

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Ordinance No. 912 - Authorizing Assumption of the Ronald Wastewater District and Authorizing the City Manager to Execute and File the Joint Petition of Dissolution of the Ronald Wastewater District
DEPARTMENT:	City Manager's Office
PRESENTED BY:	John Norris, Assistant City Manager
ACTION:	<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:

The Ronald Wastewater District (RWD) and the City entered into an Interlocal Operating Agreement (IOA) in 2002 to unify sewer services with the City. To implement the assumption as called for the 2002 IOA, on December 9, 2013, the City Council adopted Ordinance No. 681, which set the assumption date of RWD for October 23, 2017. As the City and RWD approached October 2017, continued litigation related to the District's historical service in the southwestern corner of Snohomish County (Point Wells area) impacted the timing of the assumption as contemplated by the 2002 IOA, requiring an extension of the final assumption date so as to assure that the transition of RWD to the City occurred in an orderly fashion. On June 12, 2017, the City Council adopted the First Amendment to the 2002 IOA, which extended the term of the IOA for two years with an additional two-year extension, if needed.

On October 15, 2020, the City and RWD finally learned that the litigation regarding Ronald's service area had been resolved. The Washington State Supreme Court found that the 1985 Annexation Order that added the Point Wells area to RWD was not valid and, therefore, RWD did not have a service area in Snohomish County. Given this ruling, staff is now proposing to move forward with the full assumption of RWD in King County, as initially contemplated almost 20 years ago.

The City is now in a position to move forward with the full assumption of RWD. While the Council already adopted an assumption ordinance as required by state law at the end of 2013 with adoption of Ordinance No. 681, because the date of the assumption in that ordinance has now long passed, the Council must adopt a new assumption ordinance identifying the date of the final assumption of RWD along with authorizing the filing of the Joint Petition for Dissolution. Proposed Ordinance No. 912 (Attachment A) provides for this formal assumption ordinance, setting the date of full assumption on April 30, 2021, and authorizes the City Manager to execute and file the joint petition of dissolution of RWD.

Tonight, staff is seeking Council feedback on proposed Ordinance No. 912. Proposed Ordinance No. 912 is currently scheduled for potential adoption on December 7, 2020.

RESOURCE/FINANCIAL IMPACT:

Adoption of proposed Ordinance No. 912 creates no financial impact to the City, as there will be no cost to the City when the full assumption of RWD is completed at the end of April 2021. Wastewater utility operations, which are already performed by the City on behalf of RWD under a service contract with RWD, are funded by utility rates. RWD's Capital Improvement Program is also rate funded. All assets of RWD, including the utility system itself, will be transferred to the City on the final assumption date and RWD will cease to exist as a separate governmental entity.

RECOMMENDATION

No action is required, this item is for discussion purposes only. Staff is seeking Council feedback on proposed Ordinance No. 912. Staff does recommend that Council adopt proposed Ordinance No. 912 authorizing the assumption of the Ronald Wastewater District and authorizing the City Manager to execute and file the joint petition of dissolution of RWD when this ordinance is brought back to Council on December 7, 2020 for potential adoption.

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

BACKGROUND

When Shoreline incorporated in 1995, it was in large part to receive better, more efficient services for their tax dollars. One way for the City to provide more efficient services includes unifying the sewer utility with City operations, which the City has been planning for nearly two decades. To further the goal of consolidating utility services under City management and operation, the City and the Ronald Wastewater District (RWD) entered into an Interlocal Operating Agreement (IOA) in 2002 (Attachment B) to unify sewer services with City operations. Procedures for an orderly and predictable transition of the sewer utility from RWD to City ownership are outlined in the IOA. In order to facilitate a smooth consolidation, the City and District agreed to a 15-year timeframe for the transition.

Initial Assumption – Ordinance No. 681

To implement the assumption as called for the 2002 IOA, on December 9, 2013, the City Council adopted Ordinance No. 681, which set the assumption date of RWD for October 23, 2017, enacting the 15-year timeframe outlined in the IOA. Ordinance No. 681 also directed that the City initiate the notice of intent to assume process with the King County Boundary Review Board (KCBRB), a process where the KCBRB must approve the assumption, and begin an assumption transition process as outlined in the IOA. The staff report for adoption of Ordinance No. 681 can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2013/staffreport120913-8d.pdf>.

KCBRB Approval and Assumption Transition Planning Process

Following the adoption of Ordinance No. 681, the City began work on the notice of intent to assume RWD from the KCBRB. The City and RWD submitted their notice of intent to assume RWD to the KCBRB in May 2014 and presented in front of the KCBRB at a public hearing on August 19 and 20, 2014. The KCBRB issued their ruling on September 18, 2014, unanimously approving the assumption of RWD in King County. Given an error by RWD's engineer as to RWD's legal boundaries, the City returned to the KCBRB in 2019 to address a handful of omitted parcels. The KCBRB issued its approval in this second ruling on June 7, 2019.

Staff also conducted the Assumption Transition Planning Process in the years following the adoption of Ordinance No. 681. This began with the forming of the 'Committee of Elected Officials' (CEO), a joint committee of two City Councilmembers and two RWD Commissioners, whose purpose was to develop an Assumption Transition Plan. The Plan has served as the blueprint for assumption implementation tasks that need to occur both pre- and post-assumption and serves to meet the commitment made in the IOA to have the City and RWD negotiate in good faith the terms of final transition.

Councilmembers McConnell and Roberts served as the City's representatives on the CEO, which met 18 times between June 2014 and February 2016. Following the work of the CEO, the City Council adopted the Assumption Transition Plan on February 29, 2016. The Assumption Transition Plan and its accompanying staff report when the Plan was adopted can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport022916-7c.pdf>.

First Amendment to the IOA and Operating Service Agreement

As the City and RWD approached October 2017, continued litigation related to RWD's historical service in the southwestern corner of Snohomish County (Point Wells area) impacted the timing of the assumption as contemplated by the 2002 IOA, requiring an extension of the final assumption date so as to assure that the transition of RWD to the City occurred in an orderly fashion. On June 12, 2017, the City Council adopted the First Amendment to the 2002 IOA (Attachment C), which extended the term of the IOA for two years with an additional two-year extension, if needed. The First Amendment to the IOA also stated that the City would operate the wastewater utility on behalf of RWD starting on the "target date," which was the former assumption date of October 23, 2017.

