RESOLUTION NO. 415

A RESOLUTION OF THE CITY COUNCIL, CITY OF SHORELINE, WASHINGTON, STATING THE CITY COUNCIL'S SUPPORT FOR UNIFORM RATES AND SERVICES AND COORDINATED PLANNING UNDER THE GROWTH MANAGEMENT ACT FOR THE WASTEWATER UTILITY

WHEREAS, on October 22, 2002, the City and the Ronald Wastewater District (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 was 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, on February 29, 2016 the City Council approved the Assumption Transition Plan, attached as Exhibit A, which serves as the guiding document for assumption implementation tasks that need to occur both pre-assumption and post-assumption; and

WHEREAS, the Assumption Transition Plan sets forth a transition work plan that provides for, among other things, the adoption of financial policies, adoption of a wastewater code section of the City Municipal Code, and formation of a term-limited Utility Advisory Board (the "Advisory Board") to help guide the transition of the wastewater utility and how the City's wastewater utility will function; and

WHEREAS, the City has hired outside consultants to support the City's assumption of the Ronald District, including Stantec Consulting Service Inc., for support in developing new wastewater municipal code, new wastewater design and development standards for the Engineering Development Manual, and financial policy recommendations pertaining to wastewater utility ownership and operation; and

WHEREAS, Washington's Growth Management Act, chapter 36.70A RCW, requires that comprehensive plans of counties and cities with common borders or related regional issues to be coordinated and consistent; and

WHEREAS, comprehensive planning for the wastewater utility addressed in the City's Comprehensive Plan; and

WHEREAS, the City Council desires to set forth guidance to City staff, consultants, and the Advisory Board regarding provision of services and rates both within and outside of the City of Shoreline;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:

That the City Council of the City of Shoreline states its intent to support that rates charged for the wastewater utility will be uniform for the same class of customers or service, regardless of whether the customer or service is located within the City of Shoreline or within a potential annexation area or service area of the City of Shoreline.

That the City Council of the City of Shoreline states its intent to not provide any surcharge or a different connection fee on the basis that the customer or service is located outside of the City of Shoreline's municipal boundaries.

That the City Council of the City of Shoreline states its intent in regards to the wastewater utility to coordinate its planning as provided in RCW 36.70A.100 with those jurisdictions having common borders or related regional issues.

ADOPTED BY THE CITY COUNCIL ON JUNE 19, 2017.

Christopher Roberts
Mayor

ATTEST:

Jessica Simulcik Smith, City Clerk

Res. No. 415 - Exhibit A

City of Shoreline and Ronald Wastewater District

Assumption Transition Plan

February 12, 2016

Acknowledgements

Joint Advisory Committee of Elected Officials (CEO) for Assumption Transition
Councilmember Doris McConnell
Councilmember Christopher Roberts
Commissioner Gretchen Atkinson
Commissioner Robert Ransom

Shoreline City Council
Shari Winstead, Mayor
Chris Eggen, Deputy Mayor
Keith McGlashan
Will Hall
Doris McConnell
Jesse Salomon
Christopher Roberts

Ronald Wastewater District Board of Commissioners
Commissioner Gretchen Atkinson
Commissioner Brian Carroll
Commissioner Arnold Lind
Commissioner Robert Ransom
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Mark Gregg, Ronald Wastewater District General Manager
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The City of Shoreline and the Ronald Wastewater District would like to thank all of the members of the Shoreline community and staff of both governmental organizations who took the time to review this Assumption Transition Plan. For additional information, please contact John Norris, Assistant City Manager, at (206) 801-2212 or jnorris@shorelinewa.gov.

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Introduction

Since 1951, the Ronald Wastewater District (District), a special purpose district focused on operations and maintenance of a wastewater collection and conveyance system, has served the Shoreline community and parts of unincorporated Snohomish County. The District has provided quality service since its inception. When citizens incorporated the City of Shoreline in 1995 however, it was in large-part to obtain more efficient services for their tax dollars. One way for the City to provide more efficient services includes unifying the Wastewater Utility with City operations and with other City-operated utilities. This will provide enhanced customer service through coordinated information responses, "one stop shop" permitting, and the potential for combined utility billing.

Early City Councils also realized that unification provides a more transparent venue for rate payer observation, with better access and communication to residents, together with an integrated, comprehensive, and holistic planning and environmental review process, allowing for better planning, coordination and management of construction activity within the public right-of-way, and implementation of policies and procedures relating to the provision of Utility services, consistent with other City policies and procedures, while preventing conflicting missions and goals. The City's "Vision 2029" and Comprehensive Plan have clearly stated that utilities play a key role in the ability of the Shoreline community to reach its stated goals of efficient and effective governmental services, and to reach its potential with economic development opportunities.

The District Board of Commissioners also realized the benefits of District-City unification. In 2002, the City and the District entered into an Interlocal Operating Agreement (IOA) to incorporate wastewater services with City operations. The IOA outlines the assumption process between the City and the District, which is to occur on October 23, 2017. The City will unify the Wastewater Utility which means all assets, reserve funds, employees, equipment, and any District debt will be assumed by the City and the District will cease to exist as a separate government entity.

Some procedures for an orderly and predictable transition of the Wastewater Utility from District to City ownership were outlined in the IOA. In order to facilitate a smooth consolidation, the City and District agreed to a 15-year timeframe for the transition. During this timeframe, the District has and would continue to operate as a Special Purpose District in Shoreline under the terms of a franchise agreement with the City.

