

Water and Land Resources Division

# Business Plan

## (2012)

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**King County**

Department of Natural Resources and Parks  
Water and Land Resources Division

## **Water and Land Resources Division 2012 Business Plan**

**June 7, 2011**

### **INTRODUCTION**

The Water and Land Resources Division (WLRD) is a division in the King County Department of Natural Resources and Parks (DNRP). The division, which has approximately 335 employees, was created in 1997 when the county combined the former King County Surface Water Management (SWM) program with portions of Metro's Water Pollution Control Division and the King County Resources and Natural Lands programs and Flood Hazard program. Today WLRD includes the SWM program, the Environmental Lab, portions of the King County Local Hazardous Waste (LHW) program, River and Floodplain Management as well as programs that provide economic and technical support for forestry and agriculture, acquiring open space, restoring habitat and control of noxious weeds.

WLRD requests a 2012 operating budget of approximately \$62.5 million and a 2012 Capital budget of approximately \$44.1 million. The division's operating budget includes five special revenue operating funds and nine Capital Improvement Program (CIP) funds. This complex funding structure for the division is supported by a wide array of revenue resources which include fees for services, interlocal agreements, federal and state grants, transfers from other county agencies for the provision of services, tax levies, and bonds. The division receives very little county General Fund revenue (approximately \$.656 million in the 2011 budget and a request of \$.546 million in the 2012 proposal).

WLRD will not propose any fee or rate increases for 2012. The current Noxious Weed fee was increased in 2008 with the assumption that it would need to be increased in 2012. However, due to sound financial management and outside grant revenues the existing program can be maintained at the current rate through at least 2012. Included in WLRD is a portion of the Local Hazardous Waste program which is funded by a countywide fee administered by Public Health Seattle/King County. The Board of Health adopted a rate increase on April 21 of this year. The impacts of the new rate are assumed in the 2012 budget for WLRD. As a result, the WLRD LHW program will remain stable through 2014. Beyond 2012 the division will be challenged by anticipated revenue decreases in the SWM and Wastewater Treatment Division (WTD)-funded discretionary water quality programs due to annexations and reductions in annual WTD transfers of about \$1.5 million for the Environmental Laboratory and Science support for the lower Duwamish that will be completed in 2012.

## **I. Policy Framework**

### **Legal Basis for WLR Programs**

There is a significant body of laws (RCW's) and ordinances (KCC) that provide broad policy direction for programs in the Water and Land Resources Division. In addition the King County Comprehensive Plan and the King County Strategic Plan document the policy basis and goals, objectives and strategies that direct WLRD's products and services.

The most relevant laws and codes are summarized briefly below:

**Surface Water Management** – The King County Surface Water Management program was created in Title 9 of the King County Code. The statutory authority under which the county's program was established is in State RCW 36.89 which establishes broad authority to construct and manage storm water control facilities and provide necessary regulations to address storm water control. Related to this authority, King County must comply with legal mandates required under the current National Pollutant Discharge Elimination System (NPDES) permit, which is a federal requirement established under Federal Clean Water Act which is administered by the Washington State Department of Ecology.

**Flood Hazards** – The Water and Land Resources Division provides services to the King County Flood Control District on a contract basis. The District was established in 2007 by county ordinance under the authority provided by state RCW 85.15 and is governed by the Board of Supervisors who are also the members of the King County Council. The King County Flood Control District is responsible for implementing the King County Flood Hazard Management Plan.

**Noxious Weed Control** – King County's Noxious Weed Control program is part of the Water and Land Resources Division. The county's authority to control noxious weeds is granted by RCW 17.10. The County Noxious Weed Control Board provides policy oversight for the Noxious Weed Control program in WLRD.

**Local Hazardous Waste** – A portion of the county's Local Hazardous Waste program is included in the Water and Land Resources Division. The county program is part of a multi-jurisdiction program that encompasses the entire geographic area of King County. The Program is implemented through a multi-jurisdictional Management Coordination Committee (MCC). The MCC was enabled by the Seattle City Council (SMC 10.76) and the King County Board of Health (BOH Code 2.08.) It was also recognized as the Program governing entity by the Washington State Department of Ecology. The MCC sets the Programs strategic direction and implementation policies and oversees the Programs operations including development of annual budgets and work plans.

**Support to Wastewater Treatment Program** - A significant portion of the Water and Land Resources Division is oriented toward providing scientific monitoring and laboratory services support to the King County Wastewater Treatment Division and to ensure compliance with the wastewater NPDES discharge permit requirements. The Metropolitan Water Pollution

Abatement Advisory Committee, or MWPAAC, advises the King County Council and Executive on matters related to water pollution abatement. It was created by state law, RCW 35.58.210 and consists of representatives from cities and local sewer utilities that operate sewer systems with in King County.

## II. Vision/Mission/Goals/Objectives

### VISION

Clean water, sustainable open space and resource lands for the region.

### MISSION

King County Water and Land Resources Division helps to protect King County's water and lands so that its citizens can enjoy them safely today, and for generations to come.

### GOALS AND OBJECTIVES

The Water and Land Resources Division shares the same goals as the King County Strategic Plan both in terms of what we do and how we do it.

The goals and objectives for what WLRD will do are:

**Justice and Safety.** Support safe communities and accessible justice systems for all.

**Health and Human Potential.** Provide equitable opportunities for all individuals to realize their full potential.

**Economic Growth and Built Environment.** Encourage a growing and diverse King County economy and vibrant, thriving and sustainable communities.

