

November 21, 2016

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution authorizing execution of Amendment No. 1 to water and sewer utility assumption agreement between the Cities of Bellevue and Issaquah.

FISCAL IMPACT

The fiscal impact from the proposed amendment is anticipated to be minimal; however, some benefit will be realized from the City of Issaquah assuming billing and collections responsibilities for customers now within its jurisdiction.

STAFF CONTACTS

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Utilities Department

POLICY CONSIDERATION

If the City should amend the Water and Sewer Utility Assumption Agreement between the Cities of Bellevue and Issaquah to transfer billing and collection responsibility to recoup certain capital improvement costs and revise the Agreement to add an administrative amendment provision?

City Financial policies: N/A

City Code: *Bellevue City Code 24.02.260 (Connection charges), 24.02.275 (Capital recovery charges), 24.04.260 (Connection Charges), and 24.04.275 (Capital recovery charges)*

BACKGROUND

On October 22, 2015, the City of Issaquah (Issaquah) and the City of Bellevue (Bellevue) entered into an Interlocal Agreement (“Agreement”) to transfer water and sewer services in the South Cove / Greenwood Point areas over to the Issaquah. A copy is included as Attachment A. Bellevue’s Utilities Department has provided water and sewer service to these areas since 1973 (water) and 1994 (sewer), as a result of the City assuming King County Water District No. 97 and the Eastgate Sewer District. In 2006, Issaquah annexed the South Cove / Greenwood Point area (the “Assumption Area”), and consistent with the Growth Management Act, Bellevue and Issaquah agreed to transfer water and sewer service over to Issaquah beginning on January 1, 2017.

In the Assumption Area, there is a smaller subset of properties that are required to pay either Direct Facility Connection Charges (DFCCs) or Capital Recovery Charges (CRCs), which are mechanisms for the City to recover capital project costs related to growth. CRCs are a “system buy-in” charge that is billed to parcels with new water and/or sewer connections on a monthly basis for a duration of 10 years. CRCs are not typically tied to a specific capital project that is associated with the new water and/or sewer connection. There are currently 24 parcels within the Assumption Area that have outstanding CRC balances that will conclude between 2017 and 2024. DFCCs, on the other hand, are charges to customers based on the cost of a new capital growth-related project to provide capacity for the new

water and/or sewer connection. DFCCs are paid in a lump sum at the time of the building permit application. In 1994 and 2001, Bellevue constructed a water main and sewer main extension that benefits 11 and 12 parcels, respectively, in the Assumption area. There are outstanding balances that have yet to be recouped on the DFCCs.

In the original Assumption Agreement, Bellevue agreed to continue billing and collecting for both DFCCs and CRCs from applicable properties in the Assumption Area. Upon further review of the financial and administrative processes for collecting DFCCs and CRCs, Issaquah and Bellevue have agreed that it is more efficient to allow Issaquah to collect for both charges, since Issaquah will assume the customer accounts on January 1, 2017. Issaquah has the option of remitting payment to Bellevue either annually or in one lump-sum payment. Proposed Amendment No. 1 to the Water and Sewer Utility Assumption Agreement between the Cities of Bellevue and Issaquah is designed to transfer these responsibilities from Bellevue to Issaquah. A copy of the proposed Amendment No. 1 is included as Attachment A.

In addition, the original Assumption Agreement lacks a provision allowing for administrative amendments, which thereby necessitates action by both Issaquah's and Bellevue's respective City Councils, even for administrative amendments, such as this Amendment No.1. Therefore, the proposed Amendment includes a provision for making administrative amendments. The provision does not allow amendments to any of the financial terms of the Assumption Agreement.

EFFECTIVE DATE

If approved, this Resolution becomes effective immediately upon Council adoption.

OPTIONS

Option 1 - Approve Amendment No. 1 to the Assumption Agreement

Option 2 - Reject Amendment No. 1 to the Assumption Agreement

RECOMMENDATION

Option 1

MOTION

Move to approve Resolution No. 9187 authorizing execution of Amendment No. 1 to water and sewer utility assumption agreement between the Cities of Bellevue and Issaquah.

ATTACHMENTS

- A. Water & Sewer Utility Assumption Agreement between City of Bellevue and City of Issaquah (Signed October 22, 2015)
- B. Amendment No. 1 to Water & Sewer Utility Assumption Agreement between City of Bellevue and City of Issaquah
- C. Proposed Resolution No. 9187

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A