Assumption Process

As the assumption date neared, in the last couple of years, the City began the formal assumption process of the District. To begin this process, on December 9, 2013, the Shoreline City Council adopted Ordinance No. 681 which formally authorized the assumption of the District. Adoption of this Ordinance was the initial procedural step in moving the assumption forward.

Subsequent to this, the City filed Notices of Intent to Assume the District to the King County and Snohomish County Boundary Review Boards. These two Boards are

responsible for reviewing proposals for boundary changes by cities, fire districts, and water and wastewater utility districts within their respective counties. On September 18, 2014, the King County Boundary Review Board approved the City's assumption of the District. In Snohomish County, on September 11, 2014, the Snohomish County Boundary Review Board denied the City's assumption of the District's service area within Snohomish County. The City and the District have appealed this decision and this has yet to be determined.

Assumption Transition

The current step in the assumption process is the Assumption Transition Plan. During this phase of the assumption process, the City and District are collaboratively planning for the assumption of the District. While some of the procedures for an orderly and predictable transition of the District to the City are outlined in the IOA, other areas are not addressed. Thus, IOA specifically states that:

> *"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."*

This means that the City and the District should plan for the City's assumption of the District at least two years in advance of when assumption will occur. This was also articulated in the City's Assumption Ordinance in 2013:

> *"As provided in the 2002 Interlocal Operating Agreement, no later than October 22, 2015, the City Council confers upon the City Manager or designee the authority 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 employee transition issues."*

The outcome of this direction provided in the 2002 IOA and the City's Assumption Ordinance is this Assumption Transition Plan, which will guide the transition of the Wastewater Utility over the coming two years, leading up the assumption on October 23, 2017. This Assumption Transition Plan describes the process by which the terms of transition were collaboratively negotiated, the value of doing this work over the last 18 months, the work plan tasks and agreements that make up the core of the Assumption Transition Plan, and the necessary steps for assumption transition.

Committee of Elected Officials (CEO)

Given that the Interlocal Operating Agreement and City Assumption Ordinance are clear that this Assumption Transition Plan was to begin being drafted no later than October 22, 2015, City staff recommended to the City Council that assumption transition planning begin in 2014. This was initiated by the holding of a joint City Council-Ronald Wastewater District Board of Commissioners meeting on May 5, 2014. At that meeting, direction was given by the Council and the Board to form a joint City Council-District Board subcommittee on assumption transition.

Following the May 5 joint Council-Board meeting, it was agreed by both the City and the District that two members of the City Council and two members of the District Board of Commissioners would serve on the committee, which came to be known as the Joint Advisory Committee of Elected Officials (CEO) for Assumption Transition. Representing the City Council on the CEO were Councilmember Doris McConnell and Councilmember Chris Roberts, and representing the District Board of Commissioners were Commission President Bob Ransom and Commissioner Gretchen Atkinson.

The first meeting of the CEO occurred on June 5, 2014, and subsequent meetings were held monthly through the February 2016 meeting (with a couple of months skipped during this 18-month time frame). In total, 18 CEO meetings were held to accomplish the work of putting this Assumption Transition Plan together.

CEO Charter

The first work product approved by the CEO was a committee Charter, which served to guide the work of the CEO. It was acknowledged that the Charter must align with the IOA while also expanding the scope of work beyond the transition topics noted in the IOA. The Charter articulated the purpose and objectives of the CEO, covered its structure, identified the topics to be addressed by the CEO, and defined the scope of the committee. The CEO Charter is attached to this Assumption Transition Plan for reference.

In addition to defining the CEO structure, the Charter also created a Staff Committee of City and District staff which produced assumption transition content for the members of the CEO to review and ultimately recommend to their respective legislative bodies. The Staff Committee, which also attended and supported the CEO meetings, worked very collaboratively across organizational lines to create recommended work plan tasks and policy agreements for review by the CEO.

Issue Papers

These work plan tasks and assumption agreements make up the core of this Assumption Transition Plan. The tasks and agreements were organized by topic, and drafted into issue papers which were reviewed and approved by the CEO in chronological order as identified in the CEO Charter. The issue papers were then reviewed by the City Council and District Board of Commissioners over the course of the CEO process, with some iterative review, as some content was sent back to the

CEO for further review and consideration. The issue papers that were reviewed and approved by the CEO are as follows:

- Financial Policies Issue Paper
- Assumption Communications Plan
- Personnel Policies Issue Paper
- Budget & CIP Policies Issue Paper
- Facilities Issue Paper
- Financial Systems Issue Paper
- Asset Management and Public Records Policies Issue Paper
- Purchasing and Contracts Policies Issue Paper
- Equipment, Furnishings and Fixtures Policies Issue Paper
- City Municipal Code and Utility Advisory Board Issue Paper

As can be seen in the Transition Work Plan Items and Policy Agreements Section of this Assumption Transition Plan, these same topics are used to organize the content of this plan.

Value of the CEO

At the beginning of the assumption process, City and District staff reviewed multiple options for how the two organizations could collaborate on the assumption transition planning work. These options ranged from doing very little 'up front' planning work, to a more involved committee process than the CEO. In the end, the idea of a four-member joint committee of elected officials from the two organizations and a staff committee made up of staff from both organizations seemed like the best fit for both transition plan content development and content review and vetting.

Thus, the primary value of the CEO process has been the working through of complex transition issues, with perspectives from both organizations and a multitude of professional backgrounds and experiences. Both the CEO and the Staff Committee feel that the work produced in this plan will set a solid course for a smooth and streamlined unification of the two organizations.

