

August 1, 2014

King County Boundary Review Board  
c/o Ms. Lenora Blauman, Executive Secretary  
Washington State Boundary Review Board for King County  
400 Yesler Way, Room 240  
Seattle, WA 98104

Re: City of Shoreline – Ronald Wastewater District Assumption, File #2357  
North City Water District's Submission

Dear Members of the King County Boundary Review Board:

This firm represents North City Water District ("North City"). This submission is the position statement of North City on the proposed assumption by the City of Shoreline ("City") of Ronald Wastewater District ("Ronald").

The City submitted Notices of Intent ("NOI") to both the King County and Snohomish County Boundary Review Boards ("BRB"). Jurisdiction has been invoked in both counties, and hearings will be held at the King County BRB on August 19, 2014, and at the Snohomish County BRB on August 28, 2014.

North City has a good relationship with the City and Ronald. However, North City has a different vision as to how to provide efficient, effective, and responsive utility services in north King County. North City believes an independent special purpose district is the best way to do so.

This BRB process is about the City's potential assumption of Ronald, not North City. Nevertheless, the City has expressed its intention to eventually bring all water and sewer utilities within the City. As a result, on June 30, 2014, North City submitted a letter to the BRB requesting the BRB deny the assumption at this time. In summary, North City pointed out that: (1) the City's current assumption should not affect any future proceeding involving North City; (2) the City's utility study has significant deficiencies regarding the assumption of Ronald; and (3) the City's acquisition of the Seattle Public Utilities water system on the west side of the City has not been finalized. Attached as **Exhibit A** is that letter.

In addition, North City has the following comments.

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**1) As a customer, North City objects to the assumption.**

North City is one of the 16,636 customers of Ronald, receiving sewer service at two locations. As such, North City is directly affected like other customers of Ronald. As a customer knowledgeable about operation of utilities, North City does not believe there will be a cost savings, now or in the future, if the City assumes Ronald and controls the sewer system. Rather, it is likely costs will be higher in future years as the City allocates general overhead to the sewer utility.

Further, even the City recognizes Ronald has done an excellent job of managing the sewer utility for the past 60+ years. There is a risk the sewer utility will get "lost" in the arms of the City, as the City deals with other significant functions such as transportation, comprehensive planning, public safety, parks, economic development, etc. It is likely service, cost, and maintenance for the sewer system will be adversely impacted. North City believes the risk of future poor management of the sewer utility is greater under the City's ownership than if Ronald remains independent.

**2) Assumption is premature – City is "attempting to . . . assume" the District during the 15 year term of the Interlocal Operating Agreement.**

As stated in the City's NOI, the City and Ronald entered into an Interlocal Operating Agreement ("ILOA") dated October 22, 2002. Paragraph 3.2 of the ILOA provides the following:

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 . . . 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 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." (Underline added.)

The City began this assumption effort on December 9, 2013, by passage of Ordinance 681 authorizing the assumption of Ronald, and continued the process by passing a motion on May 19, 2014, authorizing the filing of an NOI to the King and Snohomish County BRBs. Thus, the City is clearly in violation of the ILOA, for prior to October 22, 2017, it is attempting to exercise its statutory authority to assume the District.

Granted, the City has said in its NOI that it will not actually complete the assumption of the District until October 23, 2017. However, completing an assumption is not what the ILOA

calls for. Paragraph 3.2 says the City will not attempt to exercise its authority to assume. That is exactly what the City is currently doing.<sup>1</sup>

**3) Assumption is premature – the City has not accounted for Snohomish County properties in what amounts to a "partial assumption."**

North City has reviewed the documents filed with the BRB by Snohomish County, the City of Woodway, and Olympic View Water & Sewer District ("Olympic View"). All argue, convincingly, that any assumption by the City of Ronald should not include any properties in Snohomish County. In that event, the assets of Ronald in King County could be assumed by the City, but Ronald would remain in existence for the Snohomish County properties. Before allowing that to happen, the BRB should insure that the "stranded" system in Snohomish County could operate successfully. If it cannot, then the BRB should deny the assumption until the City, Olympic View, Woodway, and Snohomish County determine who is to be the sewer utility provider for those properties, and then plan accordingly. Thereafter, all affected parties could jointly petition the BRBs to approve that plan.

**4) Assumption is premature – there is no basis to conclude that the City will annex Point Wells, which is controlled by Snohomish County.**

A major argument made by the City is that it intends to annex Point Wells someday, and has even adopted a subarea plan for the area. Further, Ronald has issued a Certificate of Sewer Availability for the "urban center development" anticipated at Point Wells. Thus, it is apparent that, if the City assumes Ronald, it will attempt to become the sewer service provider to that area. And, if the City becomes the sewer provider, it will then argue that it should be permitted to annex it.

