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RESOLUTION 31394

A RESOLUTION supporting the sale of certain water system facilities and transfer of a portion of retail water service to the City of Shoreline.

WHEREAS, Seattle owns and operates certain water system facilities for the distribution of potable water to retail customers within a portion of the corporate limits of the City of Shoreline; and

WHEREAS, the City of Shoreline desires to establish its own municipal water utility, which requires its City Council to adopt an ordinance that specifies the proposed plan and the estimated costs, which is then submitted to voters for ratification or rejection, which the City of Shoreline intends to do for the November 2012 election; and

WHEREAS, the City of Shoreline and Seattle Public Utilities have been discussing a sale of certain water system facilities owned by Seattle, and a transfer of responsibility for retail water service provided by Seattle within a portion of the City of Shoreline, to the City of Shoreline for its purposes in operating its own municipal water system; and

WHEREAS, the City of Shoreline has requested an expression of support for the sale of facilities and transfer of service responsibilities; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. Seattle supports the sale of certain water system facilities and transfer of responsibility for water service to the City of Shoreline in 2020 in the area defined as City of Shoreline retail water service area and shown in Attachment 1, attached and incorporated herein (Transfer Area) with the understanding of the following major terms:

1. The base purchase price for the water system facilities and related real property owned in fee is expected to be at least \$26.6 million (in year 2020 dollars) to be paid prior to transfer in 2020, which may be adjusted according to the terms of any final agreement to address certain changes in circumstances, including but not limited to, additions or deletions to the inventory of water system facilities or real property

1 included in the base purchase price due to operational needs in the Transfer Area up
2 to the date of transfer.

3
4 2. Seattle and the City of Shoreline will agree to a separation plan that will require
5 capital improvements to allow the Seattle retail distribution system to operate
6 independently of any newly created City of Shoreline retail distribution system and
7 agreement by the City of Shoreline to incur all costs associated with the separation
8 plan, including costs incurred by Seattle.

9
10 3. The City of Shoreline will agree to reimburse Seattle for costs incurred in processing
11 the sale and transfer, e.g. data transfer, customer notices, etc, on a time and materials
12 basis.

13
14 4. Seattle and the City of Shoreline will enter into an agreement for Seattle to provide
15 water supply to the City of Shoreline as a wholesale water customer from the closing
16 of the sale through 2062.

17
18 5. The City of Shoreline agrees to assume any or all of Seattle's rights and obligations
19 contained in any wheeling agreement between the City of Seattle and its wholesale
20 customers that may be assigned pursuant to the final transfer agreement.

21
22 6. The City of Shoreline agrees to grant a new franchise for Seattle's remaining water
23 system facilities within the City of Shoreline through 2062, which will include
24 substantially similar provisions for utility protection and relocation as the current
25 franchise.

1 7. Any final agreement effectuating the sale of Seattle water system facilities and
2 transfer of retail water service provided by Seattle to the City of Shoreline will be
3 subject to a public hearing and adoption by ordinance of the Seattle City Council.

4
5 Adopted by the City Council the ____ day of _____, 2012, and
6 signed by me in open session in authentication of its adoption this ____ day
7 of _____, 2012.

8 _____
9 President _____ of the City Council

10
11 THE MAYOR CONCURRING:

12
13 _____
14 Michael McGinn, Mayor

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16 Filed by me this ____ day of _____, 2012.

17
18 _____
19 Monica Martinez Simmons, City Clerk

20
21 (Seal)

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23
24
25 Attachment 1 – Transfer Area Map