Additionally, the Shoreline community should feel that they have been well represented by their elected officials, as the CEO looked at these policy issues and work plan tasks from both a "general citizen" and utility rate payer perspective. The members of the CEO asked good questions of the Staff Committee and thoroughly reviewed the proposed work plan tasks and policy agreements noted in this plan. Through this review and vetting process, this transition plan took shape and was improved along the way.

Finally, perhaps the greatest value of the CEO and Staff Committee process has been the opportunity for both elected officials and staff of both organizations to work together on this plan and start building strong working relationships. Assumption processes are never easy, as the merging of staff, work processes and work cultures can sometimes bring uncertainty and anxiety to the workplace. The best way to ameliorate this uncertainty is to build strong working relationships and get to know one another. This process has allowed for this relationship building to begin. Over the course of the next two years, staff and elected officials from both the City and the District will continue to build on the work accomplished as part of the CEO process to further cement strong working relationships prior to the assumption occurring.

Communications Plan

As part of the CEO process, the CEO drafted a Communications Plan to help guide communications during the assumption process. The purpose of the Communications Plan is to provide a strategic approach to communicating with stakeholders involved in the transition of the wastewater utility from the District to the City. These stakeholders include the District Board of Commissioners and the Shoreline City Council, staffs of the District and the City, ratepayers and residents, and partners of the District and the City during the assumption process.

For purposes of communication, the assumption process was broken into three separate phases, each requiring different messages for different stakeholders. The three phases in the Communication Plan are:

- **Planning Phase** - During this phase, the CEO, with support from the staff committee, developed the content for this Plan. Communication during this phase was primarily focused internally.
- **Transition Phase –** This phase will begin upon Transition Plan adoption and ends at assumption. The focus of this phase is implementation of the Transition Plan by City and District staff. Communications during this phase will be focused both internally and externally.
- **Post Assumption Phase -** After the assumption has occurred, the City will begin rebranding the wastewater utility and complete the assumption process. Communication during this phase will focus primarily on external stakeholders.

The Communications Plan provides a guide for communicating assumption information to stakeholders. The activities and tools listed in the Plan are intended to help meet the following communications objectives:

- Inform stakeholders of the progress, status, and key policy discussions throughout the assumption process.
- Build trust by providing timely and accurate information.
- Acknowledge the input on issues and concerns received from stakeholders and provide responses in a clear and timely manner.

The full Communications Plan is attached to this Transition Plan as Addendum A.

Transition Plan Work Items and Policy Agreements

As was noted in the CEO Section of this Transition Plan, the goal of the CEO was to identify work plan tasks and assumption agreements that will guide the assumption of the District by the City. The tasks and agreements are organized by topic, and cover both work items that need to be accomplished prior to assumption to prepare for the unification of the two organizations, and policy agreements that guide decision making of the two organizations prior to the assumption.

The work items and assumption agreements were initially drafted as issue papers that were reviewed and approved by the CEO. The content in this section of the Plan is taken directly from these issues papers, and organized by the same topic headers as the issue papers were titled. The work items and policy agreements are as follows:

Financial Policies
The City and District feel that financial policies should be in place at the City prior to assumption to address how capital needs and operation and maintenance needs of the City's wastewater utility are financed. The City currently has financial and debt policies for the City's various funds and the new wastewater fund should be added to these policies. As of the writing of this Plan, the District has no outstanding debt as all prior bond and Public Works Trust Fund debt has been retired. Thus, there is no current issue with calling bonded debt prior to assumption, or assumption of outstanding liabilities that the City would take on. The Financial Policy Agreements are as follows:

District Cash Reserve Levels -

- The cash reserve level at the time of assumption will be approximately 90 days of operating expenses. 30 days of operating expenses for the utility is roughly $1.1 million.
- The District shall manage current cash reserve levels prior to assumption while maintaining current operations and implementing the identified capital improvement program.

District Interim Debt Policy -

- Although the District does not have any debt or any current plans to issue debt for implementation of the District's capital improvement program or other operational needs, if the District is interested in issuing debt prior to assumption, the District shall discuss the potential issuance of debt with the CEO prior to taking formal Board action to issue any debt. This includes both issuing bond debt and taking on loans, such as Public Works Trust Fund loans.

City Wastewater Utility Debt and Financial Policies -

- Prior to assumption, the City will review and adopt debt and financial policies for the wastewater utility. These debt and financial policies will be based on the financial analysis conducted as part of the District's Comprehensive Plan update.
- City financial policies for the wastewater utility will include (but are not limited to) policies on cash reserve levels, debt policies ('pay as you go' or debt finance),

fund management policies (combined or separate operations and capital funds), depreciation policies, bill non-payment policies, and rate and capital period policies.

- The City will review industry financial policy metrics to confirm that the City's adopted debt and financial policies meet industry standards.

Hydraulic Analysis/Comprehensive Plan -

- An update to the District's hydraulic analysis may be completed by the District prior to assumption, if appropriate, for those areas of the District's Utility service area that experience a major change in land use designation/zoning (i.e., light rail station subareas, etc.). The updated hydraulic analysis will be based on future projected growth in those areas. Accompanying the analysis would be a capital program proposal for those areas based on the hydraulic analysis.
- Post assumption, the City will likely conduct a full hydraulic analysis of the wastewater utility's entire service area and use this analysis to update the wastewater utility's Comprehensive Plan, which will include a capital program proposal based on the hydraulic analysis and Comprehensive Plan policies. The City will also likely conduct a cost of service analysis and a rate study for the wastewater utility. These items will likely be included in the City's Citywide Comprehensive Planning Process.

