juan County Stormwater Utility Steering Committee



**Rachel Dietzman, MPH Engineers**



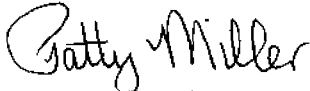
**John Evans, San Juan Builders Association**



**Ralph Gutschmidt, Citizens For Responsible Government**



**Steve Hussey, San Juan County Conservation District**



**Patty Miller, Eastsound Property Owner**



**Jim Nelson, Eastsound Water Association and Bayside Cottages**



**Brent Snow, Roche Harbor Resorts**



**Tina Whitman, Friends of the San Juans**

# San Juan County

## Storm Utility

### Summary -Cash Financed Capital - Eastsound Capital @ Total \$566K

	2007	2008	2009	2010	2011	2012	Average
<b>Revenues</b>							
Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Rate Revenues	24,000	24,480	24,970	25,469	25,978	26,498	25,232
<b>Total Revenues</b>	<b>\$ 24,000</b>	<b>\$ 24,480</b>	<b>\$ 24,970</b>	<b>\$ 25,469</b>	<b>\$ 25,978</b>	<b>\$ 26,498</b>	<b>\$ 25,232</b>
<b>Expenses</b>							
Utilities	\$ 304,848	\$ 314,594	\$ 324,661	\$ 335,063	\$ 345,809	\$ 356,913	\$ 330,315
Drainage	206,258	212,956	219,880	227,039	234,441	242,094	223,778
Taxes	7,667	7,913	8,168	8,432	8,704	8,985	8,311
Subtotal O&M Expenses	<b>518,773</b>	<b>535,463</b>	<b>552,710</b>	<b>570,534</b>	<b>588,954</b>	<b>607,992</b>	<b>562,404</b>
On-going Minor Capital Costs	113,333	117,867	122,581	127,485	132,584	137,887	125,290
<b>Total Expenses</b>	<b>\$ 632,106</b>	<b>\$ 653,330</b>	<b>\$ 675,291</b>	<b>\$ 698,018</b>	<b>\$ 721,538</b>	<b>\$ 745,880</b>	<b>\$ 687,694</b>
<b>Eastsound Capital Costs</b>	<b>\$ 94,333</b>	<b>\$ 94,333</b>	<b>\$ 94,333</b>	<b>\$ 94,333</b>	<b>\$ 94,333</b>	<b>\$ 94,333</b>	<b>\$ 94,333</b>
<b>Total Requirements</b>	<b>\$ 726,440</b>	<b>\$ 747,663</b>	<b>\$ 769,625</b>	<b>\$ 792,352</b>	<b>\$ 815,871</b>	<b>\$ 840,213</b>	<b>\$ 782,027</b>
<b>Net Surplus (Deficiency)</b>	<b>\$ (702,440)</b>	<b>\$ (723,183)</b>	<b>\$ (744,655)</b>	<b>\$ (766,883)</b>	<b>\$ (789,893)</b>	<b>\$ (813,715)</b>	<b>\$ (756,795)</b>

# San Juan County Storm Utility

## Operating Revenue and Expenditure Forecast

FORECAST BASIS			Budget	Projection	Projection	Projection	Projection	Projection
			2007	2008	2009	2010	2011	2012
<b>Revenues</b>								
311.10.38.0000	Real and Personal Property Taxes	1	General Cost Inflation	\$ -	\$ -	\$ -	\$ -	\$ -
313.18.38.0000	Rural County Sales and Use Tax (RCW 82.14.370)	4	Customer Growth - Comp Plan 20yr Avg	-	-	-	-	-
314.58.38.0000	Interfund Taxes - Drainage	8	No Escalation	-	-	-	-	-
317.35.38.0000	Real Estate Excise Tax (REET 2) (RCW 82.46.035)	8	No Escalation	-	-	-	-	-
322.10.38.0000	Storm Water Plan Review Fees (CD&P - 160 Plans)	4	Customer Growth - Comp Plan 20yr Avg	24,000	24,480	24,970	25,469	25,978
330.10.38.0000	Intergovernmental Revenues	8	No Escalation	-	-	-	-	-
343.83.38.0000	Utility Fees	4	Customer Growth - Comp Plan 20yr Avg	\$438,068	446,830	455,766	464,882	474,179
345.86.38.0000	SEPA Related Mitigation Fees	8	No Escalation	-	-	-	-	-
397.38.55.0000	Transfer In From Roads	8	No Escalation	\$320,443	320,443	320,443	320,443	320,443
<b>TOTAL REVENUES</b>				\$ 782,512	\$ 791,753	\$ 801,179	\$ 810,794	\$ 820,601
								\$ 830,604