The First Amendment to the 2002 IOA also provided for:

1. District employees becoming City employees on or before the target date under the same terms and conditions as set forth in the original 2002 Interlocal Agreement;
2. Certain District contracts being transferred and assigned to the City;
3. A Wastewater Utility Operating Services Agreement (WUOSA) being developed; and
4. RWD Board of Commissioners continuing to exercise their duties, including oversight of the utility, budgeting and rate setting, and responsibility for the utility's Capital Improvement Plan and Sewer Comprehensive Plan.

The staff report for the adoption of the First Amendment to the 2002 IOA can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport061217-7e.pdf>.

Following the execution of the First Amendment to the 2002 IOA, the City and RWD negotiated the WUOSA described in the First Amendment. This Agreement set forth the terms of how the City would operate the utility on behalf of RWD. The WUOSA was adopted by the City Council on October 2, 2017. The Service Agreement and the accompanying staff report when the Agreement was adopted can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport100217-7b.pdf>.

Following the completion of the WUOSA, wastewater utility staff were successfully integrated into the City on the target date of October 23, 2017. This City has also continued to operate the utility on behalf of RWD while continuing to coordinate with the RWD Board of Commissioners and their contracted support staff.

With the First Amendment initially expiring on June 22, 2019, the additional two-year extension was approved by the City Council on March 4, 2019, extending the First Amendment to June 22, 2021. The City's franchise agreement with RWD and the current WUOSA also were extended and now expire on June 22, 2021 as well.

Snohomish County Boundary Review Board, Litigation and Full Assumption

In 2014 and again in 2017, the City filed notices of intent to assume with the Snohomish County Boundary Review Board (SCBRB) for that portion of RWD's service area that was in the Point Wells Area. At both times, opposition to these notices was presented by the Olympic Water and Sewer District, Snohomish County, and the Town of Woodway, and in both 2014 and 2017, the SCBRB denied the City's request to assume.

Given that the SCBRB's denial was largely based on whether or not Point Wells was included within RWD, the City and RWD sought review by the Courts. In 2017, the King County Superior Court ruled in favor of the City and RWD, but in 2019, the Court of Appeals reversed that ruling. The Washington State Supreme Court accepted review of the matter, and, on October 15, 2020, the Supreme Court found that the 1985 Annexation Order that added the Point Wells area to RWD was not valid and, therefore, RWD did not have a service area in Snohomish County. Given this ruling, staff is now proposing to move forward with the full assumption of RWD in King County, as initially contemplated almost 20 years ago.

DISCUSSION

As is noted above, the City is now in a position to move forward with the full assumption of RWD. While the Council already adopted an assumption ordinance as required by state law at the end of 2013 with adoption of Ordinance No. 681, because the date of the assumption in that ordinance (October 23, 2017) has now passed, the Council must adopt a new assumption ordinance identifying the date of the final assumption of RWD. Proposed Ordinance No. 912 (Attachment A) provides for this formal assumption ordinance and will set the date of full assumption at April 30, 2021.

Proposed Ordinance No. 912 also authorizes the City Manager to sign the joint petition of dissolution of RWD as identified in the 2002 IOA. In order for RWD to cease being a special purpose district upon the assumption date, RWD must formally be dissolved by petition of Superior Court. This is outlined in state law ([RCW 35.13A.080](#)), which states that the petition must be signed by the chief administrative officer of the City (which would be the City Manager) and RWD upon authorization of the legislative body of the City and the governing body of RWD. While section 4.8 of the 2002 IOA grants the City a limited power of attorney to execute a joint petition to Superior Court to dissolve RWD on behalf of RWD Board of Commissioners, the City Attorney's Office has recommended that the City still obtain both the City Manager's signature and the Ronald Board President's signature on a joint petition for dissolution. Staff is coordinating with the RWD Board and RWD staff on this task and RWD is willing to provide their signature on the joint petition. Providing authorization for the City Manager to sign the joint petition on behalf of the City is the initial step however, which would be granted in proposed Ordinance No. 912.

Finally, the City's SEPA (State Environmental Policy Act) Responsible Official, Planning and Community Development Director Rachael Markle, has determined that the assumption of the Ronald Wastewater District is categorically exempt from SEPA review under Washington Administrative Code (WAC) 197-11-800(14)(h). This determination is provided in a memo dated November 17, 2020 (Attachment D). This categorical exemption is also noted as a recital in proposed Ordinance No. 912.

Tonight, staff is seeking Council feedback on proposed Ordinance No. 912. Proposed Ordinance No. 912 authorizing the assumption of RWD and authorizing the City Manager to sign the joint petition of dissolution of RWD is currently scheduled for potential adoption on December 7, 2020.

Next Steps

If Council adopts proposed Ordinance No. 912 on December 7th, staff has outlined the following next steps in the assumption process:

- Continue to coordinate with the RWD Board of Commissioners Transition Committee and RWD contracted staff.
- Obtain the RWD Board President's signature on the joint petition for dissolution of RWD.
- File the joint petition for dissolution with King County Superior Court.
- Obtain petition for dissolution from the Court.
- Continue to implement the remaining Assumption Transition Plan work plan items to ensure a smooth final assumption of RWD.
- Formally assume and dissolve RWD on April 30, 2021.

COUNCIL GOAL ADDRESSED

This action supports Council Goal No. 2, "Continue to deliver highly-valued public services through management of the City's infrastructure and stewardship of the natural environment," and specifically, Action Step 14, which is to "Complete the assumption of the Ronald Wastewater District in collaboration with the District".

RESOURCE/FINANCIAL IMPACT

Adoption of proposed Ordinance No. 912 creates no financial impact to the City, as there will be no cost to the City when the full assumption of RWD is completed at the end of April 2021. Wastewater utility operations, which are already performed by the City on behalf of RWD under a service contract with RWD, are funded by utility rates. RWD's Capital Improvement Program is also rate funded. All assets of RWD, including the utility system itself, will be transferred to the City on the final assumption date and RWD will cease to exist as a separate governmental entity.