Assumption Costs -

- Prior to any direct assumption costs being incurred, these costs will be discussed by the District's Board of Commissioners and City Council, respectively.

Accounting Treatment -

- The Accounting Manager of the District and the Administrative Services Director and/or the Financial Accounting Manager with the City, shall meet prior to the assumption to discuss the proper accounting treatment associated with the assets and liabilities related to the assumption. Ultimately, the accounting treatment will be in accordance with generally accepted accounting practices (GAAP) as applicable to governments, as promulgated by the Governmental Accounting Standards Board (GASB).

Personnel Policies Issues Paper

As per state law and the IOA between the District and the City, the transfer of District employees to the City as part of the assumption process must be handled fairly and appropriately. In fact, the IOA states, "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." District staff is critical to the continuing operation of the wastewater utility. The IOA also states, "in addition with 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." The IOA goes on to explain these protections in Sections 3.7.1 through 3.7.11 of the IOA. This Plan does not reiterate these protections, but all protections noted in the IOA will be followed by the City and District as the assumption transition occurs. The following Policy

Agreements further outline the commitments that the City and District make regarding personnel issues, in addition to the protections provided for in Section 3.7 of the IOA:

Employee Communication -

- The District and City may draft a communication letter which will be reviewed and recommended by the District's General Manager and the City Manager; the communication letter will undergo a final review and approval by the District Board of Commissioners and the City Council prior to it being sent to their respective employees. The communication letter will likely be sent in the Transition Phase of the assumption process.
- Subsequent to this, the City Manager and General Manager will continue to communicate with District and City employees regarding the ongoing transition and merger of the two organizations, as outlined in the Assumption Communications Plan.

Wastewater Utility Job Classification/Compensation Review -

- The City intends to review the current job descriptions and pay scales for District employees. The review of these job classifications would be conducted by City Human Resource staff.
- Based on this review, the City will determine a range placement within the City of Shoreline's salary table for these job classifications.
- City staff will identify the impact of the job placement on each employee and determine the appropriate step placement within City of Shoreline salary ranges.
- As per Section 3.7.2 of the IOA, the City agrees not to reduce the salary of a District transferred employee, but 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.
- City staff will also determine the next step increase date based on the initial step placement and market impact.
- The job classification and review will be completed prior to assumption.
- Results of the job classification review will be communicated as part of the Personalized Employee Transition Process (see below).

Benefits/Employee Handbook Reconciliation -

- The City will identify and review the differences in the benefits package and the employee handbook/policies for District employees and City employees.
- Communication with District employees regarding their benefits will be conducted as part of the Personalized Employee Transition Process (see below).

Leave Disposition -

- The City and District agree to follow Section 3.7.4 of the IOA regarding Service Credit Dates. This section of the IOA states, *"Service credit for City purposes will be calculated based upon the initial full-time employment date of the transferred employee with Ronald Wastewater District."* The City and District agree that this

section means that all service credit gained while the employee was employed with the District will be honored as City service credit.

- The City and District agree to follow the sick and vacation leave procedures outlined in Section 3.7.10 and 3.7.11 of the IOA.
- Section 3.7.10 of the IOA regarding Sick Leave Cash Out states, "*District agrees that at the time of transfer it shall pay off any accrued sick leave owed to transferred District employees, based on the District sick leave policy then in effect.*" The City and District agree that this section of the IOA means that the District will cash out all of their employees' sick leave according to their policy in effect at the time of the cash out, which would happen prior to assumption. Sick leave balances will be cashed out to a zero balance. Any sick leave not cashed out by the District, given the District's policy at the time of the cash out, will not carry over to the City. District employees will begin their employment at the City with a sick leave balance of zero, and will begin accruing sick leave hours as any City employee would, based on the City's sick leave accrual policy and their service credit.
- Section 3.7.11 of the IOA regarding Vacation Cash Out states, "*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 leave's accrual limit upon transfer.*"
- The City and the District agree that this section means that that District employees will carry over their accrued vacation hours to the City as long as those hours are fewer than or equal to what is allowed by the City, which is two years' worth of accumulation. If more hours have been accrued, the District will cash out the hours in excess of the City's vacation leave policy.
- The City and the District also agree that employees will accrue vacation according to the District policies in effect prior to assumption for the first 12 months after the assumption so that the City and the District are in compliance with RCW 35.13A.090. That means that the amount of vacation the District would have granted an employee on their anniversary date is what the City will grant the employee on their anniversary date. Beginning in the 13th month of employment after assumption, employees will accrue vacation according to City policies for years of service and vacation accrual. It also means vacation accruals will be granted in monthly increments. The City's vacation accrual schedule is as follows:

Time	Days	Hours/month
Zero to 12 months	12 days of vacation	8.0 hours
After 1 year employment	13 days of vacation	8.6 hours
After 2 years employment	14 days of vacation	9.3 hours
After 3 years employment	15 days of vacation	10.0 hours
After 4 years employment	16 days of vacation	10.6 hours
After 5 years employment	17 days of vacation	11.3 hours
After 8 years employment	18 days of vacation	12.0 hours
After 10 years employment	19 days of vacation	12.6 hours
After 12 years employment	20 days of vacation	13.3 hours
After 15 years employment	23 days of vacation	15.3 hours

