

SENATE BILL REPORT

HB 1407

As of March 10, 2011

Title: An act relating to the negotiated sale and conveyance of all or part of water systems owned by a municipal corporation.

Brief Description: Allowing the negotiated sale and conveyance of all or part of a water system by a municipal corporation to first class and code cities.

Sponsors: Representatives Ryu, Hope, Dunshee, Angel and Kagi.

Brief History: Passed House: 2/26/11, 87-10.

Committee Activity: Government Operations, Tribal Relations & Elections: 3/10/11.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Staff: Karen Epps (786-7424)

Background: A public utility district (PUD) is a type of special purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. A PUD may operate on a countywide basis or may encompass a smaller jurisdiction. However, most PUDs have jurisdictional boundaries that are coextensive with a county and function as a regional governing body with respect to providing their statutorily authorized services to the public. There are currently 28 operating PUDs in this state, 19 of which provide water or wastewater services.

PUDs may sell or convey all or a part of its works, plants, systems, utilities, and properties after approval by the voters in the district. Additionally, PUDs may sell or convey all or a part of its property to another PUD without the approval of the voters. In 1963 the Legislature passed SSB 228 which allowed PUDs in certain counties to sell or convey all or a part of its water system to a city that owned its own water system without approval of the voters upon such terms and conditions as the district determines.

Prior to purchasing, acquiring, or constructing a public utility, a city must adopt an ordinance. The ordinance must describe the system or plan proposed and include the estimated cost. The ordinance must be submitted for ratification or rejection by majority vote of the voters of the city at a general or special election. Ordinances that provide for additions or

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improvements to an existing system or plant do not need to be submitted to the voters of the city.

Summary of Bill: A PUD in Snohomish County may sell or convey all or part of its water system to a city or town with a population of less than 65,000 that owns its own water system without the approval of the voters upon such terms and conditions as the district determines.

When a city adopts an ordinance approving the negotiated purchase of a public utility within that city that is owned by another city or town, it is not necessary to submit the ordinance to the voters of the city at a general or special election.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is a narrowly written bill that gives water ratepayers a voice on their utilities governance. This bill gives local options for the operation and maintenance of one of our basic, essential services. This bill is permissive as it allows a negotiated purchase and sale between two municipalities without a vote. This bill clarifies that a PUD can sell a portion of a water district to a city without a vote. This bill will allow Marysville to take over the portion of the water district operated by the PUD that is contained in an area that was annexed into Marysville in 2005. Marysville currently provides sewer service to these customers and this will allow Marysville to take over sanitation and stormwater service. It would be acceptable to remove section 2 of the bill dealing with Shoreline in order to keep the bill moving.

CON: This bill will allow Shoreline to purchase a water system for at least \$55 million, possibly higher and not including employees, equipment, and facilities. Shoreline wants to be able to negotiate this purchase price without public knowledge. If this purchase was financed through a general obligation bond, Shoreline Water District ratepayers would be paying for a water system that does not benefit them. Shoreline residents should have the right to vote on whether to encumber themselves with so much debt. This bill will impact utility rates that are paid by citizens of Shoreline.

OTHER: There are some water and sewer districts that have concerns about this bill. While the city of Marysville currently provides utility services to its citizens, the City of Shoreline does not, so the circumstances that this bill is trying to address are different. A public vote is required when a city begins providing utility services because utilities such as water and sewer are complex, expensive to construct and maintain, and they require expertise to operate. There is an exception to the vote requirement when the city is adding to an existing city utility. If passed, this would impact assumption because once Shoreline is in the business of providing utility services, Shoreline could take over existing water districts in the city. This bill will require citizens of Shoreline to pay more for water.

Persons Testifying: PRO: Al Aldridge, Kevin Nielsen, City of Marysville; Scott MacColl, City of Shoreline.

CON: Stuart Turner, Shoreline Water District.

OTHER: Joe Daniels, Washington Association of Water and Sewer Districts; Joe Bennett, Art Wadekampe, Arne Lind, Ronald Wastewater District; Rick Stephens, Shoreline Chamber.