

SENATE BILL REPORT

SHB 2990

As Reported by Senate Committee On:
Government Operations & Elections, February 22, 2010
Ways & Means, March 1, 2010

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: Passed House: 2/15/10, 60-38.

Committee Activity: Government Operations & Elections: 2/22/10 [DP, w/oRec].

Ways & Means: 2/27/10, 3/01/10 [DP, w/oRec].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; McDermott, Pridemore and Swecker.

Minority Report: That it be referred without recommendation.

Signed by Senators Roach, Ranking Minority Member; Benton.

Staff: Karen Epps (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Pridemore, Regala and Rockefeller.

Minority Report: That it be referred without recommendation.

Signed by Senators Brandland, Carrell, Hewitt, Honeyford, Parlette and Schoesler.

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.

Staff: Dianne Criswell (786-7433)

Background: Water-sewer districts (districts) provide water and sewer services to incorporated and unincorporated areas. Districts are established through a petition, public hearing, and voter approval process and are each managed by a board of three or five elected commissioners who serve staggered six-year terms.

District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish an ample supply of water to inhabitants within and outside of the district. Districts have full authority to regulate and control the use, content, distribution, and price of the supplied water in a manner consistent with legal provisions.

Summary of Bill: 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. This must be done through an interlocal agreement between the city and the district, identifying that the district will collect the tax as a pass through entity with revenues submitted to the city. 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.

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, including, but not limited to, functional and operational impacts, financial consequences, and water rights;
- 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; and
- 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.

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.

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. The act expires on January 1, 2015.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Government Operations & Elections): PRO: This is a very high priority for the city of Renton. This bill is a pilot project in Renton to give Renton and water and sewer districts in Renton a new option to solve two problems that have kept them at loggerheads for many years. Cities have been frustrated by having all utilities within city limits subject to utility tax, except for water and sewer districts providing services inside city limits. Additionally, districts have been frustrated by assumptions by cities without voter approval.

Persons Testifying (Government Operations & Elections): PRO: Suzanne Dale Estay, city of Renton.

Staff Summary of Public Testimony (Ways & Means): PRO: This is an effort to direct energy to spark development in unincorporated areas. Allowing this revenue relationship will improve infrastructure in these areas. This is a win-win for the city and water district. We have looked for state-wide solutions. This would be a pilot for Renton and could be adopted more broadly. This solves issues through interlocal agreements for utility tax. This is an important tool for annexation and local infrastructure.

Persons Testifying (Ways & Means): PRO: Representative Pettigrew, prime sponsor; Suzanne Dale Estey, City of Renton.