

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Ronald Wastewater District Assumption Transition Committee of Elected Officials Update
<b>DEPARTMENT:</b>	City Manager's Office
<b>PRESENTED BY:</b>	John Norris, Assistant City Manager
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

In 2002, the City Council and Ronald Wastewater District (RWD) Board of Commissioners entered into an Interlocal Operating Agreement to unify wastewater (sewer) services with City operations in October 2017 through an assumption process. To move the assumption process forward, the Council and RWD Board agreed to form a joint Council-Board subcommittee on assumption transition. It was agreed that two members of the Council and two members of the RWD Board would serve on the committee, which came to be known as the Committee of Elected Officials (CEO). The first meeting of the CEO occurred on June 5, 2014. The purpose of the CEO is to create an Assumption Transition Plan, which will guide the transition process in 2016 and 2017.

On October 27, 2014, staff provided an initial update on the work of the CEO to the City Council. A second update was provided on May 11, 2015. This staff report will provide a third and likely final update of what the CEO has accomplished to date, the remaining assumption transition topics to be covered, and the timeframe for completion of the Assumption Transition Plan. Similar to the first two updates, this item provides an opportunity for the Council to hear directly from their colleagues serving on the CEO (Councilmember McConnell and Councilmember Roberts).

**RESOURCE/FINANCIAL IMPACT:**

There is no direct financial impact to continuing to staff and coordinate the Assumption Transition CEO. However, there could be assumption transition issues identified as part of the assumption transition planning process that do have costs associated with them.

**RECOMMENDATION**

Staff recommends that Council discuss the work of the RWD Assumption Transition CEO to date and provide feedback on any of the assumption policies that the CEO has recommended for approval in the Assumption Transition Plan.

Approved By:            City Manager **DT**    City Attorney **MK**

## **BACKGROUND**

In 2002, the City Council and RWD Board of Commissioners entered into an Interlocal Operating Agreement (IOA) to unify wastewater (sewer) services with City operations. The Agreement outlines the unification process between the City and the District, which is to occur on October 23, 2017. The City will acquire the sewer utility through an assumption, which means all assets, reserve funds, employees, equipment and any District debt will be assumed by the City and the Ronald Wastewater District will cease to exist as a separate government entity. With a few exceptions the ratepayers of RWD are Shoreline residents.

Procedures for an orderly and predictable transition of the wastewater utility from District to City ownership are outlined in the 2002 agreement. In order to facilitate a smooth consolidation, the City and RWD agreed to a 15-year timeframe for the transition. During that time, RWD has and will continue to operate as a Special Purpose District in Shoreline under the guidance of a franchise agreement with the City.

On October 27, 2014, staff provided an initial update on the work of the CEO to the City Council. The staff report for this update can be found on the City's website at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2014/staffreport102714-8b.pdf>.

On May 11, 2015, staff provided a second update on the work of the CEO. The staff report for this second update can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2015/staffreport051115-8a.pdf>.

Also as noted on both October 27 and May 11, all CEO meeting materials and information about the CEO are located on the Assumption Transition Committees webpage on the City's website: <http://shorelinewa.gov/government/departments/public-works/utilities/ronald-wastewater-assumption/assumption-transition-committees>.

## **DISCUSSION**

The first meeting of the CEO occurred on June 5, 2014, and meetings have been held subsequently on the fourth Thursday of every month. As from the beginning, the CEO continues to be comprised of Councilmember McConnell and Councilmember Roberts from the City and RWD Board President Ransom and RWD Commissioner Atkinson from the District. The most recent CEO meeting occurred on September 24, 2015.

As was noted in the last update to the Council, there continues to be some changes at the staff level supporting the CEO. Both the interim Public Works Director and interim Administrative Services Director were involved with staffing the CEO over the summer, and now the City's new directors in those roles are participating. Fortunately, on the District side, there has been staff continuity as Accounting Manager Mark Gregg continues to serve as the District Manager, and will continue to do so through the assumption in October 2017. As well, District Maintenance Manager George Dicks continues to participate in the assumption transition process and attend CEO meetings.

Although staff level changes have continued to occur throughout the CEO process, the committee process continues to move forward with collaborative support from both District and City staff.