RECOMMENDATION

No action is required, this item is for discussion purposes only. Staff is seeking Council feedback on proposed Ordinance No. 912. Staff does recommend that Council adopt proposed Ordinance No. 912 authorizing the assumption of the Ronald Wastewater District and authorizing the City Manager to sign the joint petition of dissolution of RWD when this ordinance is brought back to Council on December 7, 2020 for potential adoption.

ATTACHMENTS

Attachment A – Proposed Ordinance No. 912

Attachment B – 2002 Interlocal Operating Agreement Between the City of Shoreline and the Ronald Wastewater District

Attachment C – 2017 First Amendment to the 2002 Interlocal Operating Agreement

Attachment D – November 17, 2020 Memo Outlining Assumption of the Ronald Wastewater District is Categorically Exempt from SEPA Review

ORDINANCE NO. 912

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON
AUTHORIZING THE ASSUMPTION OF THE RONALD WASTEWATER
DISTRICT AS AUTHORIZED BY RCW 35.13A.030 AND PURSUANT TO
THE 2002 INTERLOCAL OPERATING AGREEMENT RELATING TO
THE PROVISION OF SANITARY SEWER SERVICES.**

WHEREAS, RCW 35.13A.030 authorizes a city to assume the full and complete management and control of a sewer district whenever a portion of that district, equal to at least sixty percent of the area or sixty percent of the assessed valuation of the real property lying within that district, is included within the corporate boundaries of the city; and

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington, and planning pursuant to the Growth Management Act, Title 36.70C RCW (hereinafter referred to as “City”); and

WHEREAS, the Ronald Wastewater District is a special purpose sewer district formed and organized pursuant to Title 57 RCW and other laws of the state of Washington (hereinafter referred to as “District”) and, the District’s total geographic service area is located within the corporate boundaries of the City; and

WHEREAS, on October 22, 2002, the City and the District entered into an Interlocal Operating Agreement (“IOA”) approved by resolutions of the governing bodies of both parties related to the provision of sanitary sewer services which at Section 3.2, allows the City to assume jurisdiction of the District and any District responsibilities, property, facilities, or equipment within the City’s corporate limits, including future annexation areas; this IOA was subsequently amended in June 2017; and

WHEREAS, on December 9, 2013, the City Council adopted Ordinance No. 681, authorizing the filing of a Notice of Intent to Assume with the Boundary Review Board and setting October 23, 2017, as the date for assumption; and

WHEREAS, on September 18, 2014, the Boundary Review Board for King County approved the Notice of Intent to assume the District in relationship to King County; due to an error in the legal description of the District, the Boundary Review Board issued a subsequent approval on June 7, 2019; and

WHEREAS, the City has already commenced steps to ensure an orderly transition of governance, including creation of a City-District Assumption Transition Plan; transfer of District employees; execution of a Wastewater Utility Operating Services Agreement on October 23, 2017; and a Second Wastewater Utility Operating Services Agreement on March 17, 2020; and

WHEREAS, a portion of the southwest corner of Snohomish County, referred to as Point Wells, was considered part of the District’s service area; however, this was disputed and resulted

in two (2) denials for assumption by the Boundary Review Board of Snohomish County, in 2014 and again in 2017; and

WHEREAS, this dispute over the District's service area ultimately reached the Washington State Supreme Court which, on October 15, 2020, issued a ruling finding that the District's geographic boundary did not include Point Wells and does not extend into Snohomish County; and

WHEREAS, given that the original assumption date has passed, the City Council must establish a new assumption date and authorize the filing of a Petition for Dissolution with the King County Superior Court as required by RCW 35.13A.080; and

WHEREAS, the SEPA Responsible Official for the City of Shoreline has determined that the assumption of the Ronald Wastewater District is categorically exempt from SEPA review under WAC 197-11-800(14)(h); and

WHEREAS, the City Council in 2002, 2013, and by the actions the Council has previously authorized to be taken, and again with this Ordinance, has determined that it is in the best interests of the citizens of Shoreline to assume the District's sewer facilities, within and without of the City's boundaries, for the purpose of guaranteeing the City and its citizens with efficient, high quality sanitary sewer services for all purposes, public and private;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON DO ORDAIN AS FOLLOWS:

Section 1. Assumption. As provided in chapter 35.13A RCW, effective at 12:01 a.m. April 30, 2021, or on an earlier date if mutually agreed upon by the City of Shoreline and the Ronald Wastewater District, the City of Shoreline hereby assumes jurisdiction and ownership of the Ronald Wastewater District's service area, assets, facilities, responsibilities, property, and equipment.

Section 2. City Manager Authorization.

A. Petition for Dissolution. The City Council hereby confers upon the City Manager or designee the authority to jointly file with the Ronald Wastewater District a Petition for Dissolution with the court as provided for in RCW 35.13A.080 seeking dissolution by no later than April 30, 2021. And, upon dissolution by the court, file a certified copy of the court order with the King County Auditor.

B. Orderly Transition of Governance. The City Council confers upon the City Manager or designee the authority to continue to negotiate, in good faith, with the District the terms of a final transition plan so as to ensure a smooth transition from District to City operations. The transition plan shall include operational issues, financial issues, and facility issues.

Section 3. Directions to the City Clerk. Upon approval of the City Attorney, the City Clerk is authorized to make necessary corrections to this Ordinance, including the correction of

scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

Section 4. Severability. If any section, sentence, clause, or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause, or phrase of this ordinance.

Section 5. Publication and Effective Date. A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

ADOPTED BY THE CITY COUNCIL ON DECEMBER 7, 2020.

Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik Smith, City Clerk

Julie Ainsworth-Taylor
Assistant City Attorney on behalf of
Margaret King, City Attorney

Date of Publication: _____, 2020
Effective Date: _____, 2020

ORIGINAL

RESOLUTION NO. 197

A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON AUTHORIZING AN INTERLOCAL OPERATING AGREEMENT RELATING TO PROVISION OF SANITARY SEWER SERVICES

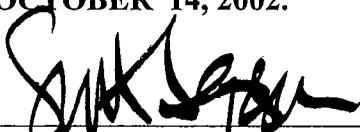
WHEREAS, City and Ronald Wastewater District are authorized under chapter 39.34 RCW, the Interlocal Cooperation Act, and RCW 35.13A.070 to contract for the coordinated exercise of powers and sharing of resources for the efficient delivery of services to their residents; and

WHEREAS, the City and District have negotiated a Franchise and concomitant Interlocal Operating Agreement to coordinate the provision of sanitary sewer services in the City of Shoreline; now therefore

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHORELINE,
WASHINGTON THAT**

1. The City Manager is authorized to execute the INTERLOCAL OPERATING AGREEMENT BETWEEN THE CITY OF SHORELINE AND RONALD WASTEWATER DISTRICT RELATING TO SANITARY SEWER SERVICES WITHIN SHORELINE'S CITY LIMITS attached hereto as Exhibit 1.

ADOPTED BY THE CITY COUNCIL ON OCTOBER 14, 2002.



Mayor Scott Jepsen

ATTEST:



Sharon Mattioli, CMC
City Clerk

ORIGINAL

F-02001

CITY OF SHORELINE Attachment B Clerk's Receiving
No: 1956
Date: 10/22/02

Exhibit 1

INTERLOCAL OPERATING AGREEMENT BETWEEN THE CITY OF SHORELINE AND RONALD WASTEWATER DISTRICT RELATING TO SANITARY SEWER SERVICES WITHIN SHORELINE'S CITY LIMITS

THIS AGREEMENT is made and entered into this 22nd day of October, 2002, by and between the city of Shoreline, a Washington Non-Charter Optional Municipal Code City (the "City") and Ronald Wastewater District, a Special Purpose Municipal Corporation (the "District").

WHEREAS, the City is the local government with authority and jurisdiction with respect to the territory within its corporate boundaries; and

WHEREAS, the District provides sanitary sewer service to properties located in the District and properties lying in the City's corporate boundaries and also to properties not located in the District or the City; and

WHEREAS, the City does not own or operate a sanitary sewer system; and

WHEREAS, the District and the City agree that the District has provided its service area, including the area now located within the City of Shoreline, with sanitary sewer service for over 42 years and that the District has the skills, assets, willingness and ability to provide the entire City with sanitary sewer service; and

WHEREAS, the City desires to assure its residents of continued unified sanitary sewer service which will comply with federal, state and local law, which will protect the public's health, safety, and welfare, and will provide uniform standards of service; and

WHEREAS, the City and the District have separately negotiated a 15 year Franchise Agreement to establish the terms and conditions under which the District is granted the authority to maintain it's sanitary sewer system within the City's Rights of Way to be simultaneously executed and

WHEREAS, the City and District are authorized under chapter 39.34 RCW, the Interlocal Cooperation Act, and RCW 35.13A.070 to contract for the coordinated exercise of powers and sharing of resources for the efficient delivery of services to their residents, and the governing bodies of both parties have passed resolutions approving the execution of this Agreement;

NOW THEREFORE, in consideration of the terms and provisions contained herein, and the Franchise Agreement executed contemporaneously by the parties, the City and the District agree as follows:

Section 1. Purpose. It is the purpose of this Agreement to guide the activities, resources and efforts of the City and the District to provide the citizens of the entire City and the ratepayers served by the District with an efficient, high quality and well maintained sanitary sewerage wastewater system at a reasonable cost and to provide an orderly and predictable transition of the wastewater utility from District to City ownership.

Section 2. Term of Agreement. The term of this Interlocal Operating Agreement shall be fifteen (15) years from the date of its execution.

Section 3. City Responsibilities:

3.1 Franchise Grant to the District. The City shall grant a non-exclusive franchise to the District in the form attached hereto as Exhibit "A" for a concurrent term of 15 years and terminating on the termination date of this Agreement.

3.2 Assumption by the City. The City agrees that in consideration of the "Interlocal Operating Agreement Fee" to be paid by the District to the City as set forth herein in section 4 of this Agreement, and the other terms and conditions of this Agreement, it shall not, during the 15 year term of this Agreement and the concurrent Franchise Agreement granted to the District, attempt to exercise its statutory authority (RCW chapter 35.13A, as currently in effect or amended in the future) to assume jurisdiction over the District or any District responsibilities, property, facilities or equipment within the City's corporate limits, including future annexed areas.

3.3 Fees and Charges. The City shall not, during the term of this Agreement impose any new fees on the District for City costs and services addressed and compensated for in the Franchise Agreement or this Interlocal Operating Agreement, as herein below described.

3.4 Future Statute Authorizing a City Utility Tax on the District. In the event that the State of Washington Legislature should in the future authorize a City to impose a Utility Tax upon a District based upon the District's revenues, or upon any other basis, the payments hereinbelow provided as the District's contractual consideration for this Agreement shall be credited against such Utility Tax as the City may impose and the District shall be obligated to pay only the statutorily supported tax liability in excess thereof; provided however, this section shall not allow a credit against consideration of this Agreement for

generally applicable regulatory fees or revenue-generating charges or taxes that may be authorized by law as applicable to the District and adopted by the City during the term of this Agreement other than a utility tax. For purposes of this section "utility tax" refers a city tax on business activities subject to the tax imposed by chapter 82.16 RCW.

3.4.1 Pass Through of Excess Utility Tax. In the event a Utility Tax on the District by the City is in the future authorized by law, the District shall pay such additional monies and may pass such additional tax liability on to the District's ratepayers as a separate billing item.

3.5 Requirement to Connect to Sanitary Sewer. The City shall, within the first year of this Agreement, study the adoption of rules and regulations related to the requirement that residences and other buildings or improvements located within the City not receiving sanitary sewer service (those using septic tanks or other on site systems), shall, under certain terms and conditions, be required to connect the sewer facilities located in or on such properties to the District's Sanitary Sewer System.

