

SENATE BILL REPORT

SB 5119

As Amended by House, April 10, 2017

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: 1/19/17, 1/24/17 [DP].

Floor Activity:

Passed Senate: 3/01/17, 49-0.

Passed House: 4/10/17, 98-0.

Brief Summary of Bill

- Modifies property valuation, sale, and auction requirements for water-sewer districts.
- Permits water-sewer districts with large populations to issue warrants directly to the county treasurer under certain conditions.
- Authorizes water-sewer districts to contract for asset management services of their water storage assets.
- Authorizes water-sewer districts to acquire, lease, and sell pollution control facilities and issue revenue bonds to defray the costs.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass.

Signed by Senators Angel, Vice Chair; Palumbo and Sheldon.

Staff: Alex Fairfortune (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

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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 the 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. One requirement is that the notice of sale must include the estimated value of the property or the property's appraised value. If the estimated value of district property is \$5,000 or less, the district may sell the property through a private sale. 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 then 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. This opinion or appraisal may not be made 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 to open public inspection.

District property may not be sold for less than 90 percent of its value. 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 fact. 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 service being contracted for. 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 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. Notices of sale must refer to the appraisal report or the broker's price opinion.

If no purchaser can be found for real property within 120 days of publication of the 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 fact and sell the property at auction for the highest price it can obtain. The auction notice must, among other requirements, state the minimum opening bid and 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 the warrants specified and 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 service of their water storage assets. If a district chooses to contract for asset management services, the district must publish advance notice of its requirements to procure such services. The district may then negotiate a fair and reasonable contract with the firm that submits the best proposal based on the established criteria. The district may terminate negotiations if a satisfactory contract cannot be reached, and may either select another firm to continue negotiations or 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 the costs.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Water-sewer districts are state of the art systems, particularly when it comes to wastewater treatment. The changes to the surplus property statute is a product of an attorney group who found several ambiguities. The warrant change would let districts keep the county treasurer as their fiscal officer, but the districts could pay their own bills on time.

CON: Water-sewer districts are not among the best run districts in our state. They should not have the powers of other municipalities. It is not in the best interest of citizens for water-sewer districts to issue revenue bonds because they won't be as transparent or well regulated. This bill is missing the term "disinterested" appraiser.

Persons Testifying: PRO: Joe Daniels, Association of Washington State Water-Sewer Districts

CON: Arthur West, citizen.

Persons Signed In To Testify But Not Testifying: No one.

EFFECT OF HOUSE AMENDMENT(S): Eliminates the provisions of the act governing the sale of real property by water-sewer districts, including the provisions that: (1) required the board of commissioners to obtain a written appraisal report by a state licensed or certified real estate appraiser to determine the estimated value of 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 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 notice of intent to sell.