



Memorandum

Date: 3/1/2022
Meeting of: City Council

File No. AM No. 22-019
Type: Consent Item

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Public Works	Phil Williams	425-556-2880
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DEPARTMENT STAFF:

Public Works	Steve Hitch	Engineering Supervisor
Public Works	Steve Flude	Deputy Director of Public Works

TITLE:

Authorize the Mayor to Sign Two Franchise Agreements with King County for City-Owned Water and Wastewater Infrastructure in King County Right-of-Way

OVERVIEW STATEMENT:

The City operates two separate water/wastewater utilities, one that serves the community inside city limits and one that serves the Novelty Hill area. Each utility owns water and wastewater facilities (including pipes, manholes, fire hydrants) that are located outside city limits within King County right-of-way. King County grants utility franchises to the City to authorize the use of County right-of-way for the placement and maintenance of utility facilities. The City has eight utility franchise agreements with King County of various durations, including three franchise agreements that expired in 2018.

The King County Council passed an ordinance to impose a new franchise fee on local water and wastewater purveyors to charge rent for use of King County right-of-way in 2016. This fee applies to all franchise utilities, including electricity, gas, communications, water, and wastewater (stormwater in King County right-of-way is owned and operated by King County). There was a legal challenge to the fees, which delayed implementation. The legal challenges have concluded, and King County is now imposing these fees.

City staff have been negotiating the terms of the franchise agreements and the amount of the franchise fee for several years. The franchise agreements have been consolidated into two agreements, the City Utility and Novelty Hill. The fee is based on the amount and value of King County right-of-way that is used by the City and Novelty Hill utilities. The City successfully negotiated lower fees that will not result in an increase in utility charges to customers at this time. The fees for the City utility are less than the fees for the Novelty Hill utility, due to the amount of King County right-of-way used by the Novelty Hill utility.

Additional Background Information/Description of Proposal Attached

REQUESTED ACTION:

- Receive Information
- Provide Direction
- Approve

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
Water System Plan
General Wastewater Plan
- **Required:**
Revised Code of Washington 36.55.010 and King County Code 6.27 authorizes King County to grant franchises for use of King County road rights-of-way.
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

Approval of these franchise agreements will allow the City to continue to operate its water and wastewater utilities within King County's rights-of-way.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
August 2020 and April 2022
- **Outreach Methods and Results:**
In 2020, the City website was updated and written notices were included with utility bills to Novelty Hill customers to let them know that the City anticipated that a \$5 per month increase was likely to be coming in 2021 due to the new King County franchise fee.

Following execution of the franchise agreements, staff intends to provide an update to Novelty Hill customers, explaining that no utility increase is required at this time as the City has successfully reduced the franchise fee.
- **Feedback Summary:**
The City received no inquiries from customers related to the 2020 utility billing notices.

BUDGET IMPACT:

Total Cost:

Execution of the franchise agreements will result in invoices for franchise fees retroactive to 2018:

	<u>City of Redmond Utility</u>	<u>Novelty Hill Utility</u>
2018.	\$3,500	\$20,560
2019.	\$3,840	\$20,900
2020.	\$4,400	\$21,400
2021.	\$4,630	\$22,515
Future	\$4,630 + CPI Adjustment	\$22,515 + CPI Adjustment

Both utilities have adequate fund balances to pay the annual fees and the back charges for 2018-2021.

Approved in current biennial budget: Yes No N/A

Budget Offer Number:

000211 and 000278

Budget Priority:

Healthy and Sustainable

Other budget impacts or additional costs: Yes No N/A

If yes, explain:

The franchise fee will be an ongoing annual expense to be included in the utility budgets.

Funding source(s):

City Water/Wastewater Operations
Novelty Hill Water/Wastewater Operations

Budget/Funding Constraints:

N/A

Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
7/14/2020	Committee of the Whole - Planning and Public Works	Provide Direction
1/11/2022	Committee of the Whole - Planning and Public Works	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

These agreements must be approved by the King County Council, with approval anticipated in the first quarter of 2022. The agreements will become effective upon execution by both parties.

ANTICIPATED RESULT IF NOT APPROVED:

If these utility franchise agreements are not approved, the City will no longer be able to use County right-of-way for water and wastewater utilities.

ATTACHMENTS:

Attachment A: City Water/Wastewater Utility King County Franchise Agreement
Attachment B: Novelty Hill Water/Wastewater Utility King County Franchise Agreement