**San Juan County**  
**Storm Utility**  
**Operating Revenue and Expenditure Forecast**

			Budget	Projection	Projection	Projection	Projection	Projection
			2007	2008	2009	2010	2011	2012
FORECAST BASIS			FORECAST BASIS					
<b>Expenditures</b>								
<b>UTILITIES - DRAINAGE</b>								
<i>Administration General</i>								
538.31.11.0000	3	Labor Cost Inflation	\$ 54,600	\$ 56,238	\$ 57,925	\$ 59,663	\$ 61,453	\$ 63,296
538.31.20.0000	7	Benefits - Other	13,650	14,333	15,049	15,802	16,592	17,421
538.31.31.0001	1	General Cost Inflation	1,000	1,030	1,061	1,093	1,126	1,159
538.31.31.0002	1	General Cost Inflation	4,000	4,120	4,244	4,371	4,502	4,637
538.31.35.0000	1	General Cost Inflation	1,000	1,030	1,061	1,093	1,126	1,159
538.31.41.0000	1	General Cost Inflation	1,000	1,030	1,061	1,093	1,126	1,159
538.31.42.0001	1	General Cost Inflation	500	515	530	546	563	580
538.31.42.0002	1	General Cost Inflation	1,000	1,030	1,061	1,093	1,126	1,159
538.31.43.0001	1	General Cost Inflation	1,000	1,030	1,061	1,093	1,126	1,159
538.31.43.0002	1	General Cost Inflation	4,000	4,120	4,244	4,371	4,502	4,637
538.31.44.0000	1	General Cost Inflation	1,000	1,030	1,061	1,093	1,126	1,159
538.31.45.0000	1	General Cost Inflation	10,000	10,300	10,609	10,927	11,255	11,593
538.31.46.0000	1	General Cost Inflation	-	-	-	-	-	-
538.31.47.0000	1	General Cost Inflation	200	206	212	219	225	232
538.31.48.0000	1	General Cost Inflation	-	-	-	-	-	-
538.31.49.0002	1	General Cost Inflation	500	515	530	546	563	580
538.31		Total Administration - General	\$ 93,450	\$ 96,527	\$ 99,709	\$ 103,001	\$ 106,407	\$ 109,931
<i>Administration Planning &amp; Research</i>								
538.32.41.0000	1	General Cost Inflation	\$ 50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964
538.32.41.0001	1	General Cost Inflation	60,000	61,800	63,654	65,564	67,531	69,556
538.32.41.0002	1	General Cost Inflation	4,500	4,635	4,774	4,917	5,065	5,217
538.32		Total Administration - Planning & Research	\$ 114,500	\$ 117,935	\$ 121,473	\$ 125,117	\$ 128,871	\$ 132,737
<i>Training</i>								
538.34	1	General Cost Inflation	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319
		Total Training	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319
<i>Maintenance</i>								
538.35	1	General Cost Inflation	-	-	-	-	-	-
		Total Maintenance	-	-	-	-	-	-
<i>Operations</i>								
538.36	1	General Cost Inflation	-	-	-	-	-	-
		Total Operations	-	-	-	-	-	-
<i>Operations - Customer Service/Marketing Education</i>								
538.37.11.0000	3	Labor Cost Inflation	\$ 9,360	\$ 9,641	\$ 9,930	\$ 10,228	\$ 10,535	\$ 10,851
538.37.20.0000	7	Benefits - Other	2,808	2,948	3,096	3,251	3,413	3,584
538.37		Total	\$ 12,168	\$ 12,589	\$ 13,026	\$ 13,479	\$ 13,948	\$ 14,435

**San Juan County**  
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**Operating Revenue and Expenditure Forecast**

FORECAST BASIS			Budget	Projection	Projection	Projection	Projection	Projection
			2007	2008	2009	2010	2011	2012
<i>Operations - General</i>								
538.38.51.0000	1	Intergovernmental Professional Services - Billing	15,000	15,450	15,914	16,391	16,883	17,389
538.38.91.0000	1	Interfund Professional Services	-	-	-	-	-	-
538.38		Total Operations - General	15,000	15,450	15,914	16,391	16,883	17,389
<i>Operations - Other</i>								
538.39	1	Operations - Other	-	-	-	-	-	-
		Total Operations Other	-	-	-	-	-	-
<i>Stormwater - Drainage Review Technical Assistance</i>								
538.40.11.0000	3	Wages (1.25 FTE)	\$ 54,184	\$ 55,810	\$ 57,484	\$ 59,208	\$ 60,985	\$ 62,814
538.40.20.0000	7	Personnel Benefits	13,546	14,223	14,934	15,681	16,465	17,289
538.40		Total Stormwater - Drainage Review Technical Assistance	\$ 67,730	\$ 70,033	\$ 72,418	\$ 74,890	\$ 77,450	\$ 80,103
538.30		<b>Total Utilities - Drainage</b>	<b>\$ 304,848</b>	<b>\$ 314,594</b>	<b>\$ 324,661</b>	<b>\$ 335,063</b>	<b>\$ 345,809</b>	<b>\$ 356,913</b>
<i>Ditch Maintenance - Grader</i>								
538.41.11.0000	3	Wages	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637
538.41.12.0000	3	Overtime	-	-	-	-	-	-
538.41.20.0000	7	Personnel Benefits	1,000	1,050	1,103	1,158	1,216	1,276
538.41.33.0000	1	Materials and Supplies	-	-	-	-	-	-
538.41.43.0000	1	Travel	-	-	-	-	-	-
538.41.45.0000	1	Operating Rentals and leases	5,000	5,150	5,305	5,464	5,628	5,796
538.41.48.0000	1	Contract Services	-	-	-	-	-	-
538.41		Total Ditch Maintenance - Grader	\$ 10,000	\$ 10,320	\$ 10,651	\$ 10,992	\$ 11,345	\$ 11,710
<i>Culvert Maintenance</i>								
538.43		Total Culvert Maintenance	\$ 25,250	\$ 26,083	\$ 26,944	\$ 27,835	\$ 28,757	\$ 29,710
<i>Ditch Maintenance Backhoe</i>								
538.44.11.0000	3	Wages	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778
538.44.12.0000	3	Overtime	-	-	-	-	-	-
538.44.20.0000	7	Personnel Benefits	7,500	7,875	8,269	8,682	9,116	9,572
538.44.33.0000	1	Materials and Supplies	-	-	-	-	-	-
538.44.43.0000	1	Travel	-	-	-	-	-	-
538.44.45.0000	1	Operating Rentals and leases	25,000	25,750	26,523	27,318	28,138	28,982
538.44.48.0000	1	Contract Services	-	-	-	-	-	-
538.44		Total Ditch Maintenance - Backhoe	\$ 62,500	\$ 64,525	\$ 66,618	\$ 68,782	\$ 71,019	\$ 73,332