**Environmental Sustainability.** Safeguard and enhance King County's natural resources and environment.

The goals for how WLRD will achieve these goals are:

**Service Excellence.** Establish a culture of customer service and deliver services that are responsive to community needs.

**Financial Stewardship.** Exercise sound financial management and build King County's long-term fiscal strength.

**Public Engagement.** Promote robust public engagement that informs, involves, and empowers people and communities.

**Quality Workforce.** Develop and empower King County government's most valuable asset, our employees.

Within each of these goals and objectives, WLRD's services and products focus on specific strategies as described in the following section.

### **III. WLRD Products/Description of Services and Alignment to Strategic Plan and Performance Measures**

This section describes WLRD’s major product families, the problems these product families seek to solve, the products and product attributes that comprise each product family. In addition, the alignment of each product family and product to the Strategic Plan goals and specific strategies is identified and, to the extent identified as part of the WLRD scorecard, each product’s performance measures.

The major product families WLRD produces are:

1. Control Stormwater Discharge
2. Flood Safety
3. Land Protected and Restored
4. Emergency Response
5. Water Quality Protection

As shown in summary in Table 1, and in greater detail in Appendix 1, these five product families intend to solve the major problems that prevent achievement of WLRD’s vision and mission. Each product family includes multiple products; each product includes multiple attributes (characteristics) or specific “services”.

Table 1. Summary of WLRD Problems Addressed, Product Families, Products, and Performance Measures

<b>Problems Addressed</b>	<b>Product Family</b>	<b>Products</b>	<b>Performance Measure</b>
Excess storm and surface water runoff	Control Stormwater Discharge	Complaint response; Regulatory compliance; Stormwater capital projects; Stormwater facilities maintained; Stormwater billings	NPDES SW Permit Compliance SW Projects Done SW Facilities Compliant wt Standards SW rates at or below Regional Mean
Property damage due to excess flood waters	Flood Safety	Homes removed from risk; Flood CIP's Maintained Flood Facilities	Flood Projects Done FEMA rating system maintained at 2
Poorly functioning and/or unsustainable open space and resource lands	Land Protected and Restored (ecologically significant and resource lands)	Acres restored (including volunteer plantings) New acres protected Habitat Restoration Projects Technical Assistance (Nox Weeds; Forests)	Restoration Projects Done Acres acquired or protected through TDR, easements, stewardship plans or incentives
Fast and dependable response during a flood, water quality and/or drainage emergency	Emergency Response	Emergency Response - Lab tests Flood Warning Information Brochures and Internet Site Flood Warning Center Monitoring & Flood Patrol Staffing; Flood Warning Notifications Stormwater Drainage Response Water Quality Hotline	No performance measures – under development
Surface and groundwater contamination	Water Quality Protection	Data sets (Science and Environmental Lab) Technical Assistance (groundwater; stormwater; local hazardous waste; livestock)	Water Quality Index trend E. Lab Fed/State Accreditation Business Sites Compliant with Standards Swimming Beaches Open

In the interests of enabling a product based unit cost budget development for 2013, we have identified nine specific product characteristics or attributes that contribute to the products identified above to analyze on a unit cost basis during summer, 2011. These are shown in Table 2 and highlighted in Appendix 1. Although the analysis will not be available for the June 3, 2011 budget submittal, this pilot exercise will inform the transition to unit cost budgeting next

year. Pending the pilot outcomes, changes may be made in the 2012 budget submittal during the summer.

These nine pilot services and products were selected using the following criteria:

- Critical product in the product family.
- Represent at least one or more products in all product families and funds
- Unit cost information is available or relatively straightforward to develop.

Table 2. Pilot Products for Unit Cost Analysis

#	Product	Product Attribute* (Characteristic)	Product Family	Fund
1	SWM Billings	Billing statements; Impervious area measurements; Implementation of new SWM Discounts	Control Stormwater Discharge	1211
2	SW Facilities Maintained to Standard	Inspection and Maintenance of SW facilities	Control Stormwater Discharge	1211
3	Complaint Response and Investigation	Complaint Response and Investigation	Control SW Discharge	1211
4	NPDES Permit Compliance	Sample collection; E. Lab analyses; Data analyses; report preparation	Water Quality Protection	1210
5	Land acquired fee simple or conservation easement	Land Acquisition activities (site ID; funding plan; real estate transactions; maintenance plan; etc) for Habitat/Open Space	Land Protected and Restored	1210
6	Noxious Weed Control	Technical Assistance for Noxious Weeds	Land Protected and Restored	1311
7	Forestry Plans	Technical Assistance for Forest Land Owners	Land Protected and Restored	1211
8	Flood Facilities operating to standard	Inspection and Maintenance of Flood Facilities	Flood Hazard Reduction	1561
9	Flood Emergency Response	Flood Warning Center and Levee Patrols (hourly costs)	Emergency Response	1561

\*Each product attribute or characteristic will be broken into specific activities for the analysis. For example, activity examples for #2 might include facility inspections; data base management; maintenance tasks; retrofit and repair of facility; etc.

The goal of the pilot unit cost analysis is to describe the relative contribution and value of different product attributes or characteristics WLRD currently implements to create each product. The product attributes will be broken into activity based components and analyzed for FTE and non FTE costs so that a detailed evaluation of what the individual elements of each product are, and what each costs, can be completed. This information will help us evaluate whether all attributes are necessary to achieve the product and if some attributes are of limited value and could be eliminated or reduced without impacting product quantity, quality, or timeliness.