North City notes that Point Wells is within the corporate boundaries of Olympic View, which means Olympic View is likely to seek to provide sewer service to the area. North City has

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<sup>1</sup> Further, note that paragraph 5.6 of the ILOA provides for assumption transition. It says:

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 . . . include[ing] operational issues, financial issues, and employee transition issues.

It is obvious that the purpose for the transition negotiations is to identify and resolve important issues that affect an assumption. The City and Ronald had begun those discussions last month. (See **Exhibit B**) During the upcoming discussions, no doubt issues and concerns, such as those which have surfaced in these BRB proceedings, can be reviewed, examined, and potentially resolved. If issues are resolved successfully, then at the end of the 15 year term, the City could initiate an assumption. If the issues are not concluded, then the City could choose not to initiate the assumption, or extend the ILOA for an additional 5 years as authorized by paragraph 3.6

no interest in Point Wells or who will ultimately control it. But, it appears the City's action here is "placing the cart before the horse." It seems a decision should first be made about annexation, and then the determination of the sewer utility for the area should follow. The reverse order – sewer first and then annexation – makes no sense.

Point Wells has been and remains a political football between Snohomish County and other local governments within Snohomish County and the City of Shoreline. It is not clear which entity will eventually control Point Wells. Thus, any argument by the City, either expressed or implied, that it should be allowed to assume Ronald so it can serve an annexed Point Wells, should be rejected.

**5) Assumption is premature – the City has no binding agreement to acquire the Seattle Public Utilities ("SPU") water system.**

The City's plans for utility service in the next several years include assuming Ronald and acquiring the SPU water system on the west side of the City. As for the SPU water system, the City and Seattle reached a tentative agreement in November 2011 for the City to do so. However, negotiations for a final agreement have not been completed, and the purchase has not been approved by either SPU staff or the City's political leaders in the ensuing 2-1/2 years. The SPU acquisition – central to the City's plans for operating utilities – is speculative at best.<sup>2</sup>

The City's ability to allocate certain utility expenses across two utilities (Ronald and SPU) instead of one (Ronald), and to 27,573 customers instead of 16,636, will certainly affect the future costs of the utilities. It is simply premature for the City to pursue the assumption of Ronald until it knows the future of the SPU acquisition. The City-Ronald agreement, while subject to conflicting views of some of its terms, is clear that it can be extended until 2023. So, the City should wait on its attempt to assume Ronald until it is clear whether the City will acquire the SPU system.

**6) City mischaracterizes legal authority addressing assumption.**

The City cites the Growth Management Act ("GMA") and the Washington State Local Governance Commission ("Commission") as calling for replacement of special purpose districts by cities. However, in its zeal to prematurely assume Ronald, the City leaves out key words from its citations -- thus, mischaracterizing those authorities.

The City, at page 6 of its NOI, stated: "RCW 36.70A.110(4) envisions that urban government services, such as sanitary sewer, are most appropriately provided by cities. The City

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<sup>2</sup> One might question what short or long term financial benefit the City of Seattle gets from divesting itself of 10,937 customers from its water utility. Based on the Seattle city council's consideration of this issue in 2011, there is no doubt that Seattle city councilmembers will be asking that question before deciding on any sale to the City.

neglects to include two key words in the statute, "*in general*," that were added by the Legislature in 1997.

Previous to 1997, RCW 36.70A.110(4) read: "*Further, it is appropriate that urban government services be provided by cities, and urban government services should not be provided in rural areas.*" After the amendment, and today, the statute reads: (4) *In general, cities are the units of local government most appropriate to provide urban governmental services. In general, it is not appropriate that urban governmental services be extended to or expanded in rural areas . . .* (Underline added.)

As noted by the added words, the Legislature decided that one size does not fit all, and it is not an absolute that cities are the most appropriate providers of local services.

The City also said in its NOI, at page 18, that "[c]ities are the preferred provider of these [sanitary sewer] services (see above GMA and King County CPPs.)" As quoted in the previous paragraph, the GMA says nothing of the sort.<sup>3</sup>

The City also mischaracterized the conclusions of the Washington State Local Governance Commission's report, *The Quiet Crisis of Local Governance in Washington*.<sup>4</sup> At page 21 of the NOI, the City stated: "the Commission felt that the overlapping nature of special purpose districts limited to a single service can result in a lack of accountability, inefficiencies, delay, inaction, and even duplication."

