

FINAL BILL REPORT

SHB 1512

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Synopsis as Enacted

Brief Description: Concerning fire suppression water facilities and services provided by municipal and other water purveyors.

Sponsors: House Committee on Local Government (originally sponsored by Representatives Takko, Kochmar, Fitzgibbon, Buys, Sullivan, Magendanz, Springer, Van De Wege and Ryu).

House Committee on Local Government
Senate Committee on Governmental Operations

Background:

Over 17,000 public water systems exist in this state. Public water systems may be owned by public, private nonprofit, or investor-owned utilities. Many publicly-owned public water systems are owned and operated by cities, towns, and water-sewer districts. Irrigation districts, public utility districts, and counties may also own and operate public water systems.

Water-sewer districts (districts) may purchase, construct, maintain, and supply waterworks to furnish water to inhabitants within and outside of the district, and may develop and operate systems of sewers and drainage. Districts may also create facilities, systems, and programs for the collection, interception, treatment, and disposal of wastewater, and for the control of pollution from the wastewater. Districts are authorized to establish rates and charges for providing water and sewer services.

Cities and towns may provide for the sewerage, drainage, and water supply of the city or town, and may establish, construct, and maintain water supply systems and systems of sewers and drains within or without their corporate limits. Cities and towns are also authorized to establish rates and charges for providing water and sewer services. In 2002 the Legislature passed House Bill 2902, which expressly authorizes cities and towns operating water supply systems to include fire hydrants as an integral utility service incorporated within general rates.

Counties may purchase, construct, and maintain a system or systems of water supply within the county. Counties may control, regulate, operate, and manage such systems and provide funds by general obligation bonds, revenue bonds, and local improvement district bonds or assessments.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Public Water Systems.

A public water system is any system providing water intended for, or used for, human consumption or other domestic uses. It includes water source, purifying treatment, storage, transmission, pumping, and distribution facilities where water is furnished to a community or individuals, or is made available to the public for human consumption or domestic use. It does not include water systems serving one single-family residence.

A "purveyor" means any agency or subdivision of the state, or any municipal corporation, firm, company, mutual or cooperative association, institution, partnership, or person or any other entity, that owns or operates for wholesale or retail service a public water system. It also means the authorized agents of any such entities.

Under the Public Water System Coordination Act of 1977, the Secretary of the Department of Health must adopt performance standards relating to fire protection to be incorporated into the design and construction of new and expanding public water systems. The standards must be consistent with applicable national standards.

Local Government Funding of Fire Hydrants.

Case law provides that a local government does not have power to impose taxes without statutory or constitutional authority. Local governments may impose a fee pursuant to their general police power under the Washington Constitution.

In *Lane v. City of Seattle* (2008) (*Lane*), the Washington Supreme Court held that providing fire hydrants is a government responsibility, not a proprietary one, for which the government must pay out of its General Fund. In reaching its holding, the court also found that the public utility's monthly fire hydrant charge paid by water utility ratepayers was a tax and not a fee for three reasons: (1) the purpose of the charge was to increase revenue and not to regulate fire hydrants or water usage; (2) ratepayers paid the same fixed charge whether they used the hydrants or not; and (3) all persons benefitted from the hydrants, not just ratepayers.

Under the Washington Constitution: "No tax shall be levied except in pursuance of law; and every law imposing a tax shall state distinctly the object of the same to which only it shall be applied." The court in *Lane* held that the monthly fire hydrant fee, which was in actuality a tax, was an unlawful tax that violated the constitution, because it neither explicitly stated the imposition of a tax, nor stated the object of the tax.

In *City of Tacoma v. City of Bonney Lake* (2012) (*Bonney Lake*), the Washington Supreme Court considered issues similar to those considered in *Lane*.

Tacoma and Tacoma Public Utilities had franchise agreements with Pierce County, Fircrest, University Place, and Federal Way to provide water services. Prior to *Lane*, Tacoma paid for fire hydrants in its jurisdiction and the other jurisdictions by charging ratepayers a hydrant fee. Following *Lane*, Tacoma and Tacoma Public Utility ceased charging Tacoma ratepayers and sent bills to the other jurisdictions for hydrant costs. The jurisdictions refused to pay the costs.

Ultimately, the court in *Bonney Lake* held that Tacoma, acting in a proprietary capacity in entering into the franchise agreements, was contractually obligated by the agreements to provide hydrant services and to bear the costs of those services. It noted that Tacoma and Tacoma Public Utilities could have negotiated for the cost of the hydrants to be borne by the other jurisdictions, but it had not. The court also declined to find that a charge for hydrants always results in a tax, and held that whether a charge is a tax or a fee depends on how the charge is levied.

Summary:

Intent. Legislation was enacted specifically in response to the Washington Supreme Court cases of *Lane* and *Bonney Lake*. The Legislature finds that governmental and nongovernmental water purveyors play a key public service role in providing water for fire protection, and there is uncertainty and confusion as to a water purveyor's role, responsibilities, cost allocation, and recovery authority related to those services. This act addresses that uncertainty and confusion.

Definitions. Frequently used terms are defined, including:

- "fire suppression water facilities," which means water supply transmission and distribution facilities, interties, pipes, valves, control systems, lines, storage, pumps, fire hydrants, and other facilities, or any part thereof, used or usable for the delivery of water for fire suppression purposes; and
- "fire suppression water services," which means operation and maintenance of fire suppression water facilities and the delivery of water for fire suppression purposes.

Cost Allocation and Recovery. A purveyor may allocate and recover the costs of fire suppression water facilities and services: (1) from all customers as costs of complying with state law and regulations; (2) from customers based on service, benefits, burdens, and impacts; or (3) both.

Contracts for Facilities and Services. A city, town, or county may contract with purveyors for the provision of fire suppression water facilities, services, or both.

Payment by Counties. A county is not required to pay for fire suppression water facilities or services unless it is a customer, acting as a purveyor, or has agreed to do so consistent with applicable law.

Liability. Municipal and nonmunicipal purveyors are not liable for any damages that arise out of a fire event, relating to the operation, maintenance, and provision of fire suppression water facilities and services, under certain circumstances.

Consistent with applicable statute, agreements or franchises may include indemnification, hold harmless, or other risk management provisions under which purveyors may indemnify and hold harmless cities, towns, and counties against damages arising from fire suppression activities.

Other. The statutory provisions are to be liberally construed, confer powers that are supplemental to powers conferred by other law, and do not affect or impair any ordinance, resolution, or contract lawfully entered into prior to the bill's effective date.

Votes on Final Passage:

House	97	0
Senate	45	3

Effective: July 28, 2013