

# HOUSE BILL REPORT

## HB 1197

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**As Reported by House Committee On:**  
Local Government

**Title:** An act relating to water-sewer districts.

**Brief Description:** Concerning water-sewer districts.

**Sponsors:** Representatives Takko and Kochmar.

**Brief History:**

**Committee Activity:**

Local Government: 1/20/15, 2/5/15 [DPS].

**Brief Summary of Substitute Bill**

- Modifies water-sewer district (district) provisions governing the sale of real estate.
- Authorizes districts meeting specified annual operating budget criteria to issue warrants for payments of claims and other district obligations.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Takko, Chair; Gregerson, Vice Chair; Taylor, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Fitzgibbon, McBride, McCaslin, Peterson and Pike.

**Staff:** Ethan Moreno (786-7386).

**Background:**

Water-Sewer Districts – General Information.

Water-sewer districts (districts) may purchase, construct, maintain, and supply waterworks to furnish water to inhabitants within and outside of the district. Districts may also develop and operate systems of sewers and drainage, and are authorized to create facilities, systems, and programs for the collection, interception, treatment, disposal, and pollution control of wastewater. Districts may also fix rates and charges for services, enter into contracts, levy

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taxes, and issue bonds and instruments evidencing indebtedness. Water-sewer districts are governed by boards of elected commissioners (boards).

Sales of Real Property.

A board may sell district property at a public or private sale if it: (1) determines that the property is not and will not be needed for district purposes; and (2) provides notice of the sale in accordance with specific requirements, including the estimated value of the property or, if an appraisal has been made, the property's appraised value.

The authority to engage in the private sale of real property is limited to property with an estimated value of \$5,000 or less. In conducting such a sale, the board may, as it deems appropriate, determine the estimated value based upon the advice of real estate brokers and appraisers.

If the estimated value of the property to be sold exceeds \$5,000, the value must be established by a written broker price opinion from three licensed and disinterested real estate brokers, or by a professionally designated real estate appraiser. A signed broker price opinion or appraisal must be filed with the secretary of the board and available to open public inspection.

With limited exceptions, district property may not be sold for less than 90 percent of its value. However, if after 120 days of offering the property for sale it cannot be sold at 90 percent or more of its estimated or appraised value, the board may adopt a resolution stating that the district has been unable to sell the property at the 90 percent amount. The district may then, subject to public notice requirements and right of refusal authorizations, sell the property at the highest price it can obtain at public auction. The applicable notice must, among other requirements, describe the property, state the time and place at which it will be offered for sale, and state the terms of sale.

Treasurer Duties – Warrants.

The applicable county treasurer is the treasurer of the 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 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 similarly, disbursements may occur by warrants of the county auditor.

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**Summary of Substitute Bill:**

Sales of Real Property.

Provisions governing the sale of real property by districts are modified. The estimated value of all property to be sold by the district must be determined by the board, and based on a written appraisal report by a state-licensed or state-certified real estate appraiser, or a written broker's price opinion. The appraisal report or broker's price report must have been prepared less than six months before the date of sale. Provisions that apply to notices of and for district intentions to sell real property are modified to specify that the notices must also refer to the appraisal report or the broker's price opinion, as applicable.

If no purchaser can be found for real property within 120 days of publication of the initial notice of intention to sell, the board may adopt a resolution stating that the district has been unable to sell the real property at 90 percent or more of the estimated value. The district may then, subject to public notice requirements and right of refusal authorizations, sell the property at the highest price it can obtain at public auction. The applicable auction notice, among other requirements, must describe the real property, state the time and place of the public auction and the minimum opening bid, if any, and specify the terms and conditions of sale.

#### Treasurer Duties – Warrants.

The board of a district with an annual operating budget of \$5 million or more in each of the preceding three years is authorized to adopt a policy to issue its own warrants for the payment of claims or other obligations of the district.

Similarly, the board of a district with an annual operating budget greater than \$250,000 and less than \$5 million in each of the preceding three years is authorized to adopt a policy to issue its own warrants for the payment of claims or other district obligations. Prior to adoption of the policy, the district must also obtain an appropriate agreement between the county treasurer and the board.

For both categories of districts, 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.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill removes all provisions in the underlying bill related to the establishment of local improvement districts by water-sewer districts and associated appeals.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute 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 bill attempts to make the administration of districts easier and more efficient. There are some provisions in the bill related to the establishment of local improvement districts that are redundant, so technical amendments to remove duplicative language may be offered.

The sections addressing local improvement districts should be deleted. The intention of those sections was to make district provisions identical to those of cities, but upon further review, districts have decided that existing law is sufficient.

Any district with more than 2,500 customers may have their own treasurer rather than using the county treasurer. Some districts wish to keep using county treasurers, but also want to issue their own warrants. The warrant language in the bill was, at the request of county treasurers, modeled after similar authority that is granted to fire districts. The warrant provision was in a bill that previously passed out of the House of Representatives with a vote of 98-0.

There is ambiguity in the statute regarding the process that districts must use to sell real estate. Three appraisals are required, but which appraisal is controlling? Additionally, it is not clear from current law when the 120-day clock begins if purchasers, at the 90-percent value threshold, cannot be found for the real estate. The intent of the real estate language in the bill is to have clear procedures so that districts, large and small, can understand the process for selling real estate.

(Opposed) None.

**Persons Testifying:** Representative Takko, prime sponsor; and Joe Daniels and Blair Burroughs, Washington Association of Sewer and Water Districts.

**Persons Signed In To Testify But Not Testifying:** None.