FINAL BILL REPORT
HB 1882

C 139 L 03
Synopsis as Enacted

Brief Description: Modifying local improvement district provisions.

Sponsors: By Representatives Grant, Delvin, Miloscia, Jarrett and Upthegrove.

House Committee on Local Government
Senate Committee on Government Operations & Elections

Background:

Local Improvement District Bonds. Local Improvement Districts (LIDs) are a means of assisting benefitting properties in financing needed capital improvements through the formation of special assessment districts. These special assessment districts permit improvements to be financed and paid for over a period of time through assessments on the benefitting property. LID processes ultimately lead to the sale of bonds to investors and the retirement of those bonds through annual payment by the property owners within a district.

Each local improvement bond issued must, among other requirements, provide that the principle and interest on the bonds be payable out of the local improvement fund created for the cost and expense of the improvement; out of the local improvement guaranty fund, unless provided otherwise by ordinance; or out of a reserve fund, if established for such bonds.

During the 2002 legislative session, the Legislature gave cities the option of pledging their LID guaranty funds to secure LID bonds rather than requiring cities to pledge their LID guaranty funds. If a city elects not to pledge its guaranty fund, debt service on the bonds is secured only by LID assessments and by amounts maintained in a reserve fund, if any. If the LID guaranty fund is pledged, the city would be required to levy taxes in the event of delinquent bond payments.

Interest only payments may be made from the general revenues of the city, if provided in the bond ordinance.

Redemption of Local Improvement District Bonds. Bonds are issued in numerical order from one upwards. When there is sufficient money in the local improvement fund over and above what is needed for payment of interest on all unpaid bonds of that issue, the county treasurer redeems one or more bonds. The city or town must publish notice of the redemption in the local newspaper, providing the bonds and bond numbers to be paid.

The bonds must be paid in their numerical order.

Redemption of County Road Improvement District Bonds. Like cities and towns, counties have the authority to create road improvement districts (RIDs) and to issue bonds to finance RIDs.

Like the LID process, counties may borrow money to finance road improvements by issuing bonds. Counties pay off these financial obligations over time through the collection of assessments receivable that have been levied against the benefitting property owners. The assessments are liens against the property and are subject to foreclosure.

Money collected through assessments by the county treasurer must be kept in a separate county improvement district fund. The fund may only be used to cover costs of improvements in the district, payment of interest or principle, or warrants and bonds issued upon or against the fund. If, after payment of costs and expenses of the improvement, there are funds sufficient to redeem one or more bonds over and above the amount necessary to meet the interest payments next accruing on outstanding bonds, the treasurer must call such bonds for redemption.

Summary:

Local Improvement District Bonds. A city or town may transfer money from its general fund to its local improvement guaranty fund or any local improvement fund to cover the payment of bonds, interest coupons, warrants, or other short term obligations.

Redemption of Local Improvement District Bonds. A city or town may redeem one or more bonds issued in chronological order by maturity date, and within each maturity date, by estimated redemption as determined in the bond authorizing ordinance.

Redemption of County Road Improvement District Bonds. When there are funds sufficient to redeem one or more bonds, over and above the amount necessary to meet the interest payments next accruing on outstanding bonds, the treasurer must call such bonds for redemption as determined in the bond authorizing ordinance.

Votes on Final Passage:

House 96 0
Senate 46 0

Effective: May 7, 2003