- Immediately following the assumption, former District employees will receive holidays according to City policy in effect at the time of assumption. The following 10 holidays are currently granted to regular City employees as the normal workday off with full pay:

New Year's Day	January 1st
Martin Luther King's Birthday	3rd Monday in January
President's Day	3rd Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4th
Labor Day	1st Monday in September
Veteran's Day	November 11th
Thanksgiving	4th Thursday in November
Day after Thanksgiving	Day after Thanksgiving
Christmas	December 25th

- Immediately following the assumption, all other forms of leave provided by the City to employees shall be governed by City policy. This leave includes:

Management Leave
Donated Leave
Family Leave
Medical Leave
Bereavement Leave
Court and Jury Duty Leave
Military Leave (Military Training)
Leave of Active Duty Military Service
Leave of Absence without Pay
Spousal Military Deployment Leave
Leave for Victims of Domestic Violence and Their Family Members
Exigency Leave

- The District and the City agree to communicate with District employees regarding their leave disposition as part of the Personalized Employee Transition Process (see below).

Wastewater Utility Organizational Chart -

- The City agrees to review the current District organizational chart and identify how the wastewater utility will be organized within the City's structure and organization.
- The District agrees to work with City staff to help determine District staff strengths and skill sets so as best to align current work functions with future work functions in the City's wastewater utility.
- This task will be conducted in the transition phase of the assumption process, with dissemination of the new organizational chart and work structure to District employees as part of the Personalized Employee Transition Process (see below).

Personalized Employee Transition Process -

- City staff agrees to package all of the personnel-related information (job classification/compensation, benefits, sick/vacation leave disposition, organizational chart structure, new work location, City employment policies, etc.) for each District transferred employee and create a Personalized Employee Transition packet with the information applicable to them.
- This packet of information will be provided at a personalized employee transition meeting prior to the assumption of the District in October 2017.
- The City and the District agree to provide ongoing communication and support to District employees leading up to assumption as needed and as coordinated by the City and the District.

Budget and Capital Improvement Plan (CIP) Policies

The City and District feels that the District budget and CIP documents could be developed so that they most easily align with the City's future management of the utility's operating and capital budget. Given that the City and District both have budgets and CIP documents for their respective organizations, staff will review the current budget documents for formatting and timing practices and look at budget and CIP methodology regarding how these documents are assembled. The Budget and CIP Policy Agreements are as follows:

- The City and the District agree that prior to assumption, the City and the District will partner on the annual budget processes for their respective 2017 and 2018 budgets so that the operating and capital budgeting for the wastewater utility post-assumption (beginning with the 2018 budget) is already attuned to the City's budget process.
- The City and the District agree to coordinate on the general budget calendar for the 2017 budget.
- The City and the District agree for the 2017 budget, which will be developed in the summer and fall of 2016, to coordinate the partial budget year, as the

District's 2017 budget will run from January 1 through October 22, 2017, and the City's wastewater utility fund budget will run from October 23 through December 31, 2017.

- The City and the District agree to align their Capital Improvement Program schedules for the wastewater utility. Wastewater capital projects planned to begin on or after Oct 23, 2017 will be included in the City of Shoreline's CIP. Wastewater projects planned to begin before Oct 23, 2017 will be included in the District's CIP.
- The City agrees to provide the City's budget development software for the District's use for their 2017 budget so that District staff can become familiar with how budget development is conducted at the City.
- The District and the City agree to work together on the use of the City's budget development methodology and systems for the District's 2017 budget, including the use of base budgeting, development of performance measures, planning for capital asset maintenance and replacement, preparing content for a letter of transmittal, preparing revenue and expense/expenditure forecasts and assumptions, analysis of personnel costs, and analysis of fund and working capital balances, among other areas.
- The District agrees to partner with the City on the development of a fund summary sheet for the wastewater utility.
- The District agrees to have their 2017 budget align with the financial policies agreed to by the City as part of the Financial Polices Section of this Plan.
- The District agrees to consider having District staff present their 2017 budget to the full City Council.

Facilities

The focus of these policy agreements are where District staff and equipment should be located and housed upon assumption. The District and the City looked at multiple options for where it made the most sense for the seven District administrative staff positions and the seven District maintenance staff positions to be located. Administrative positions utilize typical office and information technology equipment to perform their work functions, and maintenance positions utilize vehicles and other heavy equipment, in addition to some administrative equipment, to perform their work functions. The Facilities Policy Agreements are as follows:

- The City agrees that District administrative staff will move to Shoreline City Hall.
- The City agrees that District maintenance staff and equipment will move to the North Maintenance Facility (NMF) once that facility has been redeveloped.
- If the NMF is not redeveloped prior to assumption, District maintenance staff will continue to operate out of current District offices until completion of the NMF. City utility management staff will make sure that proper staff management, coordination and organizational connectivity occur if the NMF is not redeveloped at assumption.