The criteria for the evaluation will be based on the extent to which each attribute (set of activities) impacts the performance measures for each product as identified in Appendix 1. This will require identification of additional (new) performance measures for each product to include measures of effectiveness (e.g., quality, timeliness) rather than the quantity or output measures that are currently identified. This expansion of the WLRD performance measures system will result in both a more robust system and will improve our ability to use performance measures as an integral part of budget decision making.

Based on the results of the pilot analysis, and including any modifications that are warranted, we will use a similar methodology during 2012 for the 2013 budget development. We anticipate that this product based evaluation of specific product attributes in relationship to outcome and effectiveness measures will help WLRD achieve 3 percent efficiencies and, over time, more cost-effective and efficient service delivery.

Appendix 1 includes the complete inventory of all current WLRD product families; products; attributes; customers for each; Strategic Plan alignment; and when available in the WLRD scorecard, Performance Measures. The nine pilot products are highlighted at the beginning of Appendix 1.

All WLRD products and product attributes (activities/tasks/services) in Appendix 1 were aggregated into product families using the following criteria:

1. The product is a similar or identical activity or function
2. The product is provided or produced by the same section or work unit
3. The size of expenditure is small
4. The product can be measured in the same way as other products using one or more of the following metrics:
  - Quantity (i.e., the product can be quantified – acres purchased)
  - Quality (typically the qualitative metrics describe customer satisfaction and other “how” elements of product delivery)
  - Timeliness
  - Cost/unit

Appendix 2 (attached) shows the aggregation of major products organized by Strategic Plan element and extent to which each product affects the county’s goals. WLRD’s products are tightly aligned with the Strategic Plan goals, objectives and strategies. Our products contribute significantly to the advancement of these key objectives:

- Justice & Safety1 - Keep people safe in their homes
- Justice & Safety4 - Decrease damage or harm in the event of a regional crisis
- Health & Human Potential2 - Protect the health of communities
- Economic Growth & Built Environment 1 - Support a strong, diverse and sustainable economy
- Economic Growth & Built Environment 4 - Preserve the unique character of our rural communities in collaboration with rural residents

- Environmental Sustainability 1 - Protect and restore water quality, biodiversity, open space, and ecosystems
- Environmental Sustainability 2 - Encourage sustainable agriculture and forestry
- ES3 - Reduce climate pollution and prepare for the effects of climate change on the environment, human health and the economy

#### **IV. Change Drivers**

1. **Annexations** –For 2012, no new annexations are anticipated. Annualization of the Kirkland J/F/K (effective mid 2011) will reduce SWM revenues to about \$19.849 million, or about a 3 percent decline. By 2017, annexations will reduce annual SWM revenues by a total of ~ \$4.861 million or about 26 percent relative to 2011. (All estimates based on current rate structure.)
2. **3 Percent Efficiency Target Mandate** – Consistent with direction from the Executive for all county agencies, WLRD worked with employees within each section to identify opportunities for achieving approximately 3 percent efficiency in the 2012 budget. These efficiencies are predominantly in the form of increased productivity (i.e. same level of service, but at 3 percent less cost or 3 percent budget savings). The proposals shown in Appendix 3 were ranked based on feasibility. The most feasible and those that we are able to quantify in budgetary terms are included in the WLRD budget submittal. The opportunities identified where feasibility was unclear or for which we were unable to adequately document budgetary impact are included in Appendix 3 and will be considered for future implementation. The 2012 3 percent target is \$1.872 million.
3. **River Management** – The River Program is faced with several financial issues: (1) Additional capital costs for the Seattle Seawall (~\$30 million; \$4.25 million in 2011 and \$25.75 million in 13 - 15), (2) an estimated \$19 million in repair needs added as a result of damages from flood events in 2009 and 2011; (3) Added operating costs to increase facility maintenance; and (4) in partnership with Parks, the Sheriff’s Office and Risk Management, a response to river recreational safety concerns. The River Program is addressing these cost drivers as part of the 2012 budget proposal.
4. **Surface Water Management (SWM) fund and Priority of Legal and Discretionary Services** – The current National Pollutant Discharge Elimination System (NPDES) municipal stormwater permit expires in June, 2011 with the new 5-year NPDES permit starting July, 2011. WLRD has reviewed both sets of permit conditions and evaluated the legal requirements as compared to other SWM funded services to determine if there are any services that are more appropriate to fund in lieu of permit conditions. As a result of this review WLRD is recommended that the extended 6 months of outfall characterization required for permit environmental monitoring be eliminated. This elimination will result in \$260,000 in savings which will be used to fund other SWM activities. This elimination is currently in the proposed budget and will be finalized or re-instated pending discussion with Ecology and PSB.
5. **Regional Economic Development for Agriculture** –In the past, WLRD has either provided or funded via contracts several economic development services for regional agriculture. Because of the expansion of farmers markets and other regional markets (restaurants, community supported agriculture, retail outlets) that serve the extra urban area including many cities , it no longer makes sense for a single jurisdiction – King County - to provide or

support alone regional services that benefit a broad community including cities and other counties in Puget Sound. These services need to have a broader, inter-jurisdictional funding base and will be most appropriately provided by others including the King Conservation District (KCD), Cascade Harvest Coalition, the private sector and/or other regional non-profits. The specific proposal is included below in #7 in Change Initiatives. The 2012 PSQ budget from PSB eliminated General Fund support for such services. SWM fund is not an appropriate option.

