

CITY COUNCIL STUDY SESSION

City of Bellevue's assumption of King County Water District No. 1

Nav Ota, Director, 452-2041

Lucy Liu, Deputy Director, 452-4445

Utilities Department

DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Consider directing staff to prepare an Ordinance for Council adoption, authorizing the assumption of King County Water District No.1 ("District") consistent with the requirements of chapter 35.13A RCW and as contemplated under a 2004 interlocal agreement with the District and the City's 2016 Water System Plan.

RECOMMENDATION

Direct staff to prepare an Ordinance authorizing assumption of King County Water District No. 1.

BACKGROUND & ANALYSIS**Historical Background**

The King County Water District No. 1 ("District") service area covers the north half of the Town of Yarrow Point, providing water service to approximately 210 homes. The District approached the City about the possibility of an assumption due to ever increasing State water quality standards and recognizing the City was already providing water service to the rest of Yarrow Point and neighboring communities.

In 2004, the City Council approved an Interlocal Agreement (ILA) with the District for "Purchase of Water Supply, System Improvements, and Maintenance and Operations." The primary purpose and intent of the agreement was to lead to "...the eventual assumption of the District's water facilities and service area by the City and the dissolution of the District." The ILA was twice amended by the parties in 2005 and 2015. The first amendment provided for 1) construction and cost sharing of a backup emergency intertie, 2) the City to directly bill the District's customers on the same rate schedule as other Bellevue customers, and 3) modification of the Indemnification/Hold Harmless section to reflect the new billing arrangements. The 2015 amendment further revised the Indemnification/Hold Harmless section because Bellevue had taken full responsibility in 2005 for all operations, maintenance, and renewal of the District's system.

Per the ILA and prior to the City's operation and maintenance of the system, the District was required to (1) complete water system improvements to bring its system to City standards; (2) isolate its wells, transmission line, and reservoirs; (3) pay all applicable Capital Recovery Charges (CRCs), operating and capital facility Renewal and Replacement (R&R) reserves, and Regional Capital Facilities Charges (RCFCs); and (4) adopt all resolutions for City programs to be implemented and carried out within the District.

The ILA specified the District would continue to exist as a municipal corporation until it had disbursed all surplus cash assets. In May 2022, the District disbursed its remaining cash assets, less the amount needed to effect the assumption, dissolution, and conclusion of the affairs of the District.

The City and District have prepared an Assumption and Dissolution Agreement, consistent with statutory requirements discussed below, to finalize the assumption. See Attachment A. On January 11, 2023, the District is scheduled to adopt a Resolution approving the assumption and dissolution agreement.

District Condition

As discussed above, the City operates/maintains the District's system in every respect as though it is a part of its own water system and bills the District's customers based on City water rates. As such, the District has no employees.

The water system is presently comprised of the following capital assets:

Asset	Quantity	Average Year Installed	Condition
<i>Water Mains and Appurtenances*</i>	<i>12,000 linear feet</i>	<i>1981</i>	<i>Meets Standards</i>
<i>Pressure Reducing Valve Stations</i>	<i>2</i>	<i>2005</i>	<i>Meets Standards</i>
<i>Water Meters</i>	<i>212</i>	<i>2005</i>	<i>Meets Standards</i>

* Water mains and appurtenances include hydrants, valves, blowoffs, service lines and other such components needed for the public water system.

Pursuant to the last certification provided by the District to the Washington State Auditor's Office, the District has no outstanding third-party debts and liabilities, and is not involved in any lawsuits.

Given the City has been operating/maintaining the system for more than 15 years, is responsible for all matters/responsibilities (e.g. capital improvements, management, water quality, enforcement, customer service, etc.) and liabilities related to the same, the City does not expect the District will incur any additional debts or liabilities.

Next Steps - Assumption Process

The assumption process is prescribed by statute. Pursuant to RCW 35.13A.111, the City is expressly authorized to assume jurisdiction of the District. To facilitate the assumption, the City must adopt an ordinance to assume jurisdiction over all of the District. Upon assumption, all real and personal property, franchises, rights, and assets shall become the property of the City subject to all financial, statutory, and/or contractual obligations of the District.

Additionally, the Council must approve execution of a contract consistent with RCW 35.13A.070. As stated above, the District and City have prepared a contract that satisfies the requirements of the statute. This contract must be approved by resolution of the District's Board of Commissioner and by ordinance of the City Council.

Any ordinance adopted by the City to facilitate the assumption may not take effect for 90 or more days. Thirty days after the effective date of the ordinance, and consistent with the interlocal and RCW 35.13A.080, the City and District will file a joint petition in King County Superior Court to formally dissolve the District.

In the present case, pursuant to RCW 35.13A.115(4), the contemplated assumption is not subject to a referendum given it is effected pursuant to a contract with a water district.

POLICY & FISCAL IMPACTS

Policy Impact

Revised Code of Washington

RCW 35.13A.111 authorizes the City to assume water districts, with fewer than 250 customers and located outside its jurisdictional limits, pursuant to the terms and conditions of an assumption agreement that is mutually acceptable to the City and District.

Bellevue Water System Plan (2016)

Bellevue is supportive of assuming the District and may assume operation of a water district provided the following conditions are met: (1) the district or private system is located within the City's water service area; (2) the district's system facilities meet the City's performance criteria and engineering standards; and the assumption is permitted by State law.

Fiscal Impact

There is no fiscal impact associated with assuming King County Water District No. 1. The District has paid all requisite fees/charges (CRCs, operating and capital facility R&R reserves, RCFCs) and made all system upgrades required by the City. The District has no outstanding debts or liabilities given the City has been operating/managing the system since 2005. Additionally, the water rates paid by the District's service area residents includes all costs needed to support and improve the system.

OPTIONS

1. Direct staff to prepare an Ordinance authorizing assumption of King County Water District No. 1.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. Assumption and Dissolution Agreement

AVAILABLE IN COUNCIL LIBRARY

Interlocal Agreement between the City of Bellevue and King County Water District No. 1
Amendment No. 1
Amendment No. 2
2016 Water System Plan