Financial Systems
The District utilizes financial accounting and utility billing software, along with outsourced billing and collection services, to manage and operate the wastewater utility. These systems must be transitioned to the City prior to assumption so that utility bills can be generated and all utility revenues are tracked into the City's financial accounting system. The Financial Systems Policy Agreements are as follows:

- The City agrees to conduct a Financial Accounting/Utility Billing Request for Proposals (RFP) for new financial accounting and utility billing software that will serve the wastewater utility.
- If the new financial accounting and utility billing software is not fully implemented at assumption, the City agrees to continue to run two standalone financial accounting systems, Springbrook for the wastewater utility and IFAS 7.9 for the City (with utility billing staying with the Springbrook system). The systems will be manually integrated so that the financial accounting for the new wastewater fund can be tracked in City financial statements and reports.
- The District agrees to continue to utilize its current Springbrook utility billing system through assumption.
- The City and District agree to involve District staff in the implementation of the financial accounting/utility billing system, which would include configuration and training.
- The City agrees to integrate the new financial accounting system with CityWorks (Asset Management System) and the new permit system that the City will implement in 2016.
- The District will explore implementing the same permit software system as what the City selects in 2016.
- The City and District agree that the City, with District staff consultation, will conduct an analysis in 2016 to determine how utility billing issuance, bill collection and payment, and debt collection processes will be handled for the wastewater utility. This includes whether the City should continue to utilize Databar, Doxo and Retail Lockbox as billing vendors, whether the City should utilize other vendors, or whether some or all of these functions should be brought in-house.
- The City and District agree that the City, with District staff consultation, will implement utility billing issuance, collection and payment systems and debt collection processes based on this analysis prior to assumption.
- The City and District agree that City staff, with District staff consultation, will also analyze whether the City should accept over the counter credit card payments for ratepayers paying their utility bills, and if so, will implement this payment method.
- The City and District agree that City staff, with District staff consultation, will analyze how the billing system can be managed to accommodate future utility billing.

Asset Management and Public Records Policies
District infrastructure and records, like any District function, must be managed appropriately, including the planning for asset repair and replacement and the planning

for record retention and destruction. The District currently uses a custom-written asset management system built using a product called Paradox. The District has stated their interest in moving the inventory of their infrastructure into a new asset management system prior to assumption. The District has further expressed some interest in using the CityWorks asset management software system as replacement for their Paradox system.

Given that the City currently uses the CityWorks system, the District and the City recognize that there exists an opportunity to consider a shared arrangement for implementing the CityWorks system for the District. A successful implementation of the CityWorks system also requires detailed configuration and work flow documentation. Completing the implementation work requires specialized knowledge of the CityWorks software typically provided by a system integration consultant. The City used Woolpert Consultants to accomplish the software implementation.

The Asset Management and Public Records Policy Agreements are as follows:

- The District agrees to continue to keep the list of District infrastructure up to date until assumption, regardless of the type of asset management system it decides to use, and provide the City with a copy of the infrastructure list on an annual basis.
- The District agrees to continue to identify all District records (hard and electronic records) that have retention value and will need to transition over to the City, and managing those records pre-assumption so that the records transfer will be a smooth process.
- The District agrees to transfer all infrastructure records (hard copy and electronic files) to the City at assumption so that the records can be incorporated into the City's record management systems.
- If it is decided by the District Board of Commissioners to upgrade their asset management system pre-assumption, the District agrees to explore the CityWorks system and also agrees to explore the use of Woolpert for software implementation and work flow configuration.
- If it is decided by the District Board of Commissioners to upgrade their asset management system pre-assumption, the District agrees to explore the coordination of their CityWorks implementation and data structure development to be consistent with the City's existing CityWorks System.
- If it is decided by the District Board of Commissioners to upgrade their asset management system pre-assumption, the City agrees to provide staff time to assist District staff and their integration consultant during CityWorks implementation if CityWorks is selected as the District's asset management software.

Purchasing and Contracts Policies

The District has multiple service contracts to help operate the utility. Existing contracts need to be evaluated to determine the appropriate action to ensure that necessary services and projects are maintained during and after transition. Procurement policies

and procedures need to be understood to identify and resolve conflicts to ensure that service continuity is not impacted. The Purchasing and Contracts Policy Agreements are as follows:

- The District agrees to provide the City with a list of the District service and construction contracts as early as possible in the fourth quarter of 2016.
- The District agrees to identify when contracts were entered into and when the contract termination dates are (especially if the contract is planned to be terminated upon assumption) as early as possible in the fourth quarter of 2016.
- The District and the City agree to collaborate to determine which contracts should terminate upon assumption and which should bridge assumption and for how long.
- The District and the City agree to consult with each other on current, pending and forthcoming legal issues or litigation, if allowable, related to operation of the wastewater utility prior to assumption.
- The District agrees to identify current purchasing and procurement standards and practices as early as possible in the fourth quarter of 2016.
- The City agrees to evaluate how the District purchasing practices conflict with City practices and how they may impact assumption and develop appropriate actions to address any conflicts if they exist.

Equipment, Furnishings and Fixtures Policies

The District uses a multitude of equipment to operate the utility, from vehicles, to shop equipment to office equipment and hardware. The City and the District must plan for the transition of this equipment from the District to the City to allow for proactive life-cycle retirement and purchasing of new equipment, if necessary, pre-assumption, and the planning for the purchase of new equipment post-assumption in a timely manner. The Equipment, Furnishings and Fixtures Policy Agreements are as follows:

- The District agrees to provide to the City their capital asset records for equipment and a list of all District equipment that is of significant value not already recorded on the capital asset records by the end of the first quarter of 2017.
- The District agrees to identify when the equipment was purchased, the current life span of the equipment and the maintenance records of current equipment by the end of the first quarter of 2017.
- The District agrees to keep the list of equipment up-to-date until the date of the assumption.
- The District will determine commitments on equipment replacement pre-assumption, if any, by the end of the first quarter of 2017.
- The City will plan for the transfer of District equipment, furnishings and fixtures to both City Hall, for administrative staff, and the North Maintenance Facility, for Maintenance staff.
- The City and District staff will work together to identify additional future work plan tasks to manage the furnishings and fixtures transition to the City.