The City again was not forthcoming when it omitted words which provide important context. In fact, at pages viii and 2 of the Commission's report, in a paragraph discussing problems facing cities, counties, and special districts in unincorporated areas, the Commission wrote: "*and special purpose districts, limited to a single service, can become so numerous and overlapping that in the aggregate they lack accountability and sometimes efficiency.*" (Underline added.)<sup>5</sup> Note the underlined words were left out of the City's NOI, which changes the meaning significantly. The Commission was not criticizing special purpose districts per se; rather it was pointing out that multiple special districts in unincorporated areas were problematic.

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<sup>3</sup> A King County Countywide Planning Policy says that "cities are the primary providers of urban services," but the City's NOI rightly points out at page 8 that the King County policies are not directly applicable to the City or to the assumption of Ronald.

<sup>4</sup> Dated in 1988, not 1985 as stated in the NOI.

<sup>5</sup> The entire paragraph is as follows and is shown on **Exhibit C, page viii**:

**(1) Citizens expect urban levels of services in certain unincorporated areas.** Citizens in densely populated but unincorporated areas desire levels of services that are characteristic of cities, but existing local governments are often not well designed to provide them. Cities have difficulty gaining voter approval for annexation; counties normally do not have the necessary revenue-raising capability; and special purpose districts, limited to a single service, can become so numerous and overlapping that in the aggregate they lack accountability and sometimes efficiency.

Even more importantly, the City's reference to the Local Governance Commission is to imply that the Commission favored city assumption of special purpose districts. It did not. Rather, the Commission recommended two new processes by which governments and citizens in local communities could change their governments: development of a mandatory local government service agreement between local governments, and a process by which citizen's can convene a structural review so as to alter **by vote** a change in local governments. (See **Exhibit C**, the Executive Summary of the Commission.) Unfortunately, those recommendations were not enacted into law.

It is interesting to note the Commission's recommendations for intergovernmental coordination and a role for citizens are dramatically different than what is occurring in this proceeding. Here, one government, the City, is attempting to take over another government, Ronald, without adequate coordination with other local governments (witness the objections from Snohomish County governments) and without a vote of the affected citizens.

North City recommends the BRB deny the assumption, and encourage the City to follow the Commission's recommendations for an intergovernmental review process and perhaps a citizens' vote on structural changes.

## 7) Conclusion

The City's assumption of Ronald is unnecessary and premature. There is nothing compelling an assumption, as Ronald is a well-functioning utility. It is financially sound, charges reasonable rates, and properly plans for the future needs of its sewer system and ratepayers.

Then, what is driving this assumption? City officials believe that a "full-service" local government is best for its citizens, and RCW 35.13A gives a city the ability to attempt to take over a water-sewer district without the consent of its ratepayers. In sum, the City can initiate an assumption, it wants to, and therefore it is. But, the City misreads and misapplies the GMA and the Washington State Local Governance Commission Report, and this partial assumption will likely result in a reduced level of sewer service at a higher cost.

North City believes that a special purpose government – focused on a single task – is more efficient, economical, and responsive. It understands that in some areas, a multitude of overlapping special districts *can* breed inefficiencies. That is not the case here. Within the City of Shoreline, there is essentially one sewer system<sup>6</sup> and two water systems (North City and SPU). There is simply no need for an assumption.

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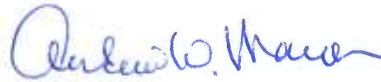
<sup>6</sup> Additionally, the Highlands Sewer District serves 107 customers on the western edge of the City.

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Further, it is premature for the City to attempt to assume Ronald, for there are unanswered questions about governance relating to Snohomish County properties, the SPU acquisition, and the effects of a partial assumption in either county, to name just a few.

In sum, North City requests that the BRB deny the City's assumption of Ronald at this time.

Very truly yours,



Andrew W. Maron

AWM:lfs  
Enclosures  
cc: North City Water District

# EXHIBIT A





Calendario

June 30, 2014

Alcaldes

Boundary Review Board  
of King County

Boundary Review Board  
of Snohomish County

Comisionados

400 Yesler Way, Room 240  
Seattle, WA 98104

3000 Rockefeller, MS 409  
Everett, WA 98201

Comisionados

District Managers

Diana Springer PE

RE: Notice of Intent: Assumption of Ronald Wastewater District  
Initiator: City of Shoreline, King County, Washington

Dear Honorable Boundary Review Board Members:

North City Water District ("NCWD") has received the Notices of Intent ("NOI") filed by the City of Shoreline (the "City") with the King and Snohomish County Boundary Review Boards. With those NOI's, the City intends to "assume" Ronald Wastewater District ("Ronald"). That is, the City intends to take into the City the ownership, operation, and control of Ronald's wastewater utility system. Ronald will disappear.