6. **Environmental Laboratory Facility Management** – WLRD and WTD plan to develop a sustainable asset management plan (including provision for replacement and upgrading of equipment and facility) for the Environmental Laboratory. While this plan will not affect the 2012 budget it is important to note that this work will be done in 2012 and may affect the future management and overhead distribution for the Environmental Laboratory. In addition, during 2012, we will ensure that all Environmental Laboratory operating costs are distributed among WTD operating and capital projects and non-WTD projects.

## V. Change Initiatives and Prioritization Criteria

### Enhanced or New Revenue

1. **SWM Rate Study** – WLRD will complete a SWM rate study in 2012. The study will: (1) Identify multi-year SWM program needs and costs, (2) Incorporate findings from the 2011 budget proviso regarding discount rates, (3) Incorporate updated parcel data from re-measurement work done in 2010- 2011, (4) Evaluate the step function basis and option for including a water quality element in the SWM rate model, (5) Project the long term (10 year) capital project need and associated operations and maintenance costs; and (6) Evaluate if unfunded surface water management needs identified by the Puget Sound Partnership and WLRD should be funded by local SWM fee increases or by a new funding authority. With major annexations projected for 2012 – 2015, a rate increase may be required for program stability and to address short term capital needs of about \$37 million.
2. **NPDES Stormwater Permit Compliance** – Ecology will issue a new municipal stormwater permit in 2012 (the current permit expires in July 2012). Based on an analysis of the preliminary draft NPDES permit conditions, an evaluation of past monitoring data, and using the decision criteria below, WLRD is evaluating the added value of completing one of the environmental monitoring conditions. Specifically the draft permit requires a third year of outfall characterization environmental monitoring. WLRD has already completed two full years of this monitoring and the value added of a third year is questionable. The requirement for three years is also a new proposed condition that will be in effect for 2012 only. The \$260,000 cost of this monitoring is high in comparison to other SWM eligible activities and in light of the fact that Ecology is also proposing to shift in 2013 to a fully integrated regional monitoring program. However if the third year of outfall monitoring is not done King County would be partially out of compliance with the municipal stormwater NPDES permit. The funding for the third year is currently allocated to SWM capital projects pending further discussion with Ecology and other NPDES municipal permit holders as to the value of the third year's data set.
3. **River Management Financial Options** – The Flood Control District (FCD) asked the FCD Advisory Committee to recommend a 6-year Capital Improvement Program (CIP) and to evaluate bonding to address increased capital and operating expenses for the 2012-17 budget

years. The committee met on May 11, 2011 and recommended that two options, short term inter-fund borrowing and improved cash flow management and pooling of acquisitions funds be evaluated further. WLRD will work with Policy, Budget and Strategy (PSB) staff on these financial options.

4. **Grant Strategy** – WLRD increased grant revenues by 270 percent in the past six years. Grants enable WLRD to pay for operating and capital priorities that current funds cannot support; to cut across statutory funding authorities to develop and implement integrated watershed based management solutions; and to leverage capacity through community connections and expertise to achieve outcomes that government alone cannot achieve. Total grant revenues for operating and capital programs were \$10.072 million in the 2010 budget. WLRD will continue to aggressively pursue grants to support programs that directly help to achieve Strategic Plan goals. However, WLRD finance staff is challenged to keep up with the increased volume of grant billings. The increased grant volume, combined with more stringent billing documentation requirements by the state have increased finance support workload by about 1.0 FTE (absorbed via internal efficiencies).
5. **Small Lot Forest Management and Economic Development** – In 2009 the King County Rural Forest Board Commission recommended that the county share of Forest Excise Tax (private timber harvest tax), and the State Forest Board Revenue from the State of Washington be dedicated to forestry programs. Currently those revenues are part of the General Fund allocation. Since 2004 revenue from these two sources has averaged about \$250,000/year. WLRD proposes approximately \$125,000 of the revenues from this program be used in 2012 to support 0.5 FTE of a forester and to fund workshops and marketing activities for new forest products business. The proposed program will 1) assist landowners in forest management and forest product marketing; 2) create job opportunities for forestry consultants and small contractors by connecting them to the market and providing skills training; 3) provide opportunities for forestry students to recognize the small-scale market potential in rural King County and; 4) promote local forest products and address regulatory barriers to forest product processing. The proposal promotes rural economic development, provides incentives and technical assistance for sustainable forestry and forest products industry, and encourages stewardship of rural forestlands. A pilot project in Tolt River Highlands which included 40 completed forest plans and multiple property owners generated more than \$1.0 million in local economic activity including timber revenue, and jobs for loggers and foresters.
6. **New Regional Watershed Funding** – WLRD and the Executive Office are working in partnership with the watershed forums in King County and the Puget Sound Partnership to evaluate the need and options for a new legislative authority to allow a new integrated regional watershed-based funding mechanism. Such a mechanism could meet some of the long term \$16 billion in unfunded Puget Sound wide stormwater needs and the significant funding gap for Puget Sound salmon recovery needs. In addition, such a funding stream could address some of the restricted statutory limitations of SWM and FCD revenues that can only address single purpose elements of water quality and flood control.
7. **Regional Agricultural Economic Development Services** – in partnership with the Regional Food Policy Council, the Executive Office and the King Conservation District (KCD), WLRD is encouraging a two-fold strategy to develop broad, inter-jurisdictional funding for

important economic development services. The first part of the strategy is to work with jurisdictions in King County to allocate 20 – 25 percent of the jurisdictional KCD grants to regional agricultural services in 2012. Based on discussions with Cascade Harvest Coalition (CHC), KCD and King County staff there is a total need of ~\$185,000 – \$260,000 in 2012. Specific services to be funded by this proposal are:

- Puget Sound Fresh – service provided by Cascade Harvest Coalition (need is ~\$100,000 - \$175,000/year)
- Farmer’s market support services – services to be provided by CHC or another NGO (~\$30,000/yr),
- 2012 funding for the PSRC Regional Food Policy Council (\$25,000) and
- A shared agricultural agent for King County from WSU Extension (~\$30,000/year).