City Municipal Code and Utility Advisory Board
By statute, the City Council must amend the City's Municipal Code to define how the City's wastewater utility will function. Currently, the City has adopted Title 13 of the King County Code by reference, which regards Water and Sewer Systems (SMC 13.05). The new Wastewater Code will need to address issues such as utility purpose and definitions, operation and maintenance, revenues and rates, and inspections, among many other issues. The City shall create a term-limited Wastewater Utility Advisory Board (WUAB) to sit as an advisory board to the Shoreline City Council regarding wastewater utility transition issues.

The Municipal Code and Utility Advisory Board Policy Agreements are as follows:

- The City agrees to review the current City Sewer System Code to determine which sections of the current Code must be replaced, if not all sections.
- The City agrees to draft, in consultation with the District, new Wastewater Code language that covers all aspects of wastewater utility governance and operations to be reviewed and approved by the City Council. Prior to final City Council consideration, the District Board of Commissioners shall review the final draft of the Wastewater Code and share its recommendation and comments with the City Council.
- The City agrees to form a term-limited WUAB upon the assumption of the District by the City. The WUAB shall include those members of the District Board of Commissioners at the time of assumption of the District by the City who are willing to serve on the WUAB, among other potential members as determined by the City Council. The members of the WUAB shall serve without compensation, similar to all other City advisory boards.

Next Steps

As is noted in the Communications Plan Section of this Transition Plan, the next phase of the assumption process is the Transition Phase to prepare for District assumption on October 23, 2017. This phase will focus on implementation of this Plan. There is much work to accomplish during this phase, and it will be imperative that the District and City continue the strong collaboration already established during this current Planning Phase of assumption.

The first step in this next phase will be the creation of a detailed work plan that assigns City and District staff as project leads on the various work items noted in the Plan, and also creates timeframes by which the work will be accomplished. While this Plan does lay out some general timeframes for work item completion, the work plan will be more detailed with regard to start and completion timeframes for associated work. The goal is to have all work items completed prior to assumption so that the transition of the wastewater utility to the City is as seamless as possible.

City and District staff will also continue to keep their respective legislative bodies informed on the progress of implementation of this Plan. This will likely include regular briefings and communication to the District Board of Commissioners and the City Council. As well, the CEO may reconvene on an ad hoc basis if needed prior to the assumption. If this is the case, District and City staff will work together with the CEO to schedule the needed meetings.

Addendum

Ronald Wastewater District and City of Shoreline
ASSUMPTION COMMUNICATIONS PLAN

1. **Communications Plan Purpose**
   The purpose of this Communications Plan is to provide a strategic approach to communicating with Ronald Wastewater District Board of Commissioners and Shoreline City Council; staffs of both the District and the City; ratepayers and residents; and partners of the District and the City during the assumption process, which includes planning, transition, and post assumption phases.
2. **Project Overview**
   Assumption will occur as outlined in the 2002 Interlocal Operating Agreement and the Transition Plan currently being developed by the Committee of Elected Officials (CEO).
   The assumption process can be broken into three separate phases, each requiring different messages for the different stakeholders. The three phases for assumption are:
   a. **Planning Phase -** During the planning phase, the CEO, with support from a staff committee, will develop the Transition Plan for the assumption of the District by the City. Communication during this phase will primarily be focused internally, but will also have external components. The Planning Phase will be complete when the Transition Plan has been completed. It is anticipated that this will occur by the end of 2015.
   b. **Transition Phase -** Once the Board and Council have accepted the Transition Plan, District and City staff will implement it. Communications during this phase will be focused both internally and externally. The Transition Phase will be complete upon assumption of the District by the City. As per the 2002 Interlocal Operating Agreement, this will take place on October 23, 2017, unless the assumption date changes by mutual agreement between the Board and City Council.
   c. **Post Assumption Phase -** After the assumption has occurred, the City will begin rebranding the wastewater utility and complete the assumption process. Communication during this phase will focus primarily on external stakeholders.
3. **Communications Objectives**
   This Communications Plan provides a guide for communicating assumption information to stakeholders. The activities and tools listed in this plan are intended to help meet the following communications objectives:
   -Inform stakeholders of the progress, status, and key policy discussions throughout the assumption process.
   -Build trust by providing timely and accurate information.
   -Acknowledge the input on issues and concerns received from stakeholders and provide responses in a clear and timely manner.
4. **Key Audiences/Stakeholders**
   In order for the assumption process to be successful, the District and the City must ensure their respective stakeholders are informed in a clear, timely, and transparent manner. The following are the primary stakeholders that will need to be targeted:

a. **Internal**
   i. **District Board of Commissioners and City Council**
   ii. **District and City Employees**
b. **External**
   i. **District Ratepayers/City Residents**
   ii. **District and City Partners (contractors and consultants, other utilities, WASWD, etc.)**

5. **Key Messages and Communication Methods**

Key messages agreed to by the CEO will represent a unified voice for the District and the City. Stakeholders will be looking for clear, transparent, and timely messages through each of the three phases of the assumption process.

a. **Planning Phase -** Messages will primarily focus on keeping stakeholders informed about the planning process. CEO meeting materials will be made available online and the City and District will keep ratepayers and residents informed about how and when to provide input when the Transition Plan is considered by the Board and the Council.
   i. **Internal**
      1. **Board of Commissioners and City Council -** Members of the CEO will keep their colleagues on the Board of Commissioners and the City Council informed about the work of the CEO and the planning process. This will be done through regular reports of Councilmembers and Commissioners at Council and Board meetings.
      2. **District Employees -** The District General Manager will communicate with District staff as he and the District Board of Commissioners deem appropriate regarding the planning for the consolidation of the two organizations.

