

# HOUSE BILL REPORT

## SHB 2990

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### As Passed Legislature

**Title:** An act relating to alternative city assumption and tax authority provisions pertaining to water-sewer districts.

**Brief Description:** Addressing alternative city assumption and tax authority provisions pertaining to water-sewer districts.

**Sponsors:** House Committee on Local Government & Housing (originally sponsored by Representatives Pettigrew, Santos, Simpson and Kenney).

#### **Brief History:**

##### **Committee Activity:**

Local Government & Housing: 1/28/10, 2/1/10 [DPS];  
Finance: 2/9/10 [DPS(LGH)].

##### **Floor Activity:**

Passed House: 2/15/10, 60-38.  
Passed Senate: 3/5/10, 39-8.  
Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Authorizes cities meeting specified criteria to impose a tax on a water-sewer district (district) for revenues derived from the services provided by the district to city residents.
- Requires that the taxation of a district by a city be pursuant to an interlocal agreement between the city and the district.
- Requires that a feasibility study meeting specified criteria be completed before a city that imposes a tax on a district may pursue the assumption of the district.
- Requires the approval of the majority of the voters in the district before a city imposing a tax on district services may assume jurisdiction over the district.
- Establishes an expiration date for the act.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

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*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.*

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Simpson, Chair; Nelson, Vice Chair; Springer, Upthegrove, White and Williams.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Angel, Ranking Minority Member; Fagan, Miloscia and Short.

**Staff:** Thamas Osborn (786-7129).

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill by Committee on Local Government & Housing be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta.

**Staff:** Rick Peterson (786-7150).

### **Background:**

#### Overview of Water-Sewer Districts.

Water districts are units of local government initially authorized in 1913 to provide potable water facilities, sanitary sewers, drainage facilities, and street lighting. Sewer districts are units of local government initially authorized in 1941 to provide sanitary sewers, drainage facilities, and potable water facilities. Legislation enacted in 1996 and effective July 1, 1997, consolidated water-district laws with sewer-district laws and made a number of technical changes to these laws. Among other changes, the term "sewer system," which had been defined to include both sanitary sewers and drainage systems, was altered to apply only to sanitary sewer systems, and separate provisions were added for drainage systems.

Water-sewer district (district) powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants within and outside of the district, and to develop and operate systems of sewers and drainage. In addition, a district has broad authority to create facilities, systems, and programs for the collection, interception, treatment, and disposal of wastewater, and for the control of pollution from such wastewater.

Before implementing plans for the development of facilities or incurring any indebtedness, a district must adopt a general comprehensive plan for the types of services it proposes to provide. Such general comprehensive plans must be consistent with specified requirements.

#### Assumption of Jurisdiction Over a Water-Sewer District by a City or Town.

State law establishes legislative and electoral mechanisms, based upon geographic location and property valuation, for the assumption over jurisdiction of districts by cities or towns.

This regulatory scheme provides several sets of requirements applicable to various types of assumptions occurring under specified circumstances, including the following:

- Whenever all of the territory of a district is located within the corporate boundaries of a city, the city legislative body may adopt a resolution or ordinance to assume jurisdiction over the entire district.
- Whenever a portion of a district equal to at least 60 percent of its area, or 60 percent of the assessed valuation of the real property lying within the district, is included within the corporate boundaries of a city, the city may assume by ordinance the full and complete management and control of that portion of the entire district not included within another city. Related statutes specify that under certain circumstances the district may, upon a favorable vote of a majority of all voters within the district, require a city to assume responsibility for the operation and maintenance of the district's property, facilities, and equipment throughout the entire district.
- Whenever the portion of a district included within the corporate boundaries of a city is less than 60 percent of the area of the district and less than 60 percent of the assessed valuation of the real property within the district, the city may assume, by ordinance, jurisdiction of the district's responsibilities, property, facilities and equipment within the corporate limits of the city. The city may also assume responsibility for the operation and maintenance of the district's property, facilities, and equipment throughout the entire district upon a favorable vote of a majority of all voters within the district.
- Whenever more than one city, in whole or in part, is included within a district, the city which has within its boundaries 60 percent or more of the area of the assessed valuation of the district may, with the approval of any other city containing part of such district, assume responsibility for operation and maintenance of the district's property, facilities, and equipment within such other city.

### **Summary of Substitute Bill:**

#### Interlocal Agreement for City Taxation of Services Provided by a Water-Sewer District.

Pursuant to an interlocal agreement between a city and a district, a city may impose a tax upon the gross revenues of a water-sewer system operating within its boundaries that are derived from services the district provides within the city. The district may include the cost of the tax in the rates or charges imposed on city residents receiving services from the district.

The interlocal agreement may include provisions addressing the assumption of the district by the city and the expenditure of the tax revenues within those areas of the city encompassed by the district.

The act applies only to those cities meeting specified population requirements and which are located in a county with a population of at least 1.5 million.

#### Pre-Assumption Feasibility Study.

A city that imposes a tax on the gross revenues of a district derived from the district's sale of services within the city, and which adopts a resolution to assume all or part of the district, is required to complete a feasibility study regarding the assumption. This feasibility study must comply with specified criteria and procedural requirements, including:

- The study must be jointly and equally funded by the city and the district through a mutually-agreed-upon contract with a qualified, independent consultant with expertise involving public water and sewer systems.
- The study must address specified issues agreed upon by the city and the district and which relate to functional and operational impacts, financial consequences, water rights, etc..
- The study must be completed within six months of the passage of the resolution proposing the assumption.
- The findings of the study must be presented as a public record and made available to the registered voters of the district.
- The findings of the study must be made available to the voters prior to a vote on the proposed assumption.

A feasibility study is not necessary if the board of commissioners of the water-sewer district consents to the assumption of jurisdiction by the city.

#### Voter Approval of a City's Assumption of a District.

A city imposing a tax on the services provided to city residents by a district may not assume jurisdiction over all or part of the district absent the approval of the voters residing within the district. For an assumption to take place, a ballot measure proposing such assumption must be approved by a majority of those district residents voting on the proposition.

#### Expiration Date of the Act.

The act expires on January 1, 2015.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

#### **Staff Summary of Public Testimony (Local Government & Housing):**

(In support) The bill would provide another tool for resolving long-standing conflicts resulting from the efforts of cities to annex water-sewer districts. It provides a viable, alternative approach for such annexations that allows city taxation of services, but also requires the approval of the voters in the district subject to annexation. The bill is intended to assist the skyway area in King County with respect to district annexation issues that it is currently experiencing.

(Opposed) None.

**Staff Summary of Public Testimony (Finance):**

(In support) This bill will allow cities and water-sewer districts to enter into inter-local agreements. This is a win-win way for cities and water-sewer districts to have a new option. Currently, all utilities within city limits are subject to a utility tax, except for water and sewer services, and this will allow them to be taxed. It would require voter approval. This is pilot option just for the City of Renton and we will be able to see if it works. This is a critical financing tool for cities.

(Opposed) None.

**Persons Testifying (Local Government & Housing):** Representative Pettigrew, prime sponsor; and Jay Covington, City of Renton.

**Persons Testifying (Finance):** Suzanne Dale-Estey, City of Renton.

**Persons Signed In To Testify But Not Testifying (Local Government & Housing):** None.

**Persons Signed In To Testify But Not Testifying (Finance):** None.