The second part of the strategy is to encourage the diverse membership of the four counties, cities and other entities who are members of the PSRC Regional Food Policy Council to meet or exceed King County’s \$40,000 2011 contribution to CHC and Seattle’s \$25,000 contribution for staffing the Food Council. Partnership and support from other cities will be critical to the success of this strategy.

### **Reductions**

1. **SWM fund** –2012 SWM revenues will decrease by about \$610,000 due to revenue losses related to annualization of the Juanita/Finn Hill/Kirkland annexations. The SWM fund must also absorb approximately \$435,000 in mandatory cost increases related to Preliminary Status Quo (PSQ). In response to this WLRD will need to make program changes. This includes a return of the CIP transfer from a high of 41 percent associated with the 2011 SWM rate increase back to approximately 30 percent historical level as well as program changes in stormwater funded services in the areas annexed by Kirkland.
2. **Efficiency Options from Product Based Budgeting** – WLRD has identified nine key services, their attributes and major products to use as a pilot test of product based budgeting as part of the 2012 budget process. While no proposals for cost reductions associated with this pilot test are included in the June budget submittal, pending analysis during the summer, adjustments may be made prior to final budget.

### **Potential Re-Allocations**

1. **River Management** –The addition of the Seattle Seawall in 2011 and in future years will likely require re-allocations and re-prioritization of capital projects in Flood Control District (FCD) capital budget. The FCD budget will also need to accommodate increases in operating expenditures including the recent legal settlement; the addition of six FTE’s to handle the increased work program and improve productivity; changes to vegetation management on levees; and costs of operating the Flood Warning Center. In addition to re-allocation, WLRD will work with the FCD and the budget office (Policy, Strategy and Budget) to consider short term inter-fund borrowing and improved cash flow management.
2. **Changes in Loan-Out Rates** – a significant reduction in the federally approved third burden rate as calculated by FBOD (previously 83.3 percent and now 58 percent) will result in increased productivity for SWM funded capital programs by lowering the cost of labor for capital projects. However, an artifact of the financial system is that burden rates are handled

as negative expenditures. Thus decreasing burden rates have the effect of pushing budgets higher on the operating side.

3. **Equity and Social Justice (ESJ) Initiative** – WLRD completed significant analysis of three key services in 2010-11 to determine if there is a bias associated with King County’s demographics. Specifically the services evaluated were stormwater drainage complaints and response; flood capital projects; and location of farmers’ markets. The findings of this analysis showed that there was no bias associated with either people of color or income level for service provision for either stormwater drainage complaints and response or flood capital projects. This finding is the result of the functional or physical basis of the drainage network and flood plain location.

However, there are a greater number of farmers’ markets in areas of fewer people of color and areas of lower income. Unfortunately, since WLRD does not control, operate or manage farmers’ markets (they are either independent businesses or non profits), WLRD can only influence their location indirectly and only in relationship to appropriate funding.

In 2012 WLRD will evaluate its service delivery and communications to ensure that we are reaching key communities that may not have equal access either from language, cultural, or economic barriers to public safety information for flood risk reduction, drainage, protection and mitigation for exposure to hazardous materials, and access to technical assistance for agriculture. This evaluation will focus on the following elements in 2012:

- Public Education and Information System Enhancements
- Building community trust and capacity for stormwater services; agricultural services including access to purchasing farmers’ market products; ability to protect jobs in the Kent Valley; opportunity to partner with juvenile justice system by creating a conservation job corps
- Promotion of internal communications and training for awareness and visibility for equity and social justice initiative
- Evaluation of contracting practices for equity access within WLRD and in partnership with Procurement; staff training and education including ESJ posters for WLRD facilities
- Supporting the Regional Food Policy Council’s equity work for food access and distribution including improved access to farmers markets.

4. **Customer Satisfaction Initiative** –WLRD selected twelve specific WLRD services or products to evaluate for customer satisfaction in 2012. The goal of this effort is to improve our customer satisfaction. The specific services, the direct customers, and the type of survey that will be conducted are shown in Appendix 4. We plan to collect qualitative data in 2012, since it will be too expensive to design surveys and conduct random sampling to get statistically acceptable quantitative data. We recognize upfront that the qualitative methods will likely generate responses mainly from those not satisfied or in some cases, those extremely satisfied. Those in the middle are historically less likely to respond; however, that said, the value of the information to be collected will help to improve our customer satisfaction.

The key elements of the initiative are the following:

- Select WLRD products and services to be evaluated for customer satisfaction

- Identify the direct customers of these WLRD products and services
- Define drivers of customer satisfaction in delivery of these products and services (using Appendix B of the *KC Guidelines on Customer Satisfaction Measurement* as the starter list of drivers)
- Define consistent drivers division-wide as well as product- or service-specific when appropriate
- Identify tools to measure and evaluate customer satisfaction
- Identify methods to analyze and, to the extent possible, apply results of customer feedback to service and product delivery.