NCWD provides water service within the City, and is thus very interested in utility services within north King and south Snohomish counties. NCWD has closely monitored and studied the assumption effort here, and has significant concerns which it wishes to share with the BRB's. However, for a variety of reasons (among them the cost of preparing for and participating in the BRB hearing), NCWD will *not* invoke jurisdiction of the BRB in either county.

By way of background before providing its comments, NCWD was created in 1931 to provide water service within its boundaries in north King County. NCWD presently serves approximately 24,700 residents in an area generally north of Seattle, south of Snohomish County, east of I-5, and west of Lake Washington. Within this area, the City of Lake Forest Park was incorporated in 1951, and the City of Shoreline was incorporated in 1995. Currently, approximately 60% of NCWD's customers are located within the City of Shoreline, while approximately 40% live in the City of Lake Forest Park.

Ronald was incorporated in 1951, and presently provides wastewater services to approximately 53,000 residents in the City of Shoreline and a small area in Snohomish County. It serves the area within the City of Shoreline served by NCWD, and also the area on the westside of the City of Shoreline that is outside the boundaries of NCWD. (Most water service in the westside of the City of Shoreline

is provided by Seattle Public Utilities, known as "SPU.") Thus, NCWD and Ronald both serve the eastern half (approximately) of the City of Shoreline.

NCWD has a good relationship with the City of Shoreline (as well as with Ronald and the City of Lake Forest Park). All of these local governments have the same objective -- efficient, economical, and responsive utility services. However, the City of Shoreline and NCWD have different visions as to how to accomplish that objective. The City wants to bring utilities under the ownership and control of the City, while NCWD believes that an independent special purpose district is the best way to accomplish that objective.

Along with the NOI, the City submitted in Exhibit C a city council agenda item (dated May 19, 2014) which summarized a Utility Unification and Efficiency Study ("UU&ES" or the "Study"), and the city council meeting minutes showing adoption of this Study. The NOI did *not* provide the actual UU&ES, nor did it include the comments about the Study submitted by NCWD to the City.

With this background in mind, NCWD has the following comments:

1) The City's current assumption action against Ronald should not affect any future proceeding involving NCWD.

Although this BRB proceeding is focused on the assumption of Ronald, in the NOI the City indicates its intention to eventually bring all water/wastewater utilities within the City, including the assumption of NCWD. Further, the UU&ES Study includes five study options for taking over those utilities, three of which have NCWD becoming part of the City.

NCWD has significant objections to the information about NCWD used in the UU&ES, and advised the City of that by letter dated May 19, 2014. (A copy of the letter is attached.) For example, all of the following are incorrect: the wholesale water cost projections; the expenses to operate the water utility; and the capital assets/budget. We want the BRB to be aware that those objections to the study were raised by NCWD.

However, this current proceeding is not focused on an assumption of NCWD; rather, it is looking at Ronald. Therefore, NCWD will not address the details of its concerns about NCWD at this time. However, NCWD wants to emphasize this proceeding regarding Ronald or the documents related to NCWD in the NOI should not be used in any way as a basis for future assumption activities against NCWD by

the City. Any future assumption attempt, if it occurs, by the City against NCWD must be based on information submitted at that time.

2) The City's UU&ES Study has significant deficiencies regarding the assumption of Ronald.

NCWD reviewed the UU&ES in April and May 2014, and on May 19, 2014, provided the City with written comments regarding shortcomings it found in the analysis concerning Ronald. A copy of NCWD's letter is enclosed. The most significant deficiencies are:

- a) Overstatement of Projected Population Growth and Resultant Developer Contributions. The UU&ES contains growth projections for Ronald in upcoming years which NCWD believes results in overstated revenue projections. The growth projections are significantly different than what was used just 2 years prior by the same consultant when analyzing a possible purchase of the SPU's water system on the westside of the City.

Below is a table showing the projected connections and connection charges in the SPU and Ronald studies. Note that the SPU study projects connection charges of \$54,706 per year in 2020 while the UU&ES shows an estimate almost ten times that number at \$515,285. That is obviously a significant revenue difference, which has major impacts on the financial projections for the utility.