3.5.1. The City shall enforce such rules and regulations if adopted.

3.5.2 The District shall cooperate with the City in such enforcement action.

3.6 City's Option to Extend this Agreement The City, at its sole option, may no less than twelve (12) calendar months prior to the end of the term of this Agreement inform the District, in writing, of its desire to extend this Agreement for an additional five (5) years under terms and conditions as may be mutually agreed to by the Parties.

3.6.1 Should the City give such notice to the District and the District be interested in such a proposal, the Parties shall enter into Good Faith Negotiations to complete and execute a mutually acceptable extension Agreement, within six (6) months from the City's Notice.

3.7 Protection of District Employees upon Assumption by the City. The Parties agree that a fair and equitable transition of the employees of the District at the time of assumption by the City is critical to maintain the efficient operations of the wastewater services. The employees at the District represent a valuable asset to the City as they assume operations of the District. Therefore, in addition to compliance with RCW 35.13A.090, the City agrees to the following protections for employees of the District at the time of the transfer of the utility system:

3.7.1 All full-time regular non-probationary employees of the District at the time of assumption shall be offered the same or equivalent positions in the City's job classification system, which are consistent with the knowledge, skills, abilities, experience, and technical requirements of the District's employees.

3.7.2 The City agrees not to reduce the salary of a District transferred employee. However, the City reserves the right to freeze a District transferred employee's rate of compensation within a job classification until the City's rate of compensation is equal to or exceeds the transferred employee's rate of compensation.

3.7.3 City agrees it shall not lay off a transferred District employee for at least one year following the date of the transfer to City employment, however, the City reserves the right to terminate District transferred employee for cause.

3.7.4 Service credit for City purposes will be calculated based upon the initial full-time employment date of the transferred employee with Ronald Wastewater District.

3.7.5 Transferred employees will continue participation with the appropriate public employees' retirement system as provided for in RCW35.13A.090 (1).

3.7.6 The City currently allows employees retiring under the PERS Retirement System to purchase health insurance. The transferred employees will be able to participate in that benefit so long as this is still a benefit offered to City employees at the time of assumption of the District.

3.7.7 The City agrees to abide by the Washington Wastewater Collection Personnel Association certification requirements or equivalent for all sewer maintenance workers.

3.7.8 District agrees that an employment agreement for any employee shall not be extended beyond the City assumption date without review and approval of the City Manager.

3.7.9 The Parties recognize that all agreements with bargaining units will terminate upon transfer to the City.

3.7.10 District agrees that at the time of transfer it shall pay off any accrued sick leave owed to transferred District employees, based on District sick leave policy then in effect.

3.7.11 The Parties agree that District employees transferred to the city shall not carry over more vacation accrual than allowed by City vacation leave policy then in effect, and the District shall pay off vacation in excess of the City's accrual limit upon transfer.

3.8 Obligations On Assumption:

3.8.1 City shall assume all liabilities and contractual obligations of the District or pay those obligations in full where required by contract, bond covenant or other agreements. The District will negotiate all new contracts and loan agreements during the term of this agreement including any mutually agreed upon extension so that the obligations of the District may be assumed by the City upon assumption of the District without cost or penalty. It is agreed that the district's Parity Revenue Bond covenants, as now written, can not, and will not change during this Agreement, therefore, any such Parity Revenue bond obligations of the District will require full defeasance or transfer of the obligation of the District according to the bond covenants at the time of the transfer of assets.

3.8.2 All District assets, personal, real and intangible property will be transferred to the City.

Section 4. The District Responsibilities. In consideration of the City's commitments above and the concomitant Franchise Agreement, the District shall:

4.1 Interlocal Operating Agreement Fee. In consideration of and compensation for the City's forbearance of its rights to assume the District under RCW 35.13A, as it now exists or may be amended, and the rights granted the District under this Agreement to operate its existing and future sewer facilities within the City's corporate limits, including any future annexed areas, the District agrees to pay the City an "Interlocal Operating Fee" pursuant to the payment schedule set forth herein.

4.2 Schedule of Payments. The schedule of payments shall be as follows:

Year	Amount
2002	\$500,000*
2003	\$550,000

2004	\$600,000
2005	\$618,000
2006	\$637,000
2007	\$656,000
2008	\$676,000
2009	\$696,000
2010	\$717,000
2011	\$739,000
2012	\$761,000
2013	\$784,000
2014	\$808,000
2015	\$832,000
2016	\$857,000
2017	\$883,000

*In the year 2002, the \$500,000 Interlocal Agreement Fee will be paid in full by Ronald Wastewater District prior to December 31, 2002, less any previously paid fees paid during the year 2002 under the Seattle Public Utilities Franchise Agreement assumed by the District.

In all years subsequent to 2002 through 2016, the Interlocal Agreement Fee will be paid by the District to the City with quarterly payments being made on or before March 15, June 15, September 15, and December 15 of each year.

In the final year, 2017, the District's payment to the City will be pro-rated to the date of the Contract Termination.

The fee paid by the District under this section is a business expense that will not be separately identified on customer billings.

4.3 Storm Water and Water Supply System. The District shall not provide a storm water system or a water supply system within the City without the approval of the City being first obtained.

4.4 Standard Sewer Billing Rate Structure. It shall be the goal of the District to perform a Comprehensive Sewer Rate and Cost of Service Analysis in order to develop a uniform rate schedule following the District's acquisition of the Seattle Public Utilities/Lake City Sewer District Sanitary Sewer System which study shall include but not be limited to the following:

4.4.1 The impact of the overall rate revenue requirements, which analysis shall reflect the impact of diverting the costs and revenue of sewer system customers within the City of Lake Forest Park, if and when service to those customers is taken over by the City of Lake Forest Park.

4.4.2 An evaluation of reasonable options and impacts of phasing in a blending of sewer rates, revising the sewer rates and costs of maintenance and operation, both pre and post Seattle Public Utilities/Lake City Sewer District acquisition of customer segments.

4.4.3 Develop a strategy to expedite a blending of sewer rates to a single set of rate structures that will have the least negative impact on all District ratepayers, now and in the future.

4.4.4 Attempt to create a level billing rate structure for each class of customer throughout the District and the City unless the level of service provided any segment of those properties served requires a "special benefit" surcharge.

