

SENATE BILL REPORT

ESB 6505

As Passed Senate, February 16, 2002

Title: An act relating to local improvement districts.

Brief Description: Revising local improvement district statutes.

Sponsors: Senators Gardner and Hale.

Brief History:

Committee Activity: State & Local Government: 1/31/02, 2/4/02 [DP].

Passed Senate: 2/16/02, 48-0.

SENATE COMMITTEE ON STATE & LOCAL GOVERNMENT

Majority Report: Do pass.

Signed by Senators Gardner, Chair; Hale, Horn, Keiser, Kline, McCaslin, Roach, T. Sheldon and Swecker.

Staff: Mac Nicholson (786-7445)

Background: Each local improvement bond issued must, among other requirements, provide that the principal sum and interest on local improvement bonds be payable out of the local improvement fund created for the cost and expense of the improvement; or out of the local improvement guaranty fund; or with respect to interest only, out of the general revenues of the city or town. Each bond must also provide that the bond owners' remedy in case of nonpayment shall be confined to the enforcement of the special assessments made for the improvement and to the guaranty fund.

The holder or owner of any bond does not have any claim against the city or town which issued the bond except for payment from the special assessments made for the improvement for which the bond was issued, or for payment from the local improvement guaranty fund of the city or town provided the bond was issued after the creation of the local improvement guaranty fund of that city or town.

If a city or town fails to pay any bonds or promptly collect any local improvement assessments when due, in addition to proceeding in their own name to collect the assessment, the owners of local improvement bonds issued by a city or town after the creation of a local improvement guaranty fund therein, also have recourse against the local improvement guaranty fund of such city or town.

Summary of Bill: Local improvement bonds must, among other requirements, provide that the principal sum and the interest are payable out of the local improvement fund created for the cost and expense of the improvement; and out of the local improvement guaranty fund, unless the ordinance under which the bond was issued provides otherwise; or out of a reserve fund established for such bonds; or with respect to interest only, payment can be made out

of the general revenues of the city or town, but only if pledged to the payment of such interest.

If a bond is not secured by the local improvement guaranty fund, a statement to that effect must be printed thereon.

The bond owners' remedy in case of nonpayment is confined to the enforcement of the special assessments made for the improvement and to the guaranty fund, or reserve fund, if they were pledged to the payment of such bonds.

The local improvement guaranty fund is not subject to any claim by the holder or owner of a local improvement bond issued under an ordinance that provides that such bonds are not secured by the guaranty fund.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Counties have the option to pledge the local improvement guaranty fund to payment of a local improvement bond, and this bill just gives cities the same option. The bill eliminates general tax-payer liability in case of non-payment of local improvement bonds.

Testimony Against: None.

Testified: PRO: Jay Reich, Preston Gates & Ellis, LLP; Steve Gano, Trend West Resorts.