
HOUSE BILL 2990

State of Washington

61st Legislature

2010 Regular Session

By Representatives Pettigrew, Santos, Simpson, and Kenney

Read first time 01/19/10. Referred to Committee on Local Government & Housing.

1 AN ACT Relating to alternative city assumption and tax authority
2 provisions pertaining to water-sewer districts; amending RCW
3 35.13A.020, 35.13A.030, and 35.13A.040; adding a new section to chapter
4 35.21 RCW; and adding a new chapter to Title 35 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 35.21 RCW
7 to read as follows:

8 (1) A city in which a water-sewer district operates works, plants,
9 or facilities for the distribution and sale of water or sewer services
10 may levy and collect from the district a tax on the gross revenues
11 derived by the district from the sale of water or sewer services within
12 the city, exclusive of the revenues derived from the sale of water or
13 sewer services for purposes of resale. The tax when levied must be a
14 debt of the district, and may be collected as such. The district may
15 add the amount of tax to the rates or charges it makes for water or
16 sewer services sold within the limits of the city.

17 (2)(a) A city imposing a tax under this section:

18 (i) May not impose a franchise fee or other charge on the water-
19 sewer district; and

1 (ii) May only do so through an interlocal agreement with the
2 district under chapter 39.34 RCW.

3 (b) The interlocal agreement required by this subsection (2) must
4 identify the district as the collection and pass-through entity, with
5 revenues submitted to the city. The interlocal agreement may include
6 provisions addressing city assumptions of the water-sewer district and
7 the expenditure of revenues collected under this section in areas of
8 the district that are located within the corporate limits of the city.

9 (3) For purposes of this section, the term "city" has the same
10 meaning as defined in RCW 35.13A.010.

11 NEW SECTION. **Sec. 2.** (1) A city choosing to impose a tax under
12 section 1 of this act that adopts a resolution to assume all or part of
13 a water-sewer district must complete a feasibility study of the
14 assumption. The study must be completed within six months of the
15 passage of the resolution to assume all or part of the district. The
16 study is not required if the board of commissioners of the district
17 consents to the assumption.

18 (2) The study must be jointly and equally funded by the city and
19 the district through a mutually agreed upon contract with a qualified
20 independent consultant with professional expertise involving public
21 water and sewer systems. The study must address the impact of the
22 proposed assumption on the city and district. Issues to be considered
23 must be mutually agreed upon by the city and district and must include,
24 but are not limited to, engineering and operational impacts, assumption
25 costs to the city and district, including potential impacts on future
26 water-sewer rates, bond ratings and future borrowing costs, the status
27 of existing water rights, and other issues jointly agreed upon.

28 (3) The findings of the study must be presented as a public record
29 and must be available to the registered voters of the entire district.
30 If the method of assumption requires the submission of a ballot
31 proposition to all registered voters of the district, the findings of
32 the study must be made available to these voters prior to a vote on the
33 proposed assumption.

34 NEW SECTION. **Sec. 3.** (1) A city choosing to impose a tax under
35 section 1 of this act may not assume jurisdiction of all or part of a
36 water-sewer district under RCW 35.13A.020, 35.13A.030, or 35.13A.040

1 without voter approval of a ballot proposition authorizing the
2 assumption. Ballot propositions under this section must be submitted
3 to all registered voters of the district. If a majority of the votes
4 cast on the proposition are in favor of the assumption, the assumption
5 may proceed as authorized under chapter 35.13A RCW.

6 (2) Elections under this section must be conducted in accordance
7 with general election law, and the election costs must be borne by the
8 city seeking approval to assume jurisdiction of the district.

9 NEW SECTION. **Sec. 4.** For purposes of this chapter, the term
10 "city" has the same meaning as defined in RCW 35.13A.010.

11 NEW SECTION. **Sec. 5.** (1) The assumption provisions in sections 2
12 through 4 of this act are alternative and in addition to other
13 provisions in chapter 35.13A RCW.

14 (2) Nothing in sections 2 through 4 of this act: (a) Limits or
15 otherwise modifies the assumption authority under chapter 35.13A RCW
16 for cities that do not impose a tax under section 1 of this act; or (b)
17 abrogates city and water-sewer district agreements for cities that do
18 not impose a tax under section 1 of this act.