### **CEO Work Products**

Since the May 11 update to Council, the CEO has continued to work through the list of policy issues outlined in the project Charter. At this point, the CEO has initially worked through all of the policy topics outlined in the Charter. Attached to this staff report are work products that the CEO has reviewed and recommended as final drafts since the May 11 Council briefing. These include the recommended Asset Management and Public Records Policies Issue Paper (Attachment A), the recommended Purchasing and Contracts Policies Issue Paper (Attachment B), the recommended Equipment, Furnishings and Fixtures Policies Issue Paper (Attachment C), and the recommended City Municipal Code and Utility Advisory Board Issue Paper (Attachment D). If Council has any questions or direction about the policies included in these work products or the format or content of the work products, staff and the members of the CEO can provided responses to these inquires.

### **CEO Work Delivery Process**

As was noted during the first two CEO updates to Council, "recommended" work products (recommended transition policies and agreements) are items that have been approved by the CEO for recommendation to the Council and RWD Board. Thus far, Council has provided no direction to staff to amend any of the policies previously provided for Council review. The RWD Board on the other hand has brought back some minor edits to the CEO on some of the policy papers that they have reviewed thus far. While the City has chosen to package the Transition Plan content for Council review, and this report provides the third and final such package, the RWD Board has created a process where they are reviewing one policy paper produced by the CEO per month. Regardless of this iterative review process, both the Council and RWD Board have the authority and autonomy to provide direction to their respective CEO members to bring recommended content back to the CEO for further consideration, amendments, edits, etc.

### **Assumption Transition Plan**

Ultimately, once all of the policy issues have been discussed and policy direction has been provided by the CEO (with interim direction provided by the RWD Board and City Council along the way), all of the recommended work products will be compiled into the Transition Plan for final CEO recommendation to the Council and RWD Board. This Transition Plan will then serve as the blueprint for assumption implementation tasks that need to occur pre- and post-assumption. The Plan will also serve to meet the commitment made in the IOA to have the City and RWD negotiate in good faith the terms of final transition.

At the last CEO meeting on September 24, the CEO began discussing an outline of what the final Transition Plan would look like. Proposed sections of the plan are as follows:

- *Introduction/Background*
  - This section of the Assumption Transition Plan (ATP) provides a background of the City and District, the history of the assumption process, and information on the 2002 Interlocal Operating Agreement (IOA). The IOA will be attached to the ATP.
- *CEO Charter and Process*
  - This section will focus on the work of the CEO. It will explain the composition of the CEO, meeting schedule, and purpose of the group. The CEO Charter will also be discussed and will be attached to the ATP.
- *Value of CEO Work*
  - This section will speak to why the CEO process was important, and the value that the community received by having this committee vet the assumption transition work that was produced. This section will also speak to the value of District and City staff working together, creating strong working relationships, etc.
- *Work Plan Items and Policy Agreements*
  - This section will be made up of the policy papers drafted by the CEO and reviewed throughout the process by both the Council and RWD Board. The content will be organized by topic as outlined in the CEO Charter. The policy papers will not be put into the plan as currently drafted, but will be edited so that the content of the papers fit together. However, the policy agreements and work plan items already approved in the papers will remain intact as approved.
- *Next Steps and Work Plan*
  - This final section of the ATP will outline the next steps of the implementation phase of the assumption process. This will begin with the creation of a City Work Plan to complete all of the work plan tasks in the ATP.

### **NEXT STEPS**

As the CEO process has progressed over the last year and three months, the stated goal of the CEO was to have the Transition Plan completed by the close of 2015. This was also noted in the May 2015 update to the City Council. As the RWD Board has made it clear that they would like to review and approve each policy paper recommended by the CEO, one paper per month, it has become apparent to staff and the CEO members that sticking to the timeline of Transition Plan completion by December 2015 is not feasible.

To resolve this, staff has proposed to lengthen the timeline for Transition Plan adoption until the middle of March 2016. This will hopefully give both the City and RWD Board enough time to fully review the remaining policy papers and the final draft Transition Plan.

While the CEO has agreed to take a break for the months of October and November, the Staff Committee will meet over these months to draft the Assumption Transition Plan for CEO review and approval. As well, the RWD Board will continue to review the policy papers that have been approved by the CEO during this time.

Attachment E to this staff report provides the remaining schedule for the CEO, RWD Board, and City Council to complete the remaining planning work for the Assumption Transition Plan. Once the final draft Plan has been approved by the CEO, the CEO will cease to meet on a regular monthly basis. If there is a need for the CEO to reconvene during the implementation phase of the assumption process, staff will work together to schedule as many meetings as are needed. As of right now, staff is scheduled to bring the final draft Transition Plan to Council on March 14, 2016 for adoption. This meeting may be moved up however if the tentative February CEO meeting is not needed.