Development costs for four types of projects and number of estimated connections for each project

City Study for this Utility	Total estimated annual income in study <sup>(1)</sup>	Single family Charge <sup>(2)</sup>	Multi family Charge, assuming 4" meter & 100 units <sup>(2)</sup>	Comm Charge, 2" meter <sup>(2)</sup>	Comm Charge, 1.5" meter <sup>(2)</sup>	# of estimated connections estimated annually – SF	# of estimated connections estimated annually – MF	# of estimated connections estimated annually – Comm 1.5" meter	# of estimated connections estimated annually – Comm 1.5" meter
Ronald Wastewater	\$515,285	\$1,257	\$265,600	\$25,060	\$12,530	410	1.94	20.6	41.1
SPU	\$ 54,706	\$3,621	\$ 38,071	\$ 12,000	\$ 9,329	15	1.44	1.4	5.9

<sup>(1)</sup>From the UU&ES study

<sup>(2)</sup>From staff report on June 9, 2014 City Council meeting

The \$515,285 projection is even more unrealistic when one considers the actual history of developer contributions to Ronald in previous years. Capital contributions to the sewer utility have been between \$100,000 and \$200,000 annually since the early 2000's and was as low as \$29,774 in 2012.

- b) No Identified Capital Costs for an O&M Facility. The UU&ES assumes Ronald's existing Operations and Maintenance (O&M) facility will be sold for \$2,300,000, and those funds utilized for other capital costs at \$115,000 per year for 20 years. However, the Study does not list any projected capital expenses for an O&M facility during those years. It simply states *"It is likely this amount could offset other capital costs required for the new water/wastewater utility and therefore the value was amortized over 20 years, resulting in a savings of \$115,000."*

The City has already purchased property from King County known as Brugger's Bog with the stated intention of using it for a City maintenance facility. If Ronald is assumed, the City has indicated it intends to use a portion of Brugger's Bog for the sewer utility. And, in that circumstance, the City will no doubt allocate to the sewer utility a portion of the cost of the purchase and remodel of Brugger's Bog. That cost should have been included as a (significant) capital expense of the sewer utility in the UU&ES study.

It is not apparent from the Study, or even the City's updated CIP, if this \$115,000 amortized figure will be used for the sewer utility's O&M facility, or for some other unstated "capital cost."

- c) The Study Appears to Understate Direct Overhead. The UU&ES unreasonably understated the direct overhead costs of the new sewer utility. For example, the Study assumes that contract services for financial (rate-making) and legal assistance can be eliminated and performed by already-existing city staff. This conclusion assumes City in-house staff have both the time and expertise to perform these services, and that the City will not allocate the cost of those services to the sewer utility. Past experience has shown neither assumption is correct. Even if already-existing in-house personnel can perform some services for the utility, it is likely there are specialized needs of the utility that can be satisfied more effectively and efficiently by outside assistance. Further, no matter whether the services are performed by in-house or consulting staff, the costs will be considered an expense of the utility (as they should). So, the UU&ES Study should properly reflect those expenses.

3) The City's Acquisition of the SPU water system has not yet been finalized.

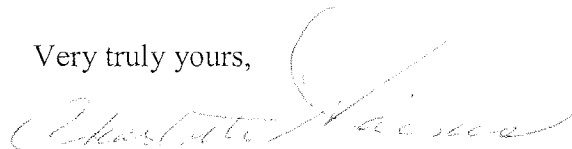
A major aspect of the City's assumption of Ronald is the planned acquisition of the SPU water system. While in November 2011, the City and the City of Seattle entered into a tentative agreement to purchase the assets of the SPU water utility within the City of Shoreline, in the ensuing three years the two parties have not reached agreement on the actual final terms. There is no assurance that this transaction will be completed. If it is not, the costs of only a wastewater utility within the City will be different than if a water utility is also part of the City. An analysis of that possibility should have been performed.

Based on the comments above, and other concerns with the UU&ES, NCWD believes the Notice of Intention to Assume Ronald Wastewater District is premature. Thus, if jurisdiction is invoked by either BRB, NCWD requests the BRBs disapprove the assumption at this time.

As the planned effective date of the Ronald assumption is October 2017, there is still time for further consideration and analysis. During the next twenty four months, the possible sale of the SPU westside system should be clearer, and the City's UU&ES consultant can update the assumptions in the UU&ES and provide all parties, including the BRBs, a corrected financial study.

Lastly, we request a copy of this letter be placed in the files and records of both the King County and Snohomish County BRBs. Thank you for considering our comments.