## Prioritization Criteria

The following criteria were used to prioritize services and reductions for the 2012 budget.

1. **Loss of Area-Specific SWM Services Due to Annexations** – In order to offset SWM revenue losses due to annexations, WLRD first eliminated direct services in those areas.
2. **Efficient Provision of Service (3% efficiency)** –WLRD reviewed all programs and evaluate options for efficiency reductions to achieve, at the fund level, 3 percent efficiencies. A summary of draft efficiency targets by operating fund is in Appendix 2.
3. **Legally Required Activities** – WLRD evaluated all NPDES legal requirements and determined that one of the environmental monitoring requirements in the current permit that was completed but is now included in the 6-month extension should be eliminated. WLRD is discussing this elimination with Ecology and based on that input will discuss further with PSB during the summer, either re-instate and reduce the transfer to capital by \$260,000 or move forward without full compliance with the NPDES municipal stormwater permit in the first six months of 2012.
4. **Strategic Plan Priorities** – As shown in Appendix 2, WLRD’s product families are tightly aligned with the Strategic Plan goals and strategies. In development of the 2012 budget Strategic Plan priorities were not used to prioritize services due to this strong relationship. However, in future years, as the unit cost analysis is further developed, we anticipate that we will prioritize products and attributes that most strongly support the objectives and strategies of the King County Strategic Plan goals of Justice and Safety, Health and Human Potential, Economic Growth and Built Environment and Environmental Sustainability.

## VI. Enabling Support and Infrastructure

WLRD will be examining a number of potential efficiencies and/or reductions that may impact levels of service from internal support agencies. Some of the impacts may be as follows:

**OIRM /Telecom** – WLRD is reviewing all current charges for cell phones/wireless devices for reductions. WLRD will communicate directly with OIRM on changes for the 2012 budget.

**Fleet Administration** – WLRD is reviewing use of vehicles and fleet managed equipment for reductions. LRD will communicate with PSB and Fleet on changes anticipated in the 2012 budget. We will also need help from PSB and Fleet to ensure that costs are budgeted in the correct low orgs and cost centers.

**Roads Services Loan-in Labor** – WLRD uses Roads Services support for both the SWM and Flood operating and CIP programs. The level of support required from Roads Services varies

depending upon projected work programs in WLRD. WLRD has an established procedure to inform Roads of support needs and will communicate directly with Roads on 2012 needs. **OIRM/ IT Consolidation** – WLRD has received preliminary direction from DNRP to include current levels of IT staffing and O&M support within its current structure in WLRD. It is possible that consolidation of these services at a more central level may occur later in the budget process. If necessary, WLRD will work with OIRM, PSB and DNRP Director’s Office staff to implement changes to how IT resources are budgeted in 2012.

## **VII. Financial Forecast**

### **Overview/Introduction**

The Water and Land Resources Division operating and CIP budgets which are included in the 2012 agency request are budgeted in five separate operating funds and nine CIP funds. The funds are:

#### **Special Revenue Operating Funds**

Shared Services Fund 1210  
Local SWM Services Fund 1211  
King County Flood Control District Fund 1561  
Noxious Weed Control Fund 1311  
Intercounty River Improvement Fund 1820

#### **CIP Funds**

Conservation Futures Fund 1311  
SWM CIP Fund 3292  
Working Forest Fund 3391  
Farmlands & Open Space 3840  
Open Space Fund 3522  
KC Flood Control Fund 3571  
Environmental Resource Fund 3672  
Critical Areas Mitigation Fund 3673  
Trans of Dev Credit Fund 3691

Because of the multi-fund structure of WLRD’s budget, it is not feasible to show a single financial plan forecast that encompasses all funds. This section discusses 2010 – 2017 financial plans for three of the operating funds: Local SWM Services, King County FCD and the Noxious Weeds Fund. These funds are shown because their primary revenue sources are fees or levies of which WLRD has significant roles in managing. The three financial plans are attached in Appendices 5, 6 and 7.

The largest revenue source for the SWM Fund is the King County Surface Water Management (SWM) fee, which is a per parcel fee assessed in all unincorporated King County. The SWM fee is a flat rate of \$133/parcel for residential properties and a six rate categories for commercial parcels based on average impervious area and acreage. WLRD is responsible for program management and policy development regarding the SWM fee.

The Noxious Weed fee is also a parcel based fee of \$2.10/parcel for all properties excepting agricultural and forest lands. These are charged at the following rates: Ag lands - \$0.21/acre; Forest Parcels - \$0.205/parcel with an additional Forest/Acre Charge of \$0.021. The Noxious Weed fee is assessed on all parcels in both incorporated and unincorporated areas excepting Tribal and Federal land. Like the SWM fee WLRD has significant responsibility for program management and policy development regarding the fee. (Policy direction is also provided by the

Noxious Weed Control Board which has five voting members – one each from the five weed control districts in King County.)

The Flood Control District levy is an ad valorem tax on real property levied at the rate of approximately \$0.11/\$1000 A.V. on all properties in King County, both incorporated and unincorporated. The levy proceeds belong to the King County Flood Control District which contracts for services with WLRD. Policy direction and oversight for the district are provided by a Board of Supervisors. However, WLRD plays a significant role in program administration and policy development regarding the levy.

