

**CITY COUNCIL AGENDA TOPIC**

Ordinance establishing revised sewerage service charges for the Sewer Utility for the City of Bellevue; repealing Ordinance No. 6818; providing for severability; and establishing an effective date.

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**EXECUTIVE SUMMARY**

This Ordinance replaces and repeals a sewer rate ordinance, No. 6818, which was adopted (11/19/2024) as part of the 2025-2026 biennial budget.

**ACTION**

The Ordinance prescribes the same sewerage service charges, previously approved, providing sufficient resources to support the annual operating and capital investment program (CIP) funding needs of the Sewer 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 6832

**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 sewer rate ordinance, No. 6818, 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 6) be revised as follows:

User Charges. The charges for each user shall be the sum of any applicable charges under Sections 2, 3, 4, and 5 multiplied by the percentage indicated below for that city or town:

Bellevue	105.4856%
Clyde Hill	111.6079%
Hunts Point	107.2506%
Medina	111.6079%
Yarrow Point	105.4856%
All Other	100.0000%

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 ~~such city or town~~ 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 2-5, referenced above, prescribe the applicable rates for Single Family Residential Structures, Multifamily Residential Structures or Facilities, Non-residential Structures or Facilities, and King County / METRO Charges. 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 Sewer 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 24.04.270 – The City Council shall establish rates for sewer use and services, 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 6 to be administratively adjusted to 107.8521%.

The City is presently negotiating a new franchise agreement with the Town of Beaux Arts Village, which may also result in changes to franchise fees and utility taxes to be collected from sewer customers. 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 sewer utility.

**OPTIONS**

1. Adopt the Ordinance establishing revised sewerage service charges for the Sewer Utility for the City of Bellevue; repealing Ordinance No. 6818; 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 6818
- B. Proposed Redlines to Ordinance 6818.  
Proposed Ordinance No. 6832

**AVAILABLE IN COUNCIL LIBRARY**

N/A