Very truly yours,



Charlotte Haines  
President, Board of Commissioners

cc: District Attorney

Attachments: May 19, 2014 letter to City of Shoreline

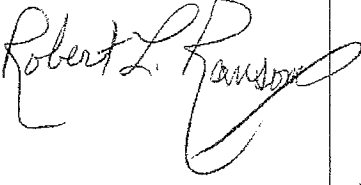


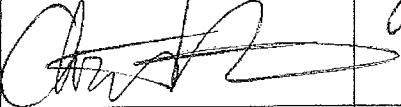

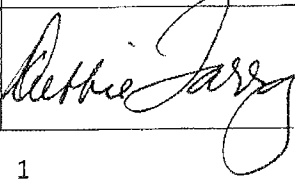
# EXHIBIT B

# Ronald Wastewater District and City of Shoreline Transition Team for Assumption

## Project Charter

June 26, 2014

**Project Charter Approval Table**

Name	Title	Signature	Date
Robert Ransom	Ronald Wastewater District Commissioner		June 26, 2014 July 31, 2014
Gretchen Atkinson	Ronald Wastewater District Commissioner		7-31-14
Doris McConnell	Shoreline City Council member		July 2, 2014
Chris Roberts	Shoreline City Council member		July 2, 2014
Michael Derrick	General Manager, RWD		31 July 2014
Debbie Tarry	City Manager, City of Shoreline		7/9/14

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# 1. Project Overview

## 1.1. Project Statement

The Ronald Wastewater Commissioners and City of Shoreline City Council have jointly agreed to create two subcommittees, a Committee of Elected Officials ("CEO") and a Staff Committee, to plan for the eventual assumption of the District by the City per the 2002 Inter-local Operating Agreement (IOA).

## 1.2. Project Objective Statement

The CEO shall develop, evaluate and recommend to their respective elected bodies a "Transition Plan" (Plan) for the assumption of the District by the City. This Plan shall identify and address all policy issues necessary for the assumption of the District. The CEO shall be in place until the Plan is finalized, or until some other action is taken by either elected body.

## 1.3. Project Scope

1. The Plan shall include a list of the issues and recommended actions to be considered necessary for the assumption of the District. Each issue shall include, but not be limited to:
  - a. Brief description of the issue
  - b. Statement as to why it is being considered
  - c. Specific policy issues needing to be addressed
  - d. Alternatives or options being considered
  - e. Recommendations for policies and/or actions
  - f. Work plan and schedule for addressing each action
2. A preliminary list of issues to consider include (in priority order):
  - a. Financial Policies - debt issuance and all of the transition terms identified in Section 5.6 of the IOA (call of bonded debt, liability and indebtedness assumption, use of cash reserves, maintenance of reserve funds, etc.)
  - b. Communication - with the public and internal to each entity
  - c. Personnel - wages, benefits, job descriptions, policies
  - d. Budget - format, timing, forecasting, rates
  - e. Capital Improvement Program (CIP) - coordination, forecasting
  - f. Facilities
  - g. Financial Systems - accounting, utility billing, IT services
  - h. Asset Management - inventory, GIS
  - i. Purchasing
  - j. Equipment - fleet, tools, clothing
  - k. Utility Advisory Board – as contemplated in Section 4.7 of the IOA
  - l. Policy and Code Changes for Council and/or Board
  - m. Interim Opportunities - shared resources (staffing, equipment, facilities, etc.)

## 2. Project Plan

### 2.1. Project Structure and Approach

1. The CEO:
  - a. Shall be comprised of two District Commissioners and two City Council members appointed from their respective elected bodies.
  - b. At the completion of the Plan, the CEO shall submit a final Plan to each elected body for review and adoption.
  - c. The CEO shall rotate one member at each meeting to act as the Chair of the Committee with the responsibility to facilitate the discussion.
  - d. The CEO shall confirm and set the agenda of each meeting.
2. Staff Committee:
  - a. There shall be a staff committee ("Staff Committee") responsible for supporting the CEO, and will discuss, review, and prepare the materials for each CEO meeting. This Staff Committee will include:
    - i. City Manager
    - ii. District General Manager
    - iii. Assistant City Manager
    - iv. Public Works Director
    - v. District Accounting Manager
    - vi. Public Works Operations & Utilities Manager
  - b. The Staff Committee may invite other staff from either entity to participate as necessary.
  - c. The Staff Committee will provide policy recommendations to the CEO for their consideration and direction.
3. Project Manager:
  - a. There shall be a single Project Manager (PM), who will coordinate the activities and distribute information of the CEO and the Staff Committees.
  - b. The PM shall be responsible for developing summary notes from each CEO and Staff Committee meeting.
    - i. Draft notes from each CEO meeting shall be included in the next agenda material for the following CEO meeting.
    - ii. Draft notes from each Staff Committee meeting shall be included in the next agenda material for the following Staff Committee meeting.
    - iii. The CEO shall review, modify and approve summary notes at each CEO meeting.
    - iv. The Staff Committee shall review, modify, and approve summary notes at each Staff Committee meeting.
  - c. The PM shall be responsible for preparing and maintaining a project schedule.

