

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Authorize the City Manager to Sign an Interlocal Agreement With The Shoreline Water District Relating to Water Service Issues Within the City
DEPARTMENT:	City Manager's Office
PRESENTED BY:	Kristoff T. Bauer, Assistant to the City Manager

PROBLEM/ISSUE STATEMENT: On March 19, 2001, Council directed staff to work with the Shoreline Water District ("District") to develop an interlocal agreement that provided a mechanism for the Council to become informed and provide input on key policy decisions before the District. Staff presented a draft interlocal agreement to Council on September 17, 2001. Council raised a few issues, but otherwise supported bringing the proposed interlocal forward for adoption at the next available regular meeting.

ALTERNATIVES ANALYZED: The following options are presented for Council consideration:

- Authorize the City Manager to execute the attached version of the proposed interlocal between the City and the District, which has been revised in response to Council Discussion (Recommended).
- Clarify prior issues or identify new issues that should be addressed prior to the finalization of this agreement.



FINANCIAL IMPACT: None

RECOMMENDATION

Authorize the City Manager to execute an interlocal agreement with the Shoreline Water District relating to water services within the City substantially in the form attached.

Approved By:

City Manager

 City Attorney 

INTRODUCTION

In March and April this year, staff presented options to Council regarding the City's participation in providing water services throughout the City. The majority of the Council supported option 1:

- 1) **Interlocal With The District** – The District has offered to begin discussions regarding the development of an interlocal with the City to address pressing City issues related to water service and to foster a closer working relationship.

Based upon Council's discussion in April regarding the objectives of such an interlocal, staff initiated a dialogue with the District in order to develop an interlocal that accomplished the following:

1. Provides a mechanism for the City to consistently participate in District policy development
2. Provides a mechanism for the entire City Council to be informed about, and provide input regarding, key District policy decisions
3. Supports an effort on behalf of the District to acquire the Seattle Public Utilities' ("SPU") water service area within the City and establish a mechanism for City Council involvement in the key policy decisions related to that service transition
4. Establishes a framework for further collaboration between the City and the District

Staff presented that proposed interlocal to Council on September 17, 2001 for discussion. Council raised a few issues, but otherwise supported bringing the agreement forward for consideration at the next available regular meeting.

DISCUSSION

Staff reviewed the following discussion regarding how the proposed interlocal agreement serves the four objectives listed above on September 17th. Responses to issues raised by the Council at that time are discussed below.

Consistent Participation (CAC)

The proposed interlocal agreement provides the City with consistent participation in District policy decisions through participation in a Citizens Advisory Committee (CAC). The District is required to establish this committee within six months of the interlocal's execution. The City will always have at least one position on the committee appointed by the City Council. The District Board will establish the composition of the rest of the committee provided that the total representation on the committee from Shoreline is proportionate to the number of District customers in Shoreline. The District will staff the committee, but the parties may agree to share the cost of consultants to support the process.

The purpose of the CAC is broadly articulated in the agreement, i.e. "important policy issues," which does not establish the policies and procedures that will govern the operation of the committee. The development of this level of detail is left to the District Board of Commissioners. The District is assigned the responsibility of administering the

formation and operation of the CAC. They are believed to be in the best position to develop policies and procedures that will coordinate well with their staff resources and existing decision making processes.

Council Participation in Key Policy Issues

The staffs recognized that there are issues in some policy areas that are so interrelated or interdependent on City operations or objectives that the involvement of the entire City Council would be desirable. The policy decision areas identified include:

- 1) Disposition of District real property assets;
- 2) Policy or agreements relating to water supply;
- 3) Development of significant administrative capital facilities;
- 4) The acquisition, transfer, or other disposition of its service territory.

When the District is contemplating issues in these areas it has agreed to add a step in the Board's decision making process. That additional step will include the briefing of the full Council by District staff in order to provide Council an opportunity to give the Board input on decisions relating to these policy areas.

The Transition of SPU's Service Area

The agreement recognizes that both agencies support the transition of SPU's water service area to local control for the benefit of their constituencies. The District is required to initiate discussions with SPU on the acquisition of this service area by the end of January 2002. During the April 2001 workshop, Council expressed a real interest in being closely involved in this process and related policy decisions.

