

# SENATE BILL REPORT

## ESSB 6008

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As Passed Senate, February 18, 2014

**Title:** An act relating to voter approval of assumptions of water-sewer districts by cities and towns.

**Brief Description:** Modifying water-sewer district provisions.

**Sponsors:** Senate Committee on Governmental Operations (originally sponsored by Senators Chase, Roach, Rivers, Hatfield, Hasegawa, Keiser and Benton).

**Brief History:**

**Committee Activity:** Governmental Operations: 1/20/14, 2/04/14 [DPS, w/oRec].  
Passed Senate: 2/18/14, 37-10.

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### SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS

**Majority Report:** That Substitute Senate Bill No. 6008 be substituted therefor, and the substitute bill do pass.

Signed by Senators Roach, Chair; Benton, Vice Chair; Dandel and McCoy.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Hasegawa, Ranking Member; Conway.

**Staff:** Karen Epps (786-7424)

**Background:** Water-sewer 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 elected commissioners. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage.

Cities and towns may provide for the sewerage, drainage, and water supply of the city or town. They may also establish, construct, and maintain water supply systems and systems of sewers and drains within or without their corporate limits. Cities and towns may participate in and expend revenue on cooperative watershed management actions related to water supply, water quality, and water resource protection and management.

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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.*

A city legislative authority may adopt a resolution or ordinance to assume jurisdiction of a water-sewer district when the entire district territory is included within the corporate boundaries of the city. All property, franchises, rights, assets, district-specific taxes levied, and all other facilities and equipment of the water-sewer district become the property of the city upon assumption of the district. The city manages the district, including its facilities and equipment, and collects service charges from the properties served by the city. The city must honor or assume existing district debts.

A city may assume jurisdiction by ordinance over a portion of a water-sewer district located within its jurisdiction if the portion equals at least 60 percent of the district's total area or assessed real property valuation. Cities encompassing less than 60 percent of the district's total area and assessed real property valuation may assume jurisdiction of the district that is within its corporate city limits. In both situations, the city may assume responsibility for the management of the district's property, facilities, and equipment throughout the entire district upon a favorable vote of all voters within the district.

If a water-sewer district includes more than one city, the city encompassing at least 60 percent of the district's assessed valuation may assume management responsibility over the district if the principal city has approval from the other city or cities included within the district. The other cities may install facilities and establish local improvement districts to pay for these facilities, which may be connected to the utility system operated by the principal city if they were installed in accordance with the principal city's standards. Customers generally pay the service charges established by the principal city.

**Summary of Engrossed Substitute Bill:** A city or town that is wholly or at least 80 percent located in a county with a population greater than 1.5 million may not assume jurisdiction of all or a portion of a water-sewer district serving more than 1000 residents unless the assumption is approved by a majority of voters of the entire district. After voters approve or reject an assumption, a boundary review board does not have jurisdiction to conduct a review of the assumption where the attempted or completed assumption involves not more than one city or town. A city or town may assume jurisdiction over a water-sewer district when the entire district territory is included in the boundaries of the city or town without seeking voter approval if the board of the district consents to the assumption.

If a city or town town that is wholly or at least 80 percent located in a county with a population greater than 1.5 million assumes jurisdiction of all or a portion of a water-sewer district that serves fewer than 1000 residents or a district in which the board consents to the assumption, the assumption is subject to referendum for 45 days after:

- approval by a boundary review board or the superior court if the boundary review board decision is appealed; or
- a petition to dissolve the district is filed in superior court in those counties without a boundary review board.

A referendum petition must be signed by not less than 10 percent of the residents in the area to be assumed who voted in the last election. Upon the filing of a referendum petition, the question of assumption must be submitted to the voters at the next special or general election.

After a city or town that is wholly or at least 80 percent located in a county with a population greater than 1.5 million passes a resolution or ordinance to assume jurisdiction of a water-sewer district, the city and the district must pay for a feasibility study to be completed within six months of adoption of the resolution or ordinance. The feasibility study must address the impacts of the proposed assumption, including engineering and operational impacts, costs of the assumption to the city or town and the district, and potential impacts on future water-sewer rates. A feasibility study is not required if the board consents to the assumption. A vote on the assumption cannot occur until the feasibility study is complete and the results are made available to voters.

Assumptions of water-sewer districts that have been initiated and are pending prior to enactment of this legislation are subject to these requirements.

**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 on Original Bill:** PRO: Ratepayers should be able to make decisions about whether a city should be able to take over their utility. Citizens are concerned that their utility bills will increase after an assumption. This bill will allow ratepayers to have an informed vote on the matter of assumption. The current process for assumptions is outdated. There have been three assumptions that were highly contested, costly, and divisive to the community. There is concern about assumptions currently because there is no mandated feasibility study. This bill would require a feasibility study. The other concern about assumptions is the possibility that it could disenfranchise voters. This bill addresses that issue by giving residents a vote on the assumption. Water-sewer districts often operate in multiple jurisdictions, and splitting up a district would impact economies of scale and the ability of the water-sewer district to operate as efficiently as possible. If there is a change that will impact all of the ratepayers of a district, all of the ratepayers should have a vote on that change. The cannibalization of a district could leave horrible repercussions if vital facilities are assumed without the support and vote of the ratepayers. Citizens of Shoreline are concerned by the lack of transparency and information from the city about the possible assumption. Ronald Wastewater operates very efficiently and debt-free and recently passed a rate decrease. The concern is that Shoreline will charge additional rates and fees to make up a budget deficiency.

CON: This bill is a one size fits all solution for a problem that is not a one size fits all problem. There are many different types of water-sewer districts. There are times when customers want a city to assume its water-sewer district, but the district does not want to be assumed. This bill should be amended so that the vote to assume is by the voters in the area to be assumed, not by all the ratepayers in the district or all the people in the city. The feasibility study sounds like a good idea, but it may be challenging to implement when there is disagreement between the city and the district. The bill should be amended to address the

situation when the city and district cannot reach agreement on the feasibility study. The current law works well and does not need to be changed.

**Persons Testifying:** PRO: Senator Chase, prime sponsor; Joe Daniels, Blair Burroughs, WA Assn. of Sewer Water Districts; Ron Speer, Soos Creek Water Sewer District; Diane Pottinger, Manager, North City Water District; Ginny Scantlebury, Steve Lindstrom, Sno King Water Alliance.

CON: Tom Brubaker, City of Kent; Carl Schroeder, Assn. of WA Cities.