

# SENATE BILL REPORT

## SB 6147

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As of January 14, 2016

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

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

**Sponsors:** Senators Roach, Takko, Dansel, Chase and Benton.

**Brief History:**

**Committee Activity:** Government Operations & Security: 1/14/16.

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

**Staff:** Alex Kearns (786-7416)

**Background:** Water-sewer districts (Districts) provide water and sewer services to incorporated and unincorporated areas. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage. Districts may also fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Real Property Sale. A District may sell District property if its board determines that the property is not and will not be needed for District purposes and the board 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. A District may sell District property through a private sale provided the estimated value is \$5,000 or less. In conducting the sale, a District's board of commissioners is authorized to determine the estimated value based upon the advice of brokers and appraisers, as the board deems appropriate. 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, made not more than six months prior to the date of the sale. A signed broker price opinion or appraisal must be filed with the secretary of the board and available for open public inspection.

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

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to sell the property at the 90 percent amount. The District may then sell the property at the highest price it can obtain at public auction.

District Treasurer. Generally, the county treasurer acts as the treasurer of a District located within the county. Based on information submitted by the District, the county auditor issues warrants and sends them to the county treasurer for payment. Districts with 2500 or more customers may appoint their own treasurer, if authorized by the county treasurer. An appointed treasurer possesses the powers of the county treasurer and county auditor for the District concerning the creation of funds, issuing warrants, and investing District monies.

Water Storage Asset Management. Municipalities may elect to contract for management services of water storage assets such as water tanks, towers, and wells. If a municipality chooses to do so, it must publish a notice of its contract procurement requirements and the scope and nature of the contracted service. The municipality is authorized to negotiate a fair and reasonable service or, if no satisfactory management service is found, to terminate the selection process.

Any District work that exceeds \$50,000 must be contracted for through competitive bidding, unless waived by the District's board under limited circumstances.

Pollution Control Facilities. Pollution control facilities are used by municipalities for the purpose of abating, controlling, and preventing varying types of environmental pollution. Municipalities may buy, sell, and lease these pollution control facilities as well issue revenue bonds to defray the costs of acquiring these facilities. Bonds issued for this purpose must be secured solely by the revenues derived from the lease or sale of the facilities themselves.

**Summary of Bill:** Real Property Sale. The estimated value of all property to be sold by the District must be determined by its 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 pertaining to notices to sell real property are modified to specify that the notices must also refer to the appraisal report or the broker's price opinion.

If no purchaser can be found for real property within 120 days of the publication of initial notice of intention to sell, rather than after 120 days of offering the property for sale, 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 applicable auction notice, among other requirements, must describe the real property and the minimum opening bid, if any, and state the terms and conditions of sale.

District Treasurer. Districts that have maintained a revenue of over \$5 million for each of the last three years may adopt a policy by resolution to issue their own warrants for payments of claims or other obligations of the District. Districts that have maintained a revenue between \$250,000 and \$5 million for each of the last three years are authorized, upon agreement with the county treasurer, to adopt a policy to issue their own warrants for payments of claims or other obligations of the District. The board, after auditing all payrolls and bills, issues one general certificate to the county treasurer, authorizing the county treasurer to pay all of the

warrants specified and indicating the fund from which payment will be made. The District may then issue warrants specified in the general certificate.

Water Storage Asset Management. Districts are expressly authorized to contract for asset management servicing of their water storage assets. 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 advanced notice of its requirements to procure asset management services;
- may negotiate with the firm that submits the best proposal based on criteria established by the District;
- may terminate negotiations if the District is unable to negotiate a satisfactory contract; and
- may select another firm to continue negotiations with until a contract is reached, or may terminate the selection process.

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

Pollution Control Facilities. A District may acquire, lease, and sell pollution control facilities and issue revenue bonds to defray associated costs.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: Currently the real property sale statute is ambiguous. The second portion of the bill allows Districts to issue their own warrants while retaining the county treasurer as their fiscal officer. The treasurers are in agreement regarding this portion. The financial thresholds in this portion are very similar to the thresholds that already exist for fire Districts. The Sno-King alliance suggested changing the threshold to refer to revenue instead of budgets, which is also supported by the treasurers. The third portion is similar to a bill promoted by the cities last year. That bill passed the legislature with language nearly identical to the language contained in this bill. This bill just refers to water-sewer Districts instead of municipalities. The last section deals with pollution treatment plants. There are many treatment plants that need upgrades and this bill would be helpful when upgrading those plants over the next several years. Streamlining the procurement process would result in time and cost savings and would protect against situations where the low bidder lacks the qualifications necessary to do the job properly. It is important for pollution control facilities to have some flexibility to waive the competitive bid requirements in appropriate situations when approved by the board of commissioners. All

four components of the bill allow flexibility for locally selected boards to do public work, and having those tools is a good thing.

**Persons Testifying:** PRO: Joe Daniels, Blair Burroughs, Wash. Assn Of Water/Sewer Districts; Ron Hall, Southwest Suburban Sewer District; Steve Lindstrom, Sno-King Water-Sewer District Coalition.