4.5 Agreement to Annex. The District shall exercise its legislative authority to seek annexation of those areas which it serves which are not yet within its corporate boundaries and those areas which are within the City's corporate boundaries except areas served by the Highland Sewer District. The District shall proceed with the annexation process as soon as the City of Lake Forest Park exercises its right to annex those areas within its corporate boundaries, and which are presently served by the District's Sanitary Sewer System.

4.5.1 City's Cooperation With Annexation. The City shall promote, cooperate with, and use its best efforts to assist the District in the annexation process articulated in Section _____ of this agreement.

4.6 Seattle Public Utilities Service System Reliability. The District shall prepare plans to upgrade the systems acquired from Seattle Public Utilities to conform to the District's overall operational and maintenance standards.

4.7 Advisory Board. 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 (3) year period beyond the term of this Agreement.

- 4.8 Cooperation with Assumption and Dissolution. The District agrees to take no action to protest or challenge the assumption of the District following the term of this agreement or any extension thereof. By its execution of this Agreement below the District grants to the City a limited power of attorney to execute a joint petition to Superior Court for dissolution of the District pursuant to RCW 35.13A.080 when authorized by the City Council following the term of this Agreement provided the City is not in breach of this Agreement including terms that survive the term of the Agreement

Section 5. Mutual Responsibilities. In satisfaction of the intent of the parties, the City and District shall have the following responsibilities:

5.1 Common Goals and Interests. The parties shall agree to identify potentially desirable common activities and projects of mutual interest and benefit, which shall include, but not be limited to the following:

5.1.1 Common Vehicle and equipment storage facilities

5.1.2 Common vehicle and equipment maintenance

5.1.3 Emergency/after hours call center

5.1.4 Combined permitting/licensing offices

5.1.5 Joint but separate communications - emergency radio/telephone

5.1.6 Creation of a joint committee to discuss, evaluate and select cost-effective common programs relating to:

- i. Energy management
- ii. Equipment sharing
- iii. Information technology
- iv. Staff training, where possible
- v. Joint insurance programs

5.2 Inter-Agency Communications. A committee consisting of the City's City Manager and Public Work's Director, and the District's General Manager and Maintenance Manager will meet annually to evaluate projects which may be agreed upon to have a mutual benefit, and which may be jointly undertaken.

5.3 Capital Improvement Plan: Each of the Parties shall provide the other with a copy of their respective present Capital Improvement Plan to better facilitate the use of the streets, sidewalks and rights of way and the areas under them.

5.4 Coordination of City and District's Comprehensive Plans. The City's Manager and District's General Manager shall meet annually to coordinate activities related to their respective Comprehensive Plans and their respective Capital Improvement Plans. The parties shall address revisions to their respective Comprehensive Plans at the earliest opportunity to reflect the transition of wastewater service delivery by the City at the end of this Agreement.

5.5 Information and Document Exchange. The Parties shall exchange information and documents relating to the location of the facilities which they each operate within the affected rights of way.

5.6 Assumption Transition. No later than 24 months prior to the end of the term of this Agreement, the City and District shall negotiate in good faith the terms of final transition. Transition terms shall include plans that the City and the District agree to implement to ensure a smooth transition from District to City operations. These plans would include operational issues, financial issues, and employee transition issues. Transition terms shall include but not be limited to the following:

5.6.1 Defeasance or call of all bonded debt principal outstanding and interest owed if required by bond covenants.

5.6.2 Assumption of all indebtedness and other liabilities subject to the terms and conditions of related agreements and contracts.

5.6.3 Terms for application and future use of any cash reserves at the time of the transfer of the system then restricted as to use for system rehabilitation and replacement per District Resolution

5.6.4 District agrees to maintain its reserve funds in the same manner as current policy, and shall maintain adequate reserve levels subject to periodic review by the District's Board of Commissioners in establishing policies related to the financial needs of the District.

Section 6. Termination. In addition to all other rights and powers to remedy default including specific performance, both Parties reserve the right to revoke and terminate

this Agreement in the event of a substantial violation or breach of its terms and conditions.

Section 7. Indemnification. The parties shall indemnify and hold harmless each other and their respective officers, agents, and employees from all costs, claims or liabilities of any nature, including attorneys' fees, costs and expenses for or on account of injuries or damage by any persons or property resulting from the negligent activities or omissions of that Party or their respective agents or employees arising from the performance of this agreement.

Section 8. Definitions. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in any other documents executed contemporaneously or in conjunction with this Agreement.

Section 9. Remedies. In addition to the remedies provided by law, this Agreement shall be specifically enforceable by any Party.

Section 10. Venues. In the event of litigation pertaining to this Agreement, the exclusive venues and places of jurisdiction shall be in King County, Washington.

Section 11. Alternative Dispute Resolution-Arbitration. Except as otherwise provided under applicable state law, any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, shall be submitted to, and settled by, arbitration to be held in King County, Washington in accordance with the provisions of Chapter 7.04 of the Revised Code of Washington, as amended, and with respect to matters not covered in such statute, by the rules of the American Arbitration Association; provided, however, that in the event of any conflict between such statute and such rules, the provisions of the statute shall control; and provided further, that notwithstanding anything in such statute or rules to the contrary: (a) the arbitrator's decision and award shall be made according to the terms and provisions of this Agreement and the applicable law, and such award shall set forth findings of fact and conclusions of law of the arbitrator upon which the award is based in the same manner as is required in a trial before a judge of the Superior Court of the State of Washington; (b) the arbitrator shall award attorney's fees to the prevailing party; and (c) in any such arbitration, there shall be a single arbitrator and any decision made shall be final, binding and conclusive on the parties. The fees of the arbitrator shall be borne equally by the parties except that, in the discretion of the arbitrator, any award may include a party's share of such fee if the arbitrator determines that the dispute, controversy or claim was submitted to arbitration as a dilatory tactic.

Section 12. Binding. This Agreement shall inure to the benefit of and be binding upon the Parties, their successors and assigns.

ORIGINAL

Section 13. Enforceability. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

Section 14. Applicable Law: This Agreement shall be construed under the laws of the State of Washington.