4. Communications Plan:

- a. The Staff Committee shall propose a Communication Plan (CP) for the CEO to review and approve.
  - i. The CP shall include a specific work plan to communicate the CEO's purpose, scope, progress and recommendations to the public.
  - ii. The CP shall address external interests as well as internal interests of both entities.
  - iii. The PM shall coordinate and distribute information to be shared for each respective web page and other external communications.

5. Meeting schedule:

- a. The CEO shall meet on the 4th Thursday of each month from 9:00 am to 10:30 am in Conference Room 104 of Shoreline City Hall, or unless modified by consensus of the CEO. The Committee meetings will be noticed as open public meetings.
- b. The Staff Committee shall meet once a month, at least one week prior to the CEO meeting, or unless modified by either the City Manager or General Manager.

**2.2. Committee Reporting**

The CEO members shall periodically report to their respective elected bodies as each entity deems appropriate.

**2.3. Appointments and Assignments**

- 1. Ronald Wastewater District Elected Representatives: Robert Ransom and Gretchen Atkinson
- 2. Shoreline City Council Representatives: Doris McConnell and Chris Roberts
- 3. Project Manager: City of Shoreline Assistant City Manager

**3. Revision History**

*Document all changes and updates to the Charter throughout the project process*

<i>Date</i>	<i>Version</i>	<i>Name</i>	<i>Description Change</i>

**4. Attachments**

- 2002 Inter-local Operation Agreement between the City of Shoreline and the Ronald Wastewater District

# EXHIBIT C

**THE QUIET CRISIS OF LOCAL  
GOVERNANCE IN WASHINGTON**

**Final Report of the Local Governance  
Study Commission**

**VOLUME II**

**January 1988**

# THE QUIET CRISIS OF LOCAL GOVERNANCE IN WASHINGTON

## Final Report of the Local Governance Study Commission

### Volume II

#### EXECUTIVE SUMMARY

The Legislature created the Local Governance Study Commission in 1985, at the joint initiative of the Washington State Association of Counties and the Association of Washington Cities. The Commission was composed of twenty-one voting members (state legislators, city and county elected officials, and special purpose district representatives) and three ex-officio members. It was chaired by the Director of the Department of Community Development.

The Commission was charged with analyzing the problems of local governments and making recommendations to the Governor and Legislature for their solution. The Commission met for a two-year period, during which it studied the history of local governments in Washington, analyzed current local government problems, sponsored two public opinion surveys, examined the practices of other states, and developed a four-part set of recommendations. The Commission's Final Report consists of two volumes, the first of which is *A History of Washington's Local Governments*. In this second volume, the Commission summarizes its analysis of the three leading problems of local governments today, states its goals, and offers recommendations for achieving them.

#### PROBLEMS

- (1) **Citizens expect urban levels of services in certain unincorporated areas.** Citizens in densely populated but unincorporated areas desire levels of services that are characteristic of cities, but existing local governments are often not well designed to provide them. Cities have difficulty gaining voter approval for annexation; counties normally do not have the necessary revenue-raising capability; and special purpose districts, limited to a single service, can become so numerous and overlapping that in the aggregate they lack accountability and sometimes efficiency.
- (2) **Problems and/or service needs extend across governmental boundaries.** In many cases, particularly where population has grown and spread across a broad area, problems and service needs tend to have an areawide scope that do not respect long-established legal boundaries. The presence of many local governments means that there can be serious problems of coordination, delay, inaction, or duplication.
- (3) **Local governments' revenues are not adequate to their service responsibilities.** Revenue sources are stagnating. The federal government has recently eliminated general revenue-sharing and cut back a number of grant programs. The differing economic and political contexts across the state provide local governments with different revenue-raising capabilities. At times, local governments compete with each other to raise revenue from the same sources. There is also a lack of "fit" between revenue sources and service responsibilities. Finally, the federal and state governments continue to expect or require local governments to meet high performance standards, but do not always provide financial assistance to do the job.

## GOALS

The Commission seeks to improve the delivery of services to citizens, wherever they may reside. Given the diversity of local areas within the state and its strong tradition of local control, the Commission believes that local governments and their citizens should have full responsibility for all decisions about future governmental forms and functions. The Commission seeks to provide local governments and their citizens with the necessary tools to accomplish those tasks. The state's role should be setting a general policy framework and establishing processes which will facilitate such local action, and offering incentives and other assistance to encourage participation.