### **COUNCIL GOAL ADDRESSED**

This agenda item addresses 2015-2017 Council Goal #2, Improve Shoreline's utility, transportation, and environmental infrastructure, and specifically Action Step #4 of this goal: Develop and implement a plan to merge the Ronald Wastewater District into City operations as outlined in the 2002 Interlocal Operating Agreement.

### **RESOURCE/FINANCIAL IMPACT**

There is no direct financial impact to continuing to staff and coordinate the Assumption Transition CEO. However, there could be assumption transition issues identified as part of the assumption transition planning process that do have costs associated with them.

### **RECOMMENDATION**

Staff recommends that Council discuss the work of the RWD Assumption Transition CEO to date and provide feedback on any of the assumption policies that the CEO has recommended for approval in the Assumption Transition Plan.

### **ATTACHMENTS**

- Attachment A: Asset Management and Public Records Policies Issue Paper
- Attachment B: Purchasing and Contracts Policies Issue Paper
- Attachment C: Equipment, Furnishings and Fixtures Policies Issue Paper
- Attachment D: City Municipal Code and Utility Advisory Board Issue Paper
- Attachment E: Assumption Transition Plan Remaining Work/Meeting Schedule

## **Ronald Wastewater District Assumption Transition Asset Management and Public Records Policy Issue**

### **Brief Description of the Issue**

RWD infrastructure and records, like any District function, must be managed appropriately, including the planning for asset repair and replacement and the planning for record retention and destruction. RWD currently uses a custom-written asset management system built using a product called Paradox. The District has stated their interest in moving the inventory of their infrastructure into a new asset management system prior to assumption. RWD has further expressed some interest in using the CityWorks asset management software system as replacement for their Paradox system.

### **Statement as to Why it is Being Considered**

Given that the City currently uses the CityWorks system, RWD and the City recognize that there exists an opportunity to consider a shared arrangement for implementing the CityWorks system for the RWD. The expected costs to add RWD to the City's CityWorks license structure is \$15,000 per year. A successful implementation of the CityWorks system also requires detailed configuration and work flow documentation. Completing the implementation work requires specialized knowledge of the CityWorks software typically provided by a system integration consultant. The City used Woolpert Consultants to accomplish the software implementation and recommends that RWD consider using them as well. The cost of implementation would be in addition to the licensing costs.

### **Work Plan Tasks and Agreements**

1. RWD agrees to continue to keep the list of District infrastructure up to date until assumption, regardless of the type of asset management system it decides to use, and provide the City with a copy of the infrastructure list on an annual basis.
2. RWD agrees to continue to identify all District records (hard and electronic records) that have retention value and will need to transition over to the City, and managing those records pre-assumption so that the records transfer will be a smooth process.
3. RWD agrees to transfer all infrastructure records (hard copy and electronic files) to the City at assumption so that the records can be incorporated into the City's record management systems.
4. If it is decided by the RWD Board to upgrade their asset management system pre-assumption, RWD agrees to explore the CityWorks system and also agrees to explore the use of Woolpert for software implementation and work flow configuration.
5. If it is decided by the RWD Board to upgrade their asset management system pre-assumption, RWD agrees to explore the coordination of their CityWorks implementation and data structure development to be consistent with the City's existing CityWorks System.
6. If it is decided by the RWD Board to upgrade their asset management system pre-assumption, the City agrees to provide staff time to assist RWD staff and their integration consultant during CityWorks implementation if CityWorks is selected as RWD's asset management software.

## **Ronald Wastewater District Assumption Transition Purchasing and Contracts Policy Issue**

### **Brief description of the issue**

Ronald Wastewater District (the District) has multiple service contracts to help operate the utility. Some of these include service contracts for legal services, engineering services, etc. The District may also have construction contracts for future CIP projects.

### **Statement as to why it is being considered**

Existing contracts need to be evaluated to determine the appropriate action to ensure that necessary services and projects are maintained during and after transition. Procurement policies and procedures need to be understood to identify and resolve conflicts to ensure that service continuity is not impacted.

### **Work Plan Tasks and Commitments**

- The District agrees to provide the City with a list of the District service and construction contracts.
- The District agrees to identify when contracts were entered into and when the contract termination dates are (especially if the contract is planned to be terminated upon assumption).
- The District and the City agrees to collaborate to determine which contracts should terminate upon assumption and which should bridge assumption and for how long.
- The District agrees to identify current purchasing and procurement standards and practices.
- The City agrees to evaluate how The District purchasing practices conflict with City practices and how they may impact assumption and develop appropriate actions to address any conflicts if they exist.