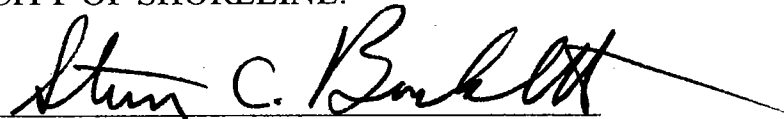
Section 15. Attorneys Fees. If either party employs an attorney to enforce any rights arising out of or relating to this Agreement, the prevailing party shall in such dispute be entitled to recover its reasonable attorneys' fees.

Section 16. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to its subject matter. It shall not be modified except by a written agreement signed by both parties. None of the provisions of this Agreement shall be deemed to have been waived by any act of acquiescence on the part of either Party, its agents, or employees, but only by an instrument in writing signed by an authorized officer of the Party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision(s) or of the same provisions on another occasion.

Section 17. Survival. All of the provisions, conditions and requirements of Sections 3.7, 3.8, 4.7, 4.8, 7, 8, 9, 10, 11, 12, 13,14, 15, and 16 shall survive the fifteen (15) year term of this Agreement.

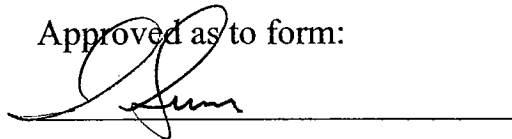
Section 18. Effective Date and Term of Contract. This agreement shall be in full force and effect and binding upon the parties hereto upon the execution of the Agreement and shall continue in full force and effect fifteen (15) years from the effective date.

CITY OF SHORELINE:



Steven C. Burkett, City Manager

Approved as to form:



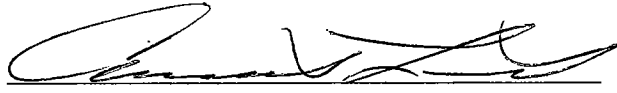
Ian R. Sievers, City Attorney

RONALD WASTEWATER DISTRICT:

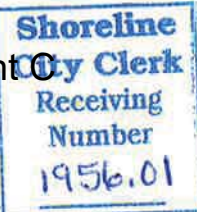


President, Board of Commissioners

Attest:

A handwritten signature in black ink, appearing to be "C. Smith", written over a horizontal line.

Secretary, Board of Commissioners



FIRST AMENDMENT OF INTERLOCAL OPERATING AGREEMENT BETWEEN THE CITY OF SHORELINE AND RONALD WASTEWATER DISTRICT RELATING TO SANITARY SEWER SERVICES WITHIN SHORELINE'S CITY LIMITS

THIS FIRST AMENDMENT OF INTERLOCAL OPERATING AGREEMENT ("First Amendment") is made and entered into this 22nd day of June, 2017 ("Effective Date") by and between the City of Shoreline, a Washington Non-Charter Optional Municipal Code City (the "City") and Ronald Wastewater District, a special purpose municipal corporation (the "District").

WHEREAS, on October 22, 2002, the City and the District entered the *Interlocal Operating Agreement Between the City of Shoreline and Ronald Wastewater District Relating to Sanitary Sewer Services Within Shoreline's City Limits* (the "2002 Interlocal Operating Agreement"); and

WHEREAS, the purpose of the 2002 Interlocal Operating Agreement is to guide the activities, resources and efforts of the City and the District to provide the citizens of the entire City and the ratepayers served by the District with an efficient, high quality and well maintained sanitary sewerage wastewater system at a reasonable cost and to provide an orderly and predictable transition of the wastewater utility from District to City ownership; and

WHEREAS, the 2002 Interlocal Operating Agreement provided for a 15-year term to complete the transition and the assumption process, which caused the District and the City to work toward the mutual goal of having the City fully "assume" and incorporate the entire District into the City by October 23, 2017 (the "2017 Target Date"); and

WHEREAS, the parties continue to perform the 2002 Interlocal Operating Agreement in good faith and intend to complete the orderly transition of the wastewater utility, including assumption proceedings before the Boundary Review Board of both King County and Snohomish County where the District is located, but entities in Snohomish County have questioned and challenged the District's and the City's right to provide sewer service to its entire service area including the Point Wells Service Area; and

WHEREAS, the recent and continuing actions of third parties to oppose the District's service and corporate boundaries in Snohomish County and the City's planned assumption of the entire District located in both King and Snohomish County, consistent with the 2002 Interlocal Operating Agreement, have the effect of frustrating the parties' goal to complete the assumption of the District by the 2017 Target Date; and

WHEREAS, as a result, an amendment to the 2002 Interlocal Operating Agreement is necessary and appropriate to provide for the City to implement part of the assumption by the 2017 Target Date, for the District to continue to exercise its rights, powers and functions during the transition, and for the City to take jurisdiction over all of the District after conclusion of administrative proceedings and litigation opposing the assumption; and

WHEREAS, the City and District are authorized under chapter 39.34 RCW, the Interlocal Cooperation Act, and RCW 35.13A.070 to contract for the coordinated exercise of powers and

sharing of resources for the efficient delivery of services to their residents, and the governing bodies of both parties have approved the execution of this Agreement;

NOW THEREFORE, in consideration of the foregoing recitals, which are incorporated herein as is if fully set forth below, and the terms and provisions contained herein, the City and the District agree as follows:

Section 1. Prior Agreement and Intent of Amendment. The City and the District agree to amend the 2002 Interlocal Operating Agreement as expressly set forth herein. Except as expressly set forth herein, the 2002 Interlocal Operating Agreement, as amended, will remain in full force and effect for the term and duration of this First Amendment.

1.1 All terms and provisions of the 2002 Interlocal Operating Agreement are incorporated herein and, specifically and without limitation, sections 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17 of the 2002 Interlocal Operating Agreement also apply to this First Amendment.

1.2 This First Amendment and the 2002 Interlocal Operating Agreement constitute the entire agreement between the parties with respect to its subject matter.

Section 2. Term of First Amendment.

2.1 This First Amendment shall be in full force and effect and binding upon the parties hereto upon its execution ("Effective Date") and shall continue in full force and effect two (2) years from the effective date, unless terminated sooner pursuant to its terms or written agreement of the parties.