         Key messages to District staff could include:
         - The CEO, with support from the staff committee, is working on developing a Transition Plan that will guide both the District and the City through the assumption process.
         - Integration of District employees into City operations will be an integral part of the Transition Plan.
         - Your contributions to the District are valued and will continue to be valued when you become City employees.
      3. **City Employees -** The City Manager will provide City employees with ongoing updates regarding the transition planning process. Key messages could include:
         - The CEO, with support from the staff committee, is working on developing a Transition Plan that will guide both the District and the City through the assumption process.
         - No City employee will lose their job as a result of the assumption and integration of District employees into the City.
   ii. **External**
      1. **Ratepayers and residents -** Through *Currents* and the District's website and other communications, and by making CEO meeting materials available online, ratepayers and residents will be kept informed about assumption planning. Key messages could include:

- A committee of elected officials from both the District and the City, with support from their respective staff, is working to develop a transition plan to guide the assumption process.

2. **Partners**
   - Elected officials from both the District and the City, with support from District and City staff, are developing a transition plan to ensure the assumption occurs smoothly.

b. **Transition Phase -** Communicating with District and City staff will be most critical during this phase of the assumption process. The Project Manager and support staff at both the District and the City will need to anticipate and provide answers to staff questions in a clear and timely manner.

   i. **Internal**

      1. **Board of Commissioners and City Council -** It will be the responsibility of the City Manager and General Manager to work together to ensure any issues that arise during the Transition Phase are communicated to the City Council and District Board of Commissioners. There will be an expectation that the City Manager and the General Manager meet and/or communicate on a regular basis and provide the Council and Board with consistent information about transition activities and issues.
      2. **District Employees -** The District Board of Commissioners and City Council may draft a communication letter which will be reviewed and recommended by the District's General Manager and the City Manager to District employees regarding the upcoming consolidation of the two organizations. As with all content recommended by the General Manager the communication letter will undergo a final review and approval by the District Board of Commissioners prior to it being sent to employees. Subsequent to this, the General Manager of the District will continue to communicate with District employees about the transition and the progress of the merger of the two organizations.

         The City's HR Department will also create a personalized transition plan for each District employee that will be transitioning to City employment. Six months to a year before the assumption date, HR staff will meet with each District employee to go over their individualized transition plan. Key messages could include:
         - The City's Human Resources Department is available to address any questions or concerns District staff may have regarding the process of transitioning to City employment, including issues related to benefits or concerns about positions and titles.
         - If District staff has any concerns/questions about the transition of District operations into City operations, they are encouraged to bring them up immediately so they can be addressed.
      3. **City Employees -** The District Board of Commissioners and City Council may draft a communication letter which will be reviewed and recommended by the District's General Manager and the City Manager to City employees regarding the upcoming consolidation of the two organizations. The communication letter will undergo a final review and approval by the City Council prior to it being sent to employees.

Subsequent to this, the City Manager will continue to communicate with City staff about the transition and the progress of the merger of the two organizations.

While the Public Works and Administrative Services Departments will be the departments primarily impacted by the assumption and the integration of District employees into the City, all departments will need to be included in communication efforts and participate in discussions. Key messages could include:

- District employees will soon be a part of the City; they should be welcomed into the organization and staff should help foster a cohesive team environment once these new employees start working for the City.
- If City staff has any concerns/questions about the transition of District operations into City operations, they are encouraged to bring them up immediately so they can be addressed.

ii. External

1. **Ratepayers and Residents -** *Currents* and the District's website and other communications will be used to communicate to ratepayers and residents about the transition. Ensuring the same quality service continues during the transition period is key to a smooth transition.
   - Both the City and the District are committed to continuing to provide ratepayers with the great service they have enjoyed for years with the District.
   - During the transition phase, the District is still the primary point of contact if ratepayers have any issues regarding their wastewater service, wastewater bill, etc.
2. **Partners -** At the beginning of the Transition Phase, the District and the City will jointly communicate with District partners about the assumption and what to expect from the City after the assumption date. Key messages could include:
   - During the transition phase, the District is still the primary point of contact if partners have any issues or concerns regarding operations and/or administration.
   - Any questions about the utility after the assumption date will be answered by the City.

c. Post Assumption Phase - The City will rebrand the wastewater utility and ensure ratepayers know that the City operates the utility and that all questions and concerns regarding the utility should be directed to the City.

i. Internal

1. **City Council -** The City Manager and City staff will provide Council updates on wastewater operations and post assumption issues via the City Manager's weekly report and through periodic updates to Council at Council meetings.
2. **City Employees -** Key messages could include:
   - We are all City employees now and part of the Shoreline family.

- Any issues or concerns should immediately be brought up with direct supervisors or with the Human Resources Department.

ii. **External**

1. **Ratepayers** - Key messages could include:
   - The City is now the wastewater utility provider for all of Shoreline and a few areas outside of Shoreline.
   - Questions and concerns regarding wastewater service should be directed to the wastewater utility, which is now housed in the City's Public Works Department.
2. **Partners** - Key messages could include:
   - The City of Shoreline is now the wastewater utility provider for all of Shoreline and a few areas outside of Shoreline.