## **Ronald Wastewater District Assumption Transition Equipment, Furnishings and Fixtures Policies Issue Paper**

### **Brief Description of the Issue**

As per the CEO Project Charter, RWD's equipment, furnishings and fixtures (fleet, tools, furniture, computers/servers, and other hardware) are issues to consider as part of the Assumption Transition Plan. RWD uses a multitude of equipment to perform their work, from vehicles, to shop equipment to office equipment and hardware.

### **Statement as to Why it is Being Considered**

Policies regarding equipment, furnishings and fixtures are being considered so that the City and RWD can plan for the transition of this equipment from the district to the City. This will allow for proactive life-cycle retirement and purchasing of new equipment, if necessary, pre-assumption and the planning for the purchase of new equipment post assumption in a timely manner.

### **Work Plan Tasks and Agreements**

1. RWD agrees to provide to the City their capital asset records for equipment and a list of all RWD equipment that is of significant value not already recorded on the capital asset records.
2. RWD agrees to identify when the equipment was purchased, the current life span of the equipment and the maintenance records of current equipment.
3. RWD agrees to keep the list of equipment up-to-date until the date of the assumption.
4. RWD will determine commitments on equipment replacement pre-assumption, if any.
5. The City will plan for the transfer of RWD equipment, furnishings and fixtures to both City Hall, for administrative staff, and the North Maintenance Facility, for Maintenance staff.
6. The City and RWD staff will work together to identify additional future work plan tasks to manage the furnishings and fixtures transition to the City.



## **Ronald Wastewater District Assumption Transition City Municipal Code and Utility Advisory Board Policy Issues**

### **Brief description of the issue**

By statute, the City's Municipal Code must be amended so that the Code describes how the City's Municipal Wastewater Utility will function. Currently, the City has adopted Title 13 of the King County Code by reference, which speaks to Water and Sewer Systems (SMC 13.05). The new Wastewater Code will need to address issues such as utility purpose and definitions, operation and maintenance, revenues and rates, and inspections, among many other issues. The Code may also want to address the issue of a Utility Advisory Board.

### **Statement as to why it is being considered**

The City must create an updated Code section for the new Sewer Utility, so the City has no choice but to consider this work item as part of the implementation process of assuming the Ronald Wastewater District. Additionally, the 2002 Interlocal Operating Agreement, Section 4.7 – Advisory Board, states that, “Members of the Board of Commissioners of the District in office at the time of this Agreement who wish to do so, may at their option, sit as an advisory Board to the Shoreline City Council for a three year period beyond the term of this Agreement.” As there is currently only one Commissioner still serving on the Board that was “in office at the time this Agreement”, staff suggests reviewing the benefits and costs of a more comprehensive Utility Advisory Board with the City Council during the transition phase of assumption.

### **Work Plan Tasks and Commitments**

- The City agrees to review the current City Sewer System Code to determine which sections of the current Code must be replaced, if not all sections.
- The City agrees to draft new Municipal Sewer System Code language that covers all aspects of Wastewater Utility governance and operations to be reviewed and approved by the City Council.
- The City agrees to explore the benefits and costs of a Utility Advisory Committee (UAC) as part of process to draft a new Municipal Sewer System Code. The City agrees to consider multiple options for membership of the UAC, if formed, including, but not limited to, those Ronald Wastewater District Board of Commissioners in office at the time the 2002 Interlocal Operating Agreement was agreed to, the members of the District Board of Commissioners at the time of assumption of the District by the City, and other rate payers in the community. Recommendations from this work about whether to propose the creation of a UAC will be presented to the City Council for their consideration and action.

**Ronald Wastewater District Assumption Transition Plan  
Schedule/Timeline for Remaining Meetings**

- **City Council - October 12**
  - CEO Check In
- **RWD Board Meeting – October 13**
  - Review Asset Management Policy Paper
- **RWD Board Meeting – November 23**
  - Review Purchasing and Contracts Policy Paper
- **CEO – December 17**
  - Review Draft Transition Plan, Finalize past policy papers
- **RWD Board Meeting – December 22**
  - Review Equipment and Furnishings Policy Paper
- **City Council – January 11**
  - Review Draft Transition Plan
- **RWD Board Meeting – January 26, 2016**
  - Review Code Changes and Utility Advisory Board Policy Paper
  - Review Draft Transition Plan
- **CEO – January 28, 2016**
  - Finalize and Approve Transition Plan, Finalize past policy papers
- **RWD Board Meeting – February 23, 2016**
  - Review Final Transition Plan
- **Tentative CEO – February 25, 2016 (Only if needed)**
- **Final Wrap-Up City Council – March 14, 2016**
  - Council Adoption of Final Transition Plan