2.2 The City, at its sole option, may no less than three (3) months prior to the end of the term of this First Amendment extend this First Amendment for an additional two (2) years by providing written notice to the District.

Section 3. Actions as of the 2017 Target Date. The City and the District agree that the following actions or steps will now be taken and accomplished on or before the 2017 Target Date, notwithstanding any reference to assumption or transfer of system in the 2002 Agreement:

3.1 All District employees will transfer to City employment consistent with paragraph 3.7 of the 2002 Interlocal Operating Agreement.

3.2 All District contracts with vendors (not including professional services contracts and other appropriate contracts) will be transitioned or transferred to the City by assignment, renewal, or other appropriate mechanism.

3.3 The District and the City will have entered a Wastewater Utility Operating Services Agreement (the "Services Agreement") to provide, without limitation, for the following:

3.3.1 The District to contract with the City for all services and functions in operating, maintaining, and improving the sanitary sewer system.

3.3.2 The District to contract with the City for all administrative services and functions, including utility billing, customer service, and account management; provided, however, that the District may retain an independent contractor(s) to support the Board.

3.3.3 City use of District facilities and real estate.

3.3.4 Coordination and pursuit of capital projects or public works projects that are identified in the District's Capital Improvement Plan.

3.3.5 Coordination and performance of the District's utility relocation agreement with Sound Transit.

3.3.6 Provide for notice and communication regarding any Major Action, as defined below.

3.3.7 Other matters necessary and appropriate to include in a utility operating service agreement under the circumstances.

3.4 With regard to schedule for completion of the Services Agreement identified in paragraph 3.3 above, the parties intend to negotiate the proposed Services Agreement by July 31, 2017 and to approve and sign the final Services Agreement by September 15, 2017.

3.5 The City will act to extend the term of the franchise, granted to the District under paragraph 3.1 the 2002 Interlocal Operating Agreement, consistent with the term of this First Amendment.

3.6 The District and the City may provide for additional items in the Services Agreement including, but not necessarily limited to, seeking the approval of King County, pursuant to RCW 57.20.135, to designate the City as the treasurer for the District. In that event, the District agrees to take such actions to allow for such approvals, including approving and signing all documentation reasonable and necessary to seek and obtain the transfer of the treasury function. In the event that the City is designated as the District's treasurer, the City and District will prepare a separate memorandum of agreement on the subject.

Section 4. District Status and Operating Procedure After the 2017 Target Date.

4.1 The District Board of Commissioners will continue to exist, meet, and exercise its rights, privileges, powers, and functions as to levying and collecting special assessments, rates, charges, service charges, and connection fees; to pay invoices and contractual obligations; to carry out the provisions of its comprehensive plan; and to hold, manage, and protect all District property, funds, and assets.

4.2 The District agrees to coordinate with the City regarding the proposal, timing, and consideration of any potential District Board actions relating to capital expenditures, new public works projects, incurring debt, new contracts in excess of \$50,000.00 in total cost, customer sewer rates and charges, or the wastewater flow and treatment agreement with the City of Edmonds ("Major Actions"); provided, however, that District Board action relating to existing projects, sewer system

maintenance and repairs in the normal course of business, response to conditions that interrupt customer service, or emergencies do not constitute a Major Action(s).

4.3 Except as may be provided in the Services Agreement, the District will include a prominent notice of any Major Action on the agendas for two (2) regular meeting of the District Board of Commissioners before the District Board may take action to approve the Major Action.

Section 5. Interlocal Operating Agreement Fee. Paragraph 4.2 of the 2002 Interlocal Operating Agreement is amended to provide the following schedule of payments:

Year	Amount
2017	\$883,000
2018	\$909,000
2019	\$936,000

Section 6. Dissolution Petition. Notwithstanding any provision to the contrary, the City, in its sole discretion, retains all rights under paragraph 4.8 of the 2002 Interlocal Operating Agreement to execute and file a joint petition for dissolution after authorization by the City Council.

CITY OF SHORELINE



Debbie Tarry, City Manager

Approved as to form:



Margaret King, City Attorney

RONALD WASTEWATER DISTRICT:



Gretchen A. Atkinson
President, Board of Commissioners

Attest:



Chris J. Eggen
Secretary, Board of Commissioners



MEMORANDUM

DATE: November 17, 2020
TO: John Norris, Assistant City Manager
FROM: Rachael Markle, SEPA Official *Rm*
RE: Assumption of Ronald Wastewater District and SEPA Review

The adoption of Ordinance No. 912 by the City Council that would authorize the City to assume the Ronald Wastewater District as permitted by RCW 35.13A.030 and in accordance with the 2002 joint Interlocal Operating Agreement is categorical exempt from SEPA review. This action is exempt from SEPA review under WAC 197-11-800(14)(h) as an organization and internal operational planning and coordination effort.

WAC 197-11-800

Categorical exemptions.

(14) Activities of agencies. The following administrative, fiscal and personnel activities of agencies shall be exempt:

- (a) The procurement and distribution of general supplies, equipment and services authorized or necessitated by previously approved functions or programs.
- (b) The assessment and collection of taxes.
- (c) The adoption of all budgets and agency requests for appropriation: Provided, That if such adoption includes a final agency decision to undertake a major action, that portion of the budget is not exempted by this subsection.
- (d) The borrowing of funds, issuance of bonds, or applying for a grant and related financing agreements and approvals.
- (e) The review and payment of vouchers and claims.
- (f) The establishment and collection of liens and service billings.
- (g) All personnel actions, including hiring, terminations, appointments, promotions, allocations of positions, and expansions or reductions in force.
- (h) All agency organization, reorganization, internal operational planning or coordination of plans or functions.
- (i) Adoptions or approvals of utility, transportation and solid waste disposal rates.
- (j) The activities of school districts pursuant to desegregation plans or programs; however, construction of real property transactions or the adoption of any policy, plan or program for such construction of real property transaction shall not be considered exempt under this subsection.
- (k) Classification of land for current use taxation under chapter 84.34 RCW, and classification and grading of forest land under chapter 84.33 RCW.