Both staffs, through their individual experiences with SPU and through the related experience of the Ronald Wastewater District, are aware of the complexities of this kind of negotiation with SPU. Both staffs agreed that adding a third party to the table or requiring regular public disclosure of key negotiation discussions would threaten the success of the effort. The staffs explored a number of alternative ways of structuring terms relating to City involvement in the District led discussion with SPU rejecting most as being unclear, or overly complex, or presenting a danger to the success of negotiations. The compromise reached requires the District to provide progress updates at least quarterly and to keep the City informed of key alternatives being explored. The District will not execute any acquisition agreement, however, without the prior approval of the City. This last term will ensure that the interests of both the City and the District will be served by any final acquisition agreement.

General

Other Key terms include:

- Agreement to seek other opportunities to collaborate
- No fixed term – either party may terminate on 180 days notice
- Specific reservation of statutory authorities of either party

Response to Issues Raised On September 17th

Council raised two main issues during the September 17, 2001 discussion. First, there was a request for clarification regarding the City's continued authority to assume the District should the Council make that decision at a future point. Staff confirmed that this

was consistent with the intent and understanding of both parties, but also has revised paragraph 7 to provide further clarification of this issue (See revision marks in Attachment A).

Second, Council also requested a clarification regarding the timing of follow on conversations to monitor the effectiveness of the agreement. Staff has worked with the District to revise paragraph 5 (See Attachment A) to clarify that this activity will occur not less than annually. The Parties can, of course, get together at any time or at any interval they deem appropriate to review their cooperative efforts. Staffs did not want to restrict this flexibility through additional specific requirements.

Finally, Council also requested additional information regarding the District's planned timing for approaching Seattle Public Utilities regarding the acquisition of their service area within Shoreline. District staff has committed to contact Seattle to begin this dialogue as soon as the proposed interlocal is executed. They then will return to Council before January 31, 2002, in accordance with paragraph 2.2 of that agreement, to provide a full briefing regarding anticipated activities and timing related to that acquisition effort.

RECOMMENDATION

Authorize the City Manager to execute an interlocal agreement with the Shoreline Water District relating to water services within the City substantially in the form attached.

ATTACHMENTS

Attachment A – Proposed Interlocal Agreement Relating To Water Issues Within The City Of Shoreline

**CITY OF SHORELINE AND SHORELINE WATER DISTRICT
INTERLOCAL AGREEMENT RELATING TO
WATER ISSUES WITHIN THE CITY OF SHORELINE**

This Agreement is entered into between the City of Shoreline ("City") and Shoreline Water District ("District"), both municipal corporations of the State of Washington (referred to collectively in this Agreement as "the parties") in accordance with the Interlocal Cooperation Act (ch. 39.34, RCW).

Background

1. The City of Shoreline was incorporated in 1995, and operates as a general purpose government pursuant to RCW 35A.
2. Shoreline Water District was organized in 1931, and provides water service pursuant to RCW 57. The District serves citizens in the cities of Shoreline and Lake Forest Park.
3. The District provides water service to approximately 40 percent of the citizens of the City within the eastern portion of the City. The City of Seattle provides water service to the balance of the City's citizens in the western portion of the City (the "West-Side").
4. For some time, the City has been investigating and evaluating the alternatives for both short-term and long-term water service within the City. That evaluation included consideration of financial, technical, and engineering issues, and consultation with interested local and regional governments.
5. The City and District have determined that it is in the best interests of their citizens to enter into an Interlocal Agreement so that the City and the District can work cooperatively on a variety of matters involving water service and policies.
6. This Interlocal Agreement authorizes the creation of a Citizen Advisory Committee (CAC) as more fully described below. The committee will be staffed and supported by the District. The membership of the committee will be developed on a cooperative basis between the parties, and may vary depending on the issues before the Committee.
7. Nothing in this Interlocal Agreement infringes on the statutory and regulatory rights or obligations~~requirements applicable to~~ of the parties.

Agreement

1. Citizens Advisory Committee (CAC). The District will form a standing Citizens Advisory Committee to advise the District on key policy issues.
 - 1.1. Timing: The District shall form the CAC and it shall hold its first meeting within 6 months after the execution of this interlocal agreement and from time to time thereafter in accordance with the District's adopted policies and procedures.
 - 1.2. Purpose: The CAC shall advise the District regarding important policy issues including, but not limited to, long-term water supply alternatives, capital expenditures including the development and adoption of the District's Capital Improvement Program (CIP), system rates, and the use or disposition of District owned real property.

1.3. Membership: The CAC shall be composed of members appointed to serve according to the District's adopted policies and procedures. Provided, however, that there will always be at least one representative of the City Council, as appointed thereby, and the number of members selected from within Shoreline will be proportionate to the percentage of District customers within Shoreline.