**San Juan County**  
**Storm Utility**  
**Operating Revenue and Expenditure Forecast**

FORECAST BASIS			Budget	Projection	Projection	Projection	Projection	Projection
			2007	2008	2009	2010	2011	2012
<i>Ditch Maintenance - Truck</i>								
538.45.11.0000	3	Wages	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020	\$ 46,371
538.45.12.0000	3	Overtime	-	-	-	-	-	-
538.45.20.0000	7	Personnel Benefits	10,000	10,500	11,025	11,576	12,155	12,763
538.45.33.0000	1	Materials and Supplies	-	-	-	-	-	-
538.45.43.0000	1	Travel	-	-	-	-	-	-
538.45.45.0000	1	Operating Rentals and leases	34,373	35,404	36,466	37,560	38,687	39,848
538.45.48.0000	1	Contract Services	-	-	-	-	-	-
538.45		<b>Total Ditch Maintenance - Truck</b>	<b>\$ 84,373</b>	<b>\$ 87,104</b>	<b>\$ 89,927</b>	<b>\$ 92,846</b>	<b>\$ 95,863</b>	<b>\$ 98,982</b>
<i>Catch Basin Maintenance</i>								
538.48.11.0000	3	Wages	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796
538.48.12.0000	3	Overtime	-	-	-	-	-	-
538.48.20.0000	7	Personnel Benefits	1,250	1,313	1,378	1,447	1,519	1,595
538.48.33.0000	1	Materials and Supplies	1,500	1,545	1,591	1,639	1,688	1,739
538.48.43.0000	1	Travel	-	-	-	-	-	-
538.48.45.0000	1	Operating Rentals and leases	1,250	1,288	1,326	1,366	1,407	1,449
538.48.48.0000	1	Contract Services	-	-	-	-	-	-
538.48		<b>Total Catch Basin Maintenance</b>	<b>\$ 9,000</b>	<b>\$ 9,295</b>	<b>\$ 9,600</b>	<b>\$ 9,916</b>	<b>\$ 10,242</b>	<b>\$ 10,580</b>
<i>Drainage Extraordinary Events</i>								
538.40.11.0000	3	Wages	\$ 8,025	\$ 8,266	\$ 8,514	\$ 8,769	\$ 9,032	\$ 9,303
538.40.12.0000	3	Overtime	-	-	-	-	-	-
538.40.20.0000	7	Personnel Benefits	2,006	2,107	2,212	2,322	2,439	2,561
538.40.33.0000	1	Materials and Supplies	1,500	1,545	1,591	1,639	1,688	1,739
538.40.43.0000	1	Travel	-	-	-	-	-	-
538.40.45.0000	1	Operating Rentals and leases	3,604	3,712	3,823	3,938	4,056	4,178
538.40.48.0000	1	Contract Services	-	-	-	-	-	-
538.40		<b>Total Drainage Extraordinary Events</b>	<b>\$ 15,135</b>	<b>\$ 15,629</b>	<b>\$ 16,140</b>	<b>\$ 16,669</b>	<b>\$ 17,215</b>	<b>\$ 17,781</b>
538.40		<b>Total Drainage</b>	<b>\$ 206,258</b>	<b>\$ 212,956</b>	<b>\$ 219,880</b>	<b>\$ 227,039</b>	<b>\$ 234,441</b>	<b>\$ 242,094</b>
	1	<b>Utility Taxes</b>	<b>\$ 7,667</b>	<b>\$ 7,913</b>	<b>\$ 8,168</b>	<b>\$ 8,432</b>	<b>\$ 8,704</b>	<b>\$ 8,985</b>
<b>Total Cash O&amp;M Expenditures</b>			<b>518,773</b>	<b>535,463</b>	<b>552,710</b>	<b>570,534</b>	<b>588,954</b>	<b>607,992</b>