We have not included financial projections for the remaining funds since the revenues are largely reimbursements from other county agencies which set policies and programs and rates for their respective revenue sources.

### **Surface Water Management Program (Appendix 5)**

Appendix 5 includes a financial projection for SWM Fund 1211. This is an abstract of the SWM financial plan in that it deals only with the SWM revenues in isolation from other program components that are funded by grants, ILA's and interagency revenues. In 2011, the SWM program received a rate increase of about 20 percent.

Key drivers of the SWM fund are:

**Annexations** – Based on central county assumptions, annexations will continue to erode the SWM revenue base. Current projections indicate that from 2011 to 2017 annexations will reduce SWM revenues by about 26 percent.

**NPDES Permit Requirements** – The SWM program is operating under a current NPDES permit which will be renewed in 2012. The current five year stormwater permit (2007 – 2011) is highly prescriptive and does not change with reductions in the service area. From 2007 to 2011 the permit has added almost \$1.3 million to annual stormwater operating costs. The 2011 rate request was anticipated to provide enough ongoing revenue to meet NPDES permit costs only through the end of the current permit period, since requirements and costs for the new permit were not known.

Future permit requirements are expected to increase in future years, although the amount of increase is not known at this time.

**CIP Transfers as Percent of SWM Revenues** - WLR's SWM program has an ongoing policy goal of committing at least 30 percent of estimated annual SWM revenues to the SWM CIP program (which includes both CIP debt service and the annual Pay-As-You-Go (PAYG) transfer). This policy target was not based on estimated CIP need over time. It was an expression of intent to commit a minimum percentage of SWM fees to the CIP program. During the 2011 budget process the SWM financial forecast which was presented to Council showed the transfer to capital going well below the 30 percent target as annexations eroded revenues in the future. However, the attached financial plan shows an assumed annual transfer of 30 percent over the duration of the plan.

## **Revenues**

The top part of the plan shows revenues at the current rate through 2017. Annexation dates are based on direction from PSB. Based on historic trends, SWM revenues are expected to increase by about 1 percent annually due to increases in development and the number of new parcels. However, projected annexations more than offset these gains. As stated above, annexations will result in a revenue loss by 2017 of about 26 percent. Revenue forecast assumes the non-commercial two rate discount remains unchanged through 2017.

## **Expenditures**

Operating expenditures are shown by three major classes: Salaries, benefits and O&M. Out year inflation assumptions for salaries (COLA) and O&M are provided by OEFA through 2016 only. WLRD Finance extended the 2016 assumptions into 2017. (Note: OEFA has not provided separate inflation assumptions for benefits – WLR Finance has requested this information, if available.)

Also in the operating section are separate lines for direct expenditure reductions due to annexation impacts (some workload is reduced with annexations) and future NPDES impacts. Based on prior experience, WLR estimates that for each Potential Annexation Area (PAA) revenue dollar lost, there will be an approximate corresponding 40 percent reduction in direct operating expenditures. The remaining operating expenditures are for program components that are area-wide in nature and which are not directly related to geographic specific PAA's. For NPDES impacts, no additional dollar amounts are shown. As stated above, the new permit will not go into effect until July 2012 and the impacts are not known at this time.

Below the operating expenditures are CIP expenditures. Separate lines are shown for the annual CIP Pay-As-You-Go (PAYG) transfer and annual debt service. Debt service is a fixed amount that cannot be changed until CIP bonds are retired (the earliest of which will be in 2017). The financial projection assumes the SWM program will meet the current 30 percent CIP target. An additional line is shown for stormwater system replacement costs. However, no values are shown because WLRD does not have a replacement plan for the stormwater system.

Below the Total Expenditures line is a Difference line. This is the difference between projected revenues and expenditures. A positive number indicates revenues in excess of expenditures. A negative indicates expenditures in excess of revenues.

## **Observations**

- The current rate will be sufficient to maintain the existing SWM program through 2012.
- By 2013 the SWM program will either need a rate increase or expenditures will need to be reduced.
- During development of the 2011 rate increase, WLRD identified approximately \$37 million in SWM capital needs. At that time WLRD recognized that as annexations resulted in a reduction in SWM revenues, the annual capital transfer would either go below the 30 percent policy target or SWM operating expenditures would need to be

reduced. For example, the \$133 rate would be sufficient to meet only about 20 percent of the identified CIP need of \$37 million during the 2011 – 2016 time period if no operating reductions are made. However, as shown on the attached forecast (Appendix 3), if the SWM rate is increased at levels adequate to maintain the current operating program and the 30 percent CIP target, the 2011 – 2017 PAYG amounts would be sufficient to meet about 73 percent of the \$37 million capital needs.

- The financial projection does not include estimated cost impacts for the new NPDES permit, nor does it include estimates for replacement costs of existing stormwater facilities.
- WLRD proposes a rate study which will be completed in 2012. The study will evaluate rate increase options for 2013 and beyond and will include an evaluation of the current rate category model that is based on a step function of impervious area for specific classes of impervious area and options for expanding the rate model to consider a water quality component. The rate study will also evaluate facility replacement costs.

### **Noxious Weed Program (Appendix 6)**

Appendix 6 includes a financial projection for the Noxious Weed Fund 1311.

The key drivers for the Noxious Weed fund are:

**Current Rate Period** –When the current fee was adopted in 2008, it was anticipated it would be sufficient to maintain the Noxious Weed program for five years, 2008 – 2012 and that a rate increase would be necessary for 2013.