## RECOMMENDATIONS

### I. The Local Government Service Agreement (LGSA)

The LGSA is a comprehensive set of interlocal agreements through which local governments in a county will identify and provide for present and future service needs. Such agreements will include specification of which governments are to provide what individual services, which are to provide what areawide services, and which (if any) services are to be addressed on a multicounty basis.

Initially, all local governments (cities, the county, and all independently-governed special purpose districts except school districts) will meet at the call of the county to establish a starting date for beginning an LGSA in that county; the affirmative votes of the county, cities totalling 50% of the incorporated population, and at least 20% of those special purpose districts who attend the meeting, are needed to do so. All votes shall be cast within 60 days after the meeting is held. In any event, the local governments of every county will be required to start the LGSA process within six years from the effective date of implementing legislation, assuming that state financial assistance remains available.

Local governments themselves will determine what kind of process will be established in order to negotiate the necessary agreements to meet general state standards for a completed LGSA. (Examples would range from a few bilateral agreements in a small county to a comprehensive multilateral agreement developed through a council of governments in a group of urban counties.) State planning and implementing grants will be made available through the Department of Community Development in accordance with a locally-established work plan and timetable that promises to meet such general state standards. Once the LGSA has been completed, local governments in that county will be eligible for state financial incentives (described later.) They may also opt for a local mediation and/or a state hearing officer process in place of a county Boundary Review Board.

### II. The Citizens' Review Process (CRP)

The CRP is an amendment to existing state constitutional provisions regarding citizen-initiated structural change in local governments (Article 11, Section 16.) It would provide for additional methods of invoking the process, change the makeup of the Citizens Review Committee (CRC), and protect local governments against elimination without voter approval.

Current law provides that, upon petition by 10% of those voting in the last general election, the voters of the county shall simultaneously decide whether to convene the structural review process and elect citizens ("freeholders") to serve for that purpose. These freeholders have power to propose practically any kind of change to the voters of the county — which is one of the reasons the process has never been successfully invoked.

The amendment would enable the process to be directly invoked by the same 10% petition, and by the county legislative body; both the county and cities totalling 50% of the incorporated population could place the question of invoking on the county ballot. Through enabling legislation, the full process would be required every ten years, starting ten years from the effective date of the amendment.

The amendment would also add an advisory body to the CRC, made up of representatives of all local governments, allocated in accordance with a Commission formula. Proposals made by the CRC that involved the elimination of any unit of government, however, would not become effective as to that unit unless at least 40% of its voters approved. Charter counties could merge their charter review processes with this CRP process if they wished.

### III. Revenue Proposals

- (a) *Short-term.* A number of local governments are in severe financial distress today and need immediate help from the Legislature. The Commission endorses the efforts of local government associations and the Legislature to find ways to serve those immediately pressing needs.
- (b) *Long-term.* The tax structure of Washington local governments is clearly inadequate. The state and its local governments should together examine the overall tax system of the state and jointly seek long-term solutions that are the only means of addressing present and future inadequacies. The Commission welcomes the Department of Revenue's commitment to work together with local governments to implement such a study over the next few years.
- (c) *Implementing LGSA and CRP.* Local governments need state financial assistance to undertake the data collection, planning, and negotiations involved; without such assistance, these constructive processes could seem like another burdensome state mandate without financing. The Commission recommends state financial assistance in planning each of these processes, and state-provided financial incentives for successful completion, as follows:
  - Initially, an annual amount of \$3 million from the state general fund should be established for allocation by DCD to those governments undertaking either an LGSA or a CRP. After three years, the adequacy of such funds should be reexamined.
  - Local government revenue statutes should be amended to permit such governments the flexibility to adjust their tax rates by agreement in an LGSA (i.e., to allocate a portion of revenues to each other to fit with reallocations of service responsibilities.)
  - New local revenue options or state-shared sources, should be made available as incentives for completion of the LGSA.

### IV. Supplementary Recommendations

The Commission also makes several recommendations on other issues, some unrelated to the leading problems and resulting recommendations. These include (1) endorsement of amendments to the state constitution that would permit easier boundary changes and home rule charter development for counties; (2) changes in special purpose district laws such as greater standardization in authorizing statutes, limited future expansion, easier consolidation and dissolution, and standard means of filling vacancies in office; (3) continuation of certain temporary measures to deal with problems stemming from the \$9.15 limit; and (4) several improvements in the state's annexation laws.