1.4. Support: The CAC's activities will be supported by District staff and whenever necessary and appropriate, the District will select and compensate consultants (such as engineering, financial, technical, and legal) to further assist the CAC. In addition, the City and District may share the expense of consultants in a manner to be agreed to between the parties.

1.5. District Authority: The parties acknowledge that the setting of water rates, adoption of a CIP, and the making of other policy decisions that may be considered by the CAC are obligations of the District's Board of Commissioners. Before making these decisions, however, the Board will endeavor to consider the input of the CAC.

2. West-Side System. The City has determined that there may be capital improvements that should be made to the West-Side System, and has further determined that it is in the best interests of its citizens if the West-Side System is controlled by the citizens of the City. The District has determined that it may be in the best interests of its customers if the West-Side System is linked, in some manner, to the District's system. The District has the expertise and ability to investigate improvements for, and ownership of, the West-Side System. Accordingly, the City has requested, and the District has agreed, that the District take the following steps:

2.1. The District will initiate discussions with Seattle regarding the condition of, and potential future ownership of, the West-Side System. The method and manner of the discussions and negotiations with Seattle will depend on the issues, the expertise of the parties and any consultants, the time and opportunity for participation by the parties, and the desires of Seattle.

2.2. The District will keep the City Council and staff informed regarding its discussions with Seattle and the alternatives that are developed for future actions regarding the West-Side System. The District will provide an initial report to the City by January 31, 2002, and thereafter periodically, at least quarterly, report to the City regarding its progress with the West-Side System.

2.3. Whenever necessary and appropriate, the District will select and compensate consultants (such as engineering, financial, technical, and legal) to assist with its activities regarding the West-Side System. In addition, the City and District may share the expenses of the consultants in a manner to be agreed to between the parties.

2.4. The District will not enter into any agreement with Seattle Public Utilities regarding the acquisition of all or a portion of the West-Side System without the prior approval of the City.

3. Key Policy Decisions: The parties acknowledge that the City has a legitimate interest in policy issues that may come before the District's Board of Commissioners that will likely impact the future provision of water services throughout the City or impact the ability of the City to efficiently implement its policy objectives. The parties also acknowledge that the

District Board of Commissioners has sole authority and responsibility to make such decisions and to direct the operations of the Shoreline Water District. However, before the Board makes final decisions related to the issues listed below, District staff will brief the Shoreline City Council reasonably in advance and provide the City an opportunity to comment:

- 3.1. Disposition of District real property assets;
- 3.2. Policy or agreements relating to water supply;
- 3.3. Development of significant administrative capital facilities;
- 3.4. The acquisition, transfer, or other disposition of its service territory.

4. Staff Coordination. The parties are dedicated to providing service to their citizens in the most cost-effective and efficient manner. Accordingly, the parties will consult regarding cooperation in the use of staff and equipment.

5. Reporting & Periodic Review. The CAC established in accordance with Section 1, hereof, shall provide periodic reports to the elected officials of the parties and to the public, so that its performance and effectiveness can be monitored and evaluated. The parties shall consult together at regular intervals, not less than annually, periodic intervals regarding to review the implementation of this agreement to determine if any modifications or future actions are necessary.

6. General Provisions.

6.1. Effective Date. This Interlocal Agreement shall take effect upon approval by the Board of Commissioners and City Council and signature by the authorized representatives of each.

6.2. Term. This Interlocal Agreement shall remain in effect until 180 days after delivery of written notice of intent to terminate by either party.

6.3. Non-Acquisition of Ownership. Neither party shall by virtue of this Interlocal Agreement acquire any proprietary or governmental interest in the property of the other.

6.4. Third-Party Beneficiaries. There are no third-party beneficiaries to this agreement. No person or entity other than the parties shall have any rights under this agreement or any authority to enforce its provisions.

6.5. Applicable Law and Venue. The laws of the state of Washington govern this agreement. The venue for any legal proceedings arising under this agreement is King County Superior Court.

6.6. Filings. This agreement will be filed with the King County Office of Records and Elections, in accordance with RCW 39.34.040.

6.7. Notices and Other Communications. All notices and other forms of communications to be delivered under this agreement shall be delivered to the following:

City Manager
City of Shoreline
17544 Midvale Avenue North
Shoreline, Washington 98133-4921

District Manager
Shoreline Water District
1519 N.E. 177th Street
Shoreline, Washington 98155

CITY OF SHORELINE

By: _____

Mayor

Date: _____

Approved as to Form:

City Attorney

SHORELINE WATER DISTRICT

By: _____

President, Board of Commissioners

Date: _____

Approved as to Form:

District Attorney