**Noxious Weed Program Services** – The forecast assumes no change in the existing Noxious Weed program through 2017.

### **Revenues**

The top part of the plan shows revenues at the current rate. Historically, Noxious Weed revenues have increased by about 1 percent annually due to parcel growth. This growth is anticipated to continue through 2017. Grant and ILA revenues are assumed to grow at about 2.5 percent, commensurate with the rate of inflation. If grant and ILA revenues are not available, expenditures will be reduced to levels supported only by the weed fee.

### **Expenditures**

Operating expenditures are shown by three major classes: Salaries, benefits and O&M. Outyear inflation assumptions for salaries (COLA) and O&M are provided by OEFA through 2016. WLRD Finance extended the 2016 assumptions into 2017. (Note: OEFA has not provided separate inflation assumptions for benefits – WLR Finance has requested this information, if available.)

## **Observations**

- The current rate will be sufficient to maintain the existing Noxious Weed program through at least 2013. It may be feasible to extend the current rate through 2014 by continuing to aggressively pursue outside grant revenues and with careful financial management.

## **King County Flood Control District Program (Appendix 7)**

Appendix 7 includes a financial projection for the Flood Control Fund 1561.

The key drivers for the Flood Control District program are:

**Frequency and Severity of Flood Events** - The County experiences a minor flood event nearly every year and a major flood approximately every two to five years. Based on projections from the University of Washington's Climate Impacts Group, the frequency and size of floods in the Puget Sound region will increase in the future. These flood events pose a risk to safety and property for people who live, work, or own businesses in the floodplain. There is also a significant economic risk for the region from damage to commercial centers and disruption to the distribution of goods.

**Capital Construction/Aging Facilities** – There is a critical need to rehabilitate the region's aging flood protection infrastructure, comprised of 500 levees and revetments along King County's major rivers. Many of these facilities were built in the 1930s-1960s and do not meet current engineering design standards. Failure to upgrade and maintain these facilities will result in a significant increase in risk over the existing level.

## **Revenues**

The primary revenue source for this program is the Flood District property tax levy which supplies approximately 90 percent to 95 percent of annual revenue. The remaining revenue in a typical year is primarily from various grant sources. This is most often FEMA reimbursements for flood damage during federally declared disasters or for preventative measures such as elevating or buying out flood-prone homes. Grants are sometimes secured to mitigate the environmental impacts of flood control facilities and restore the floodplain ecosystem.

Another major revenue source in the future may be short-term borrowing to finance spikes in construction activity. The District has asked King County to evaluate the feasibility of short-term financing through King County on behalf of the District. This would require an agreement between the King County Council and the Flood District Board of Supervisors for the District to repay the County with future tax proceeds. This is not expected to occur until at least 2013.

## **Expenditures**

The District has three general categories of expenditures. The first is the District's administrative expenditures which are not part of the contracted work with WLRD. This work is performed by a group of consulting firms hired to provide management, legal, and public relations services for the District. This category accounts for about 2 percent of annual expenditure, or approximately \$480,000- \$560,000/year.

The second category is the operating program, for which the District contracts with the Water and Land Division. These expenditures are for various flood risk prevention services, such as operating the flood warning center and flood patrols during storm events, undertaking various technical studies and policy analyses, providing facility maintenance as well as basic administrative functions. This category is around 15 percent of annual expenditures, or \$8.7M to \$10.5M/year during the 2010 – 2017 forecast period.

The third category is the capital program which is also part of the District's contracted work with the Water and Land Division. These expenditures primarily fund the repair and reconstruction of flood control facilities in the Snoqualmie, Cedar, Green, and White River basins and account for 80 percent to 85 percent of the District's total expenditures during the 2010 – 2017 forecast period.

### **Observations**

- With the recent state legislative action exempting Flood Districts from levy pro-rationing until 2017, the flood levy is generally considered a stable funding source.
- The program is likely to continue into the future as work to rehabilitate aging infrastructure transitions over time to more of a maintenance level of effort. The original discussion at Council framed the proposal for a countywide flood control district in terms of a ten year work program, from 2008 through 2017. Since that time various conditions have changed, such as the identification of additional flood damage, construction costs higher than the original planning-level estimates, and some reduction in anticipated revenue. The result is a general assumption that the capital program will continue past 2017 for some number of years.
- While the funding is considered stable, a significant limitation has been a shortage of staff on the capital program, resulting in an expenditure rate of only about 50 percent. This is being addressed in the 2012 budget with a request for six new FTEs, as well as pilot process with Procurement to authorize larger work-order based contracts.
- A final issue for the District is the contribution to the construction of the Seattle seawall. To date the District has contributed \$2M for planning and design costs and the 2011 budget contains an additional \$4.25M. The Board has further directed the contribution of another \$25.75M before 2017. However these costs have not yet been adopted as part of the 6-Year capital improvement program, and thus are not reflected on the attached financial plan. The financial plan will be revised in response to the FCD Advisory Committee July 31, 2011 recommendations for the 6-year capital improvement program. In addition, as discussed earlier in the business plan, the addition of the Seawall and the increased operating expenditures may result in lengthening the capital program timeline; and/or the implementation of financial remedies such as short term borrowing or improved cash flow management and pooling of acquisition funds. The implementation of standard project management practices following the completion of the capital project management manual, and the addition of engineering and contract support FTE's will also increase the capital productivity rates.