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## Local Government Committee

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### BILL ANALYSIS HB 2577

**TITLE OF THE BILL:** Providing for the merger of water-sewer districts into cities.

**Brief Summary:**

- Establishes two processes for water-sewer district mergers into cities: (1) if the district, all affected cities and counties agree; and (2) if the district and/or all affected cities do not agree and the merger is approved by the affected county or counties.
- Establishes a referendum process by which the subject of the county's approval of the merger can be challenged and put to a vote of the residents of the district.
- Prohibits new merger proposals for a period of two years if a referendum challenging a county's approval of a merger is approved by a majority of voters in the district.
- Exempts water-sewer district mergers from boundary review board review.
- Repeals statutes relating to city assumption of a water-sewer district and recodifies others into a new chapter on water-sewer district mergers.
- Specifies that pre-existing contracts between district and cities related to assumption are valid and not affected by these changes.

**SPONSORS:** Representatives Miloscia, Mulliken, Mileke, Linville, Ericksen, Grant, Haigh and Hurst.

**HEARING DATE:** Monday, January 24, 2000.

**EFFECTIVE DATE:** Ninety days after adjournment of session in which bill is passed.

**FISCAL NOTE:** Not requested.

**ANALYSIS PREPARED BY:** Scott MacColl (786-7106)

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## **BACKGROUND:**

There are three circumstances in which a city may assume all or a portion of a water-sewer district.

- 1) A city legislative authority may assume an entire water or sewer district by resolution or ordinance if all the territory of the district lies within the corporate boundaries of a city.
- 2) A city legislative authority may assume the portion of a water or sewer district that doesn't include another city in whole or in part only when either 60 percent or more of the area or 60 percent or more of the assessed valuation of real property lying within the district is included within the corporate boundaries of that city. A city with 60/60 may assume the entire district if the city of the lesser area or valuation approves the assumption by the city having 60 percent or more.
- 3) A city legislative authority may assume the portion of a district lying within the city's corporate boundaries by ordinance only if less than 60 percent of the area and less than 60 percent of the assessed valuation is within the corporate boundaries of the city.

As an alternative, a city may put the question of assumption to a vote in option 2 or 3, and, if a majority of the voters in the district vote for the city to assume the entire district, then the city must assume the entire district, and the district must pay the city for extending these services to the district. The city must also assume responsibility for the operation and maintenance of the entire district if a majority of the voters so vote, in which case the district pays for the extension of these services.

## **SUMMARY:**

This bill repeals the statutes that grant authority for a city to assume a water-sewer district. A new process is authorized for a city or town and a water and/or sewer district to merge, which is codified into a new chapter in Title 35. Also, provisions relating to a district's authority to contract its services to a city, the provisions requiring a city to offer employment to all employees of a district that a city acquires, and the provisions releasing a city from lawsuits when a city assumes a substandard water system are re-codified in the new chapter.

The bill also exempts water-sewer district mergers from boundary review board review, and specifies that pre-existing contracts between districts and cities related to assumption are valid and are not affected.

Two separate processes for mergers are authorized: one if all parties subject to the merger agree, and one if all parties subject to the merger do not agree. Common provisions for both methods are described in the next section, while the approval process for the two methods are distinct and are described separately after the common provision section.

### **City and Water-Sewer District Merger Process: Common Provisions**

The legislative body of the cities, the district and the counties in which the district is located which agree to the merger must do so by ordinance. The legislative authority of the county(s) in which the district is located must provide a public hearing on the subject of the merger. The district and the city or cities involved must submit a determination for review that the agreement is in the best interests of public health and general welfare based on factors including:

- topography;
- water rights;
- employee concerns;
- compliance with the growth management act;
- planning for growth and the need for services over the next ten years;
- the probable effect on cost and adequacy of utility services in the area;
- the effect on finances, debt structures, and contractual obligations and rights of all affected governmental units involved; and
- any applicable service agreements or interlocal agreements.

The State Department of Health must review the proposed merger and provide comments to the county(s) legislative authority. The State Department of Ecology must also review the proposed agreement and provide comments to the county(s) legislative authority on the impact, if applicable, on water rights.

Final approval by county(s) ordinance shall not take effect for thirty days, during which time the ordinance shall be subject to referendum by the registered voters of the district. In order for the referendum vote to take place, ten percent of the total registered voters at the last general election must sign the petition. If the referendum defeats the proposed merger, no merger proposals may be submitted to the county for a period of two years.

Once an agreement is finalized, any outstanding indebtedness owed by the district remains the obligation of the area included within the district. The city or cities must take actions to fulfill any obligations assumed, and may make levies, assessments, or charges for service on the area to pay the indebtedness.

The process of merger approval is different depending on whether or not all parties involved are in agreement, and are described in the next two sections.

### **City and Water-Sewer District Merger Process: All Parties in Agreement**

If the district and city or cities involved agree to the merger, then the merger proposal must be transmitted to the affected county or counties within ten days of approval of the agreement, and a hearing on the proposed merger must be set within sixty days. Prior to the hearing, each party must submit a determination to the review process described in the common provisions section.

After the hearing, the county legislative authority must then either approve, disapprove, or remand the proposed agreement back to the city or cities and the district to further address identified issues. If the district is located in more than one county, the legislative authorities of all counties must approve the agreement. If the county legislative authority does not act on the proposed agreement within 120 days, then the agreement is considered approved. Also, the agreement is subject to the 30-day waiting period for the referendum process listed in the common provisions section.

An alternative process for approval by a county if all parties are in agreement is for the legislative bodies of the district and the city or cities to submit the proposed agreement directly to the voters at the next general or special election.

### **City and Water-Sewer District Merger: All Parties Not in Agreement**

If the water-sewer district and all affected cities do not agree to the merger or any of the terms or

conditions of the merger, the merger will be determined by the legislative authority of each county in which any portion of the district is located. Any party subject to the merger may initiate a county's consideration of the merger by adopting a resolution stating the intent to merge. Within sixty days of submission of a resolution, the legislative authority of the counties must provide a hearing and publish notice of the hearing.

Prior to the hearing, each party must submit a merger proposal or a proposal for no merger for the review process described in the common provisions section. The city or cities in favor of the agreement must provide proof to the county legislative authority that the city's comprehensive plan provides for the merger of the district or any portion thereof.

The county legislative authority must then pass an ordinance that either approves, disapproves, or modifies the merger proposal. The ordinance must include the effective date of the merger, at least 120 days after the effective date of the ordinance. If the county legislative authority modifies the proposal, then a proposed decision is issued with at least thirty days time so that the affected city or cities and district may submit comments and request to reopen the hearing to receive more testimony. The merger proposal, in whatever form, must be approved by all involved county legislative authorities. Final approval is also subject to the referendum process described in the common provisions section.