



DATE: February 11, 2025

TO: Mayor Robinson and City Councilmembers

FROM: Lucy Liu, Director, 452-4445  
Scott Edwards, Deputy Director, 452-2041  
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*Utilities*

SUBJECT: Yarrow Point Franchise Agreement and Water and Sewer Rate Amendments

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The Utilities Department provides water and sewer services to approximately 37,000 customer accounts in Bellevue and the surrounding Points communities.

To effectively and efficiently provide water and sewer services, the Utilities Department relies on the availability of public rights-of-ways (ROWs) for the placement of water and wastewater infrastructure.

It is a privilege to be able to use the ROWs in another jurisdiction. This privilege is generally governed by the grant of a franchise from a municipality to the utility needing the ROWs to deliver its services. A franchise is essentially a contract, which conveys a right to a utility to use the ROWs for its facilities in exchange for certain terms and conditions acceptable to the jurisdiction responsible for the ROWs.

It has been several decades since the City, by and through its Utilities Department, and the Points communities revisited their franchise agreements. For instance, the Utilities Department has been delivering water and sewer services to customers in the Town of Yarrow Point under a 1994 Franchise Agreement. However, this franchise omits several provisions expected in modern franchising, such as emergency procedures, process to remove or relocate facilities, coordination of capital projects to minimize road closures and service disruptions, collection and remittance of franchise fees and excise taxes, etc.

On tonight's consent agenda, there are three items that concern day-to-day administration of the Utilities Department.

The first item is the acceptance of a new franchise from the Town of Yarrow Point. This franchise includes provisions consistent with modern franchising and will help clarify roles and expectations going forward for the mutual benefit of the Town of Yarrow Point and the City of Bellevue, including constituents and customers. The Utilities Department expects

this franchise agreement to serve as a model for the other Points communities in the future.

The next two items are about amendments to water and sewer rate ordinances. The ordinances previously adopted by the City included language that allowed the Utilities Department to administratively adjust rates to reflect increases or decreases in any franchise fee required to be paid to a municipality. This ensures the franchise fees imposed by a municipality are paid by the customers located in that municipality. However, the ordinances were silent as to any authority related to increases or decreases in excise taxes that must be paid to a municipality. The proposed legislation would authorize the Department to administratively adjust rates to reflect increases or decreases in applicable excise taxes, similar to the authority previously conveyed with respect to franchise fees.

These actions do not have any effect on water and sewer rate structures, previously recommended by the Environment Services Commission and approved by the City Council. Also, there is no increased cost to the City of Bellevue or the Utilities Department as franchise fees and utility taxes imposed by a municipality are passed through to customers located in that municipality. More detail can be found in the respective agenda memos.