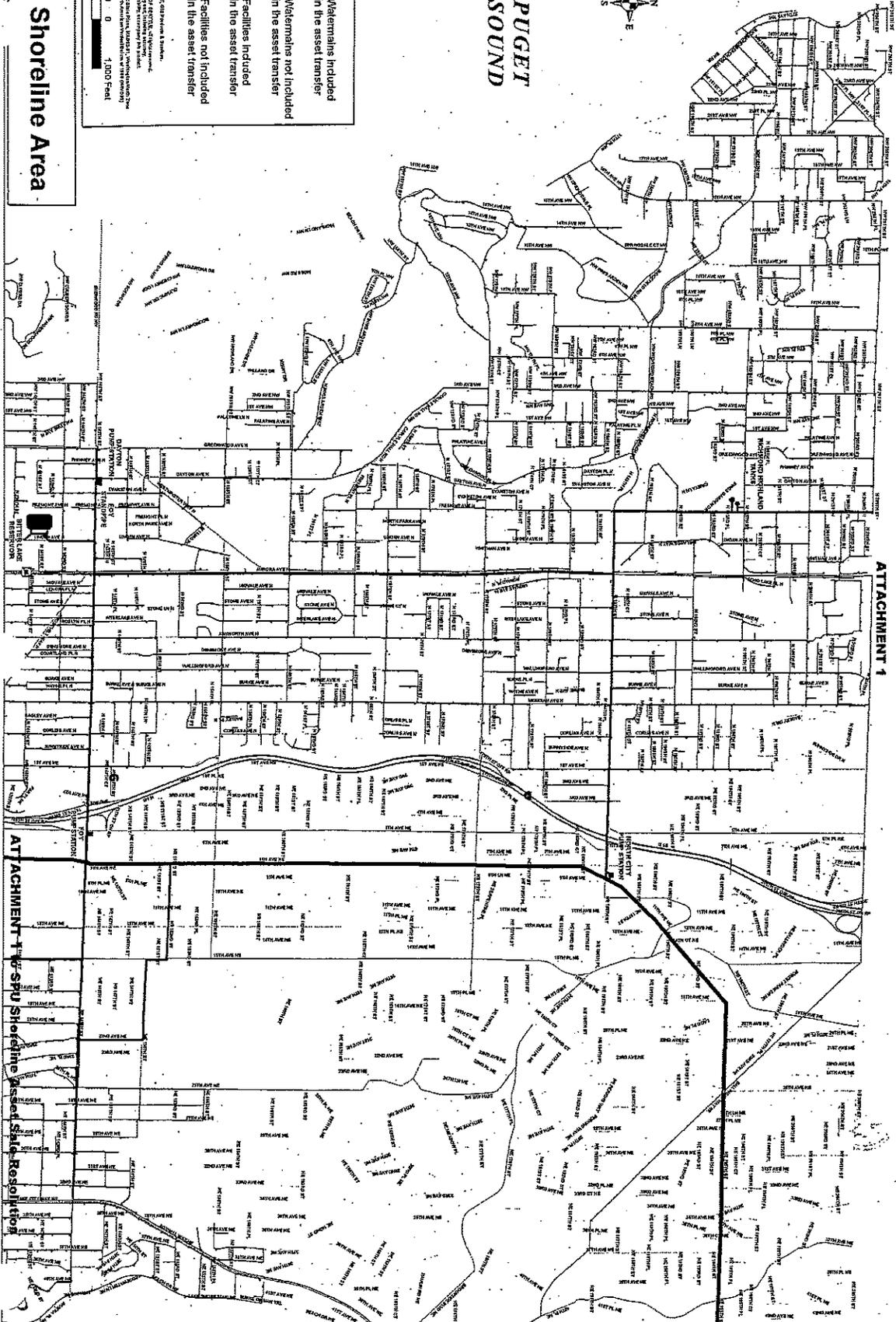
PUGET SOUND

- Watermain included in the asset transfer
- Watermain not included in the asset transfer
- Facilities included in the asset transfer
- Facilities not included in the asset transfer

Scale: 1:10,000
 1,000 Feet
 0
 1,000 Feet



Shoreline Area



ATTACHMENT 1

ATTACHMENT 1 to SPU Shoreline Asset Sale Resolution



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle Public Utilities	Judi Gladstone/4-4642	Karl Stickel/4-8085

Legislation Title: A RESOLUTION supporting the sale of certain water system facilities and transfer of a portion of retail water service to the City of Shoreline.

Summary of the Legislation:

This resolution expresses the City's support for the sale of SPU water system assets in the City of Shoreline where SPU currently provides retail water service. SPU would negotiate an agreement for the asset sale following approval by Shoreline voters of a measure to form a water utility in the city.

Background:

SPU provides retail water service to 11,000 customers in the City of Shoreline, west of Interstate-5. Seattle owns, operates and maintains infrastructure in Shoreline to serve those customers, who pay SPU retail water rates plus a 14% outside city differential and a 6% Shoreline franchise fee. 2012 annual retail revenues are approximately \$9.4 million and annual purchases of water are about 1.2 million ccf (hundred cubic feet).

The City of Shoreline became a city in 1996, allowing it to become a water service provider, with voter approval. There was a failed attempt to negotiate a sale in the early 2000s and informal discussions resumed in 2008. Negotiations began again in January 2010 as Shoreline officials made it a priority to gain control over decisions affecting service in their city. They also did not want their citizens paying the out-of-city mark-up and taxes to Seattle.

Under discussions to date, SPU would sell its assets to Shoreline in 2020 for approximately \$26.6 million. The actual price would be adjusted by factors included in a final agreement and that agreement would be subject to Seattle City Council approval via ordinance. Retail customers in Shoreline would continue to be SPU retail customers until 2020, when Shoreline would enter into a long-term, wholesale water supply contract with SPU. Shoreline would pay all costs for capital improvements to allow the Seattle retail distribution system to operate independently of a newly created City of Shoreline retail distribution system. Shoreline would also grant a new franchise agreement substantially similar to the existing franchise agreement as it relates to provisions for utility protection and relocation.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.



Because this legislation does not have the force of law it does not have direct financial implications per se. When SPU has reached agreement for the sale of its assets with the City of Shoreline, the Executive will transmit an ordinance and related fiscal analysis to the Council for approval.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes. The legislation that ultimately authorizes the sale of SPU assets to the City of Shoreline (future ordinance) would result in 11,000 retail customers no longer paying retail rates, and instead would be covered under a wholesale contract with SPU. While proceeds from the sale may mitigate retail rate increases in the short-term, rates of remaining retail customers will likely need to increase to meet the 2020 revenue requirement. In addition, the General Fund will receive approximately \$2.1 million per year less in city utility tax starting in 2020 as a result of lost retail sales. If retail rates are increased, the net loss to the General Fund would be lower due to the additional city utility tax collected.
- b) **What is the financial cost of not implementing the legislation?**
None
- c) **Does this legislation affect any departments besides the originating department?**
No
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
The purpose of this non-binding resolution is to express the intention of the Council and Mayor.
- e) **Is a public hearing required for this legislation?**
No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No
- g) **Does this legislation affect a piece of property?**
Yes. A map of the properties that will be sold or leased as a part of this agreement is attached to the resolution.

List attachments to the fiscal note below:

None