19 **Sec. 6.** RCW 35.13A.020 and 1999 c 153 s 28 are each amended to
20 read as follows:

21 (1) Except as provided in section 3 of this act, whenever all of
22 the territory of a district is included within the corporate boundaries
23 of a city, the city legislative body may adopt a resolution or
24 ordinance to assume jurisdiction over all of the district.

25 (2) Upon the assumption, all real and personal property,
26 franchises, rights, assets, taxes levied but not collected for the
27 district for other than indebtedness, water, sewer, and drainage
28 facilities, and all other facilities and equipment of the district
29 shall become the property of the city subject to all financial,
30 statutory, or contractual obligations of the district for the security
31 or performance of which the property may have been pledged. The city,
32 in addition to its other powers, shall have the power to manage,
33 control, maintain, and operate the property, facilities and equipment
34 and to fix and collect service and other charges from owners and
35 occupants of properties so served by the city, subject, however, to any

1 outstanding indebtedness, bonded or otherwise, of the district payable
2 from taxes, assessments, or revenues of any kind or nature and to any
3 other contractual obligations of the district.

4 (3) The city may by resolution or ordinance of its legislative
5 body, assume the obligation of paying such district indebtedness and of
6 levying and of collecting or causing to be collected the district
7 taxes, assessments, and utility rates and charges of any kind or nature
8 to pay and secure the payment of the indebtedness, according to all of
9 the terms, conditions and covenants incident to the indebtedness, and
10 shall assume and perform all other outstanding contractual obligation
11 of the district in accordance with all of their terms, conditions, and
12 covenants. An assumption shall not be deemed to impair the obligation
13 of any indebtedness or other contractual obligation. During the period
14 until the outstanding indebtedness of the district has been discharged,
15 the territory of the district and the owners and occupants of property
16 therein, shall continue to be liable for its and their proportionate
17 share of the indebtedness, including any outstanding assessments levied
18 within any local improvement district or utility local improvement
19 district thereof. The city shall assume the obligation of causing the
20 payment of the district's indebtedness, collecting the district's
21 taxes, assessments, and charges, and observing and performing the other
22 district contractual obligations. The legislative body of the city
23 shall act as the officers of the district for the purpose of certifying
24 the amount of any property tax to be levied and collected therein, and
25 causing service and other charges and assessments to be collected from
26 the property or owners or occupants thereof, enforcing the collection
27 and performing all other acts necessary to ensure performance of the
28 district's contractual obligations in the same manner and by the same
29 means as if the territory of the district had not been included within
30 the boundaries of a city.

31 When a city assumes the obligation of paying the outstanding
32 indebtedness, and if property taxes or assessments have been levied and
33 service and other charges have accrued for this purpose but have not
34 been collected by the district prior to the assumption, the same when
35 collected shall belong and be paid to the city and be used by the city
36 so far as necessary for payment of the indebtedness of the district
37 existing and unpaid on the date the city assumes the indebtedness. Any
38 funds received by the city which have been collected for the purpose of

1 paying any bonded or other indebtedness of the district, shall be used
2 for the purpose for which they were collected and for no other purpose.
3 Any outstanding indebtedness shall be paid as provided in the terms,
4 conditions, and covenants of the indebtedness. All funds of the
5 district on deposit with the county treasurer at the time of title
6 transfer shall be used by the city solely for the benefit of the
7 assumed utility and shall not be transferred to or used for the benefit
8 of the city's general fund.

9 **Sec. 7.** RCW 35.13A.030 and 1999 c 153 s 29 are each amended to
10 read as follows:

11 Except as provided in section 3 of this act, whenever a portion of
12 a district equal to at least sixty percent of the area or sixty percent
13 of the assessed valuation of the real property lying within such
14 district, is included within the corporate boundaries of a city, the
15 city may assume by ordinance the full and complete management and
16 control of that portion of the entire district not included within
17 another city, whereupon the provisions of RCW 35.13A.020 shall be
18 operative; or the city may proceed directly under the provisions of RCW
19 35.13A.050.

20 **Sec. 8.** RCW 35.13A.040 and 1999 c 153 s 30 are each amended to
21 read as follows:

22 Except as provided in section 3 of this act, whenever the portion
23 of a district included within the corporate boundaries of a city is
24 less than sixty percent of the area of the district and less than sixty
25 percent of the assessed valuation of the real property within the
26 district, the city may elect to proceed under the provisions of RCW
27 35.13A.050.

28 NEW SECTION. **Sec. 9.** Sections 2 through 5 of this act constitute
29 a new chapter in Title 35 RCW.

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