

# SENATE BILL REPORT

## SB 5984

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As Reported by Senate Committee On:  
Ways & Means, February 7, 2012

**Title:** An act relating to local government financial soundness.

**Brief Description:** Concerning local government financial soundness.

**Sponsors:** Senators Murray, Zarelli, Parlette, Kilmer, Fraser, Harper, Kohl-Welles and Chase.

**Brief History:**

**Committee Activity:** Ways & Means: 1/23/12, 1/26/12, 2/07/12 [DPS, DNP, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5984 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Brown, Conway, Fraser, Harper, Hatfield, Hewitt, Kastama, Keiser, Kohl-Welles, Pridemore, Regala and Tom.

**Minority Report:** Do not pass.

Signed by Senators Holmquist Newbry, Honeyford, Padden and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Baumgartner.

**Staff:** Steve Jones (786-7440)

**Background:** A public facilities district (PFD) is a municipal corporation with independent taxing authority. A PFD may be created by a county, city, group of cities, or a group of cities and a county. A PFD is governed by an appointed board of directors. PFDs are authorized to acquire, build, own, and operate sports facilities, entertainment facilities, convention facilities, or recreational facilities. PFDs may impose a variety of taxes to fund the facility, including lodging, admissions, parking, and sales taxes. These tax revenues, together with revenues generated by the facility, may be used to secure general obligation bonds issued by the PFD.

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*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.*

In December 2011 the Greater Wenatchee Regional Events Center Public Facilities District in Chelan County defaulted on \$42 million of bond anticipation notes that had been issued by the PFD.

**Summary of Bill (Recommended Substitute):** An independent financial review of a PFD is required prior to the formation of a PFD, the issuance of debt by a PFD, or the lease, purchase, or development of a facility by a PFD. The independent financial review must be conducted by the Department of Commerce (Commerce) through the Municipal Research and Services Center (MSRC). The independent financial review must analyze the potential costs and the adequacy of the revenues for the proposed action by the PFD. The costs of the independent financial review must be borne by the PFD or the local government proposing the formation of the PFD. Upon completion, the independent financial review must be submitted to the State Treasurer, State Auditor, the PFD, participating local governments, and appropriate committees of the Legislature. The independent financial review of debt issuances by a PFD is not required if the PFD is refinancing existing debt.

The State Treasurer and the State Auditor, in consultation with local governments, must examine the state's 2400 local governmental entities to determine any indications of financial distress. The results of the examination, together with recommended legislation, must be submitted to the Governor and the Legislature.

If a PFD has defaulted on debt, the jurisdiction in which the public facility is located – the anchor jurisdiction – may impose a councilmanic sales tax of two-tenths of 1 percent for the purposes of refinancing the debt. This is in addition to any sales tax imposed by the PFD.

After the effective date of the act, a PFD may not agree to restrict its taxing authority. This provision is prospective, not retroactive.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** The independent financial review of debt issuances by a Public Facility District is not required if the PFD is refinancing existing debt.

If a Public Facility District has defaulted on debt, the jurisdiction in which the public facility is located – the anchor jurisdiction – may impose a councilmanic sales tax of two-tenths of 1 percent for the purposes of refinancing the debt. This is in addition to any sales tax imposed by the PFD.

A PFD may not agree to restrict its taxing authority.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Staff Summary of Public Testimony on Original Bill:** OTHER: The concept of an independent financial review is a good one, but there are some technical concerns. A PFD that is simply re-issuing existing debt to achieve lower interest costs should be exempt from the requirement of a financial review. The Municipal Research and Services Center (MSRC) does not have the staff expertise to conduct the reviews and would need to contract for these services. The process would be simplified if Commerce were to supervise these contracts instead of the MRSC. Perhaps a list of approved vendors could be developed. A time frame for the completion of the reviews should be established to avoid delays.

**Persons Testifying:** OTHER: Ashley Probart, Assn. of WA Cities; Tom Parker, Spokane Public Facility District.