

CITY COUNCIL AGENDA TOPIC

Ordinance establishing revised charges for water service, water consumption, and water standby capacity for private fire protection for the Water Utility for the City of Bellevue; repealing Ordinance No. 6819; providing for severability; and establishing an effective date.

Lucy Liu, Director of Utilities, 425-452-4445
Scott Edwards, Deputy Director of Utilities, 425-452-2041
Matthew Thurber, Assistant Director, 425-452-2032
Utilities Department

EXECUTIVE SUMMARY**ACTION**

This Ordinance replaces and repeals a water rate ordinance, No. 6819, which was adopted (11/19/2024) as part of the 2025-2026 biennial budget.

The ordinance prescribes the same water service charges, previously approved, providing sufficient resources to support the annual operating and capital investment program (CIP) funding needs of the Water Utility, consistent with the City Manager's 2025-2026 Preliminary Budget.

However, the need for a new rate ordinance is to ensure staff has the requisite authorization to administratively adjust applicable percentages to reflect any increase or decrease in excise taxes that the City may be required to pay to any municipalities within its service area.

The new ordinance also makes minor formatting revisions and establishes an effective date for the operative amendments.

RECOMMENDATION

Move to adopt Ordinance 6833

BACKGROUND/ANALYSIS

Recently, the City and the Town of Yarrow Point negotiated a new franchise agreement, which confers to the City the necessary permission to operate public utilities in the Town's rights-of-way and utility easements.

As part of this new franchise agreement, consistent with the Town's municipal code (YPMC 3.16.040(E)), the City is now required to collect an excise tax from its utility customers residing in the Town's jurisdiction – remitting the same to the Town on a quarterly basis.

The previous water rate ordinance, No. 6819, provides staff with sufficient authorization to administratively adjust rates to reflect any increase or decrease in the franchise fee required to be paid to a municipality. However, the ordinance did not include similar language if and when a municipality also requires collection and payment of excise taxes.

To that end, staff recommends that the section specific to "user charges" (Section 5) be revised as

follows:

User Charges. The charges for each water service user shall be the sum of the meter service charge in Section 2, plus the appropriate water service charge or charges in Section 3, plus the water standby capacity charges in Section 4, all multiplied by the percentage indicated below for that city or town

City or Town	Percentage
<i>Bellevue</i>	112.2974%
<i>Clyde Hill</i>	127.3565%
<i>Hunts Point</i>	121.6470%
<i>Medina</i>	127.3565%
<i>Yarrow Point</i>	119.3538%
<i>Kirkland</i>	112.2974%
<i>Issaquah</i>	112.2974%
<i>Unincorporated King County</i>	112.2974%

provided that the percentages set forth above may be administratively adjusted by the Utilities Department Director to reflect any increase or decrease in any franchise fee or excise tax required to be paid to a municipality by the Utility.

This revised language will permit staff to accommodate changes to any utility tax that may be required in the future, consistent with negotiated franchise agreements and applicable laws.

Sections 2-4, referenced above prescribe the applicable rates for Meter Service Charges, Water Consumption Charges, and Services Charges for Water Standby Capacity for Private Fire Protection. There are no changes to these rates, which were previously recommended to and approved by the City Council on November 19, 2024, and became effective January 1, 2025. Moreover, these amendments will not otherwise impact the annual operating and capital investment program (CIP) funding needs of the Water Utility. To understand the rate structure, previously approved, to support the 2025-2026 biennial budget, please see Attachment A.

In accordance with applicable state law, all utilities invoices will identify any/all franchise fees and public utilities taxes.

Last, and in addition to the substantive edits discussed above, the proposed ordinance also includes minor revisions to correct certain formatting, identify the specific legislation to be repealed, and establish an effective date (March 1, 2025) for the recommended revisions. See Attachment B to see all recommended revisions, which are shown in redlines.

POLICY & FISCAL IMPACTS

Policy Impact

The authority of cities and towns to impose utility taxes is derived from their general statutory (RCW) authority to impose excise taxes on business operating within their jurisdictions:

- RCW 35A.82.020 – Code Cities
- RCW 35.22.195 and RCW 35.22.280(32) – First Class Cities
- RCW 35.23.440(8) – Second Class Cities
- RCW 35.27.370(9) – Towns

RCW 35.92.460 – Requires all fees and tax on the gross income of a public utility to be disclosed on all customer invoices.

BCC 24.02.270 – The City Council shall establish rates for water service and consumption, which rates shall be based on revenue requirements necessary to cover all costs of the utility. Any recommended rate adjustments shall consider equity, adequacy, costs and other factors as allowed by law.

City of Bellevue Comprehensive Financial Policies and Procedures, 7.10.2.1 – Cost increases or decreases for wholesale services shall be passed directly through to Bellevue customers.

Fiscal Impact

The fiscal impact is the same as that identified/explained in Attachment A. However, beginning May 1, 2025, customers in Yarrow Point will have their rates adjusted to accommodate a 6% Utility Tax and a 1% Franchise Fee. This will result in the applicable percentage identified in Section 5 of the ordinance to be increased administratively to 122.4311%.

Additionally, the Washington State Legislature is presently considering a bill (SB 5088), which if passed, might authorize King County to require a public utility tax up to 3% of gross revenues of the water utility.

OPTIONS

1. Adopt the Ordinance establishing revised charges for water service, water consumption, and water standby capacity for private fire protection for the Water Utility for the City of Bellevue; repealing Ordinance No. 6819; providing for severability; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

- A. Agenda Memo (11/19/2024) related to Ordinance 6819
- B. Proposed Redlines to Ordinance 6819.
Proposed Ordinance No. 6833

AVAILABLE IN COUNCIL LIBRARY

N/A