

HOUSE BILL REPORT

SB 5119

As Reported by House Committee On:
Local Government

Title: An act relating to water-sewer districts.

Brief Description: Concerning water-sewer districts.

Sponsors: Senators Takko, Dansel, Sheldon, Angel, Chase, Palumbo and Wellman.

Brief History:

Committee Activity:

Local Government: 3/14/17, 3/22/17 [DPA].

Brief Summary of Bill
(As Amended by Committee)

- Authorizes districts meeting specified revenue criteria to issue warrants for payment of claims and other district obligations.
- Grants districts the authority to enter into contracts for asset management service of their water storage assets.
- Authorizes districts to acquire, lease, or sell pollution control facilities, and to issue and secure revenue bonds to defray the cost of acquiring or improving such facilities.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 7 members: Representatives Appleton, Chair; McBride, Vice Chair; Griffey, Ranking Minority Member; Pike, Assistant Ranking Minority Member; Gregerson, Peterson and Taylor.

Staff: Yvonne Walker (786-7841).

Background:

Special purpose districts are limited purpose local governments separate from a city, town, or county government. Water-sewer districts (districts), a type of special purpose district, are

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created to further public health and safety and to furnish water, sewerage, and drainage services. Districts have many statutorily enumerated powers, including the power to construct, condemn and purchase, maintain, and operate waterworks, systems of sewers, systems of reclaimed water, and systems of drainage to inhabitants within and outside of a district. Districts may also create facilities, systems, and programs for the collection, interception, treatment, disposal, and control of pollution from wastewater. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds and instruments evidencing indebtedness. Districts are governed by boards of elected commissioners (boards).

Treasurer Duties–Warrants.

The county treasurer is the treasurer of a district. However, with the approval of the county treasurer, the board of any district with more than 2,500 water customers or sewer customers may designate another person to act as the district treasurer. The person designated as district treasurer must have experience in financial or fiscal matters.

All taxes and revenue collected by the district, except those funds received for specified obligations, must be maintained in a maintenance or general fund created and maintained by the district treasurer. Disbursements from the general fund are authorized only by warrants of the county auditor issued with the authority of the board or upon a resolution of the board. The district treasurer must also maintain special funds as prescribed by the district, and disbursements may occur by warrants of the county auditor.

Contract and Competitive Bidding.

All work ordered by a district, which has an estimated cost in excess of \$50,000, must be let by contract and competitive bidding. Notice calling for bid proposals must be published in a newspaper of general circulation in the district. Competitive bidding requirements may be waived if an applicable exemption applies to the work. Contracts let by competitive bidding must be awarded to the lowest responsible bidder. Alternatively, a district may let contracts using the small works roster process.

Pollution Control Facilities–Municipal Powers.

A municipality, defined as any city, town, county, or port district in Washington, is authorized under the pollution control statutes to acquire, lease, or sell facilities (i.e., any land, building, structure, machinery, system, fixture, or equipment) used to abate, control, or prevent pollution that is located within the municipality. A municipality may also issue revenue bonds to defray the cost of acquiring or improving a facility or facilities, and to secure the payment of the bonds.

Summary of Amended Bill:

Treasurer Duties–Warrants.

A board of a district with revenues of \$5 million or more in each of the preceding three years that were audited by the State Auditor in accordance with state law is authorized to adopt a policy to issue its own warrants for the payment of claims or other obligations of the district.

A board with revenues greater than \$250,000 and less than \$5 million in each of the preceding three years that were audited by the State Auditor in accordance with state law is authorized to adopt a policy to issue its own warrants for the payment of claims or other district obligations. However, adoption of the policy is authorized only if both the county treasurer and the district agree to adopt the policy.

In either case, the board may authorize the issuing of one general certificate that permits the county treasurer to pay all warrants specified in the general certificate. The district may then issue the warrants specified in the general certificate.

Contract and Competitive Bidding.

Water-sewer districts (districts) are expressly authorized to contract for asset management service of their water storage assets (i.e., water storage structures and associated distribution systems, such as water tanks, towers, wells, meters, or water filters). Districts may negotiate a fair and reasonable water storage asset management service contract with firms that submit the best proposals. Services provided under the contract may include financing, designing, improving, operating, maintaining, repairing, testing, inspecting, cleaning, administering, or managing the water storage asset.

If a district chooses to contract for asset management services, the district must publish advance notice of its requirements to procure asset management services. The district may:

- negotiate with the firm that submits the best proposal based on criteria established by the district;
- terminate negotiations if unable to negotiate a satisfactory contract; and
- select another firm to continue negotiations with until a contract is reached, or terminate the selection process.

If a district chooses to negotiate a contract under these procurement procedures, no other statutory procurement requirements apply.

Pollution Control Facilities–Powers.

Districts are added to the definition of a "municipality" under the pollution control statutes, and are thereby authorized: to acquire, lease, or sell facilities located within a district that are used to abate, control, or prevent pollution; and to issue and secure payment of revenue bonds to defray the cost of acquiring or improving such facilities.

Amended Bill Compared to Original Bill:

The amendment eliminates the provisions of the act governing the sale of real property by water-sewer districts (districts) that: (1) required the boards to obtain a written appraisal report by a state licensed or certified real estate appraiser in order to determine the estimated value of the real property being sold; (2) required specific public notice requirements noting the district's intention to sell real property; and (3) authorized districts to sell the real property to the highest bidder at public auction if the property could not be sold at 90 percent or more of its estimated value within 120 days of the initial notice of intent to sell.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is a cleanup and efficiency bill and will make life easier for water and sewer districts (districts). The committee previously heard an identical House version of this bill. The bill contains four major changes, which are suggestions from the districts to improve efficiencies.

There were questions regarding the first section of the bill relating to disposing of property. This change was a suggestion from the districts' attorneys and outlines a clear and less ambiguous way of liquidating surplus real property. The water sewer groups support the bill with or without the change.

(Opposed) None.

Persons Testifying: Senator Takko, prime sponsor; and Joe Daniels, Washington State Association of Sewer and Water Districts.

Persons Signed In To Testify But Not Testifying: None.