

ORDINANCE No. 118139

COUNCIL BILL No. 111246

ARTS

AN ORDINANCE relating to improvement districts, establishing funds, the issuance of installment bonds, Districts Nos. 6746 and 6747, providing for the sale of those notes to the Cumulative Reserve Subfund, and amending ordinances 116824 and 116263 in connection therewith.

OK

COMPTROLLER FILE No. _____

Introduced:	By:	CHOE
Referred: <i>MAY 13 1996</i>	To:	Finance & Budget Committee
Referred: <i>MAY 13 1996</i>	To:	
Referred:	To:	
Reported: <i>MAY 20 1996</i>	Second Reading:	<i>MAY 20 1996</i>
Third Reading: <i>MAY 20 1996</i>	Signed:	<i>MAY 20 1996</i>
Presented to Mayor: <i>MAY 21 1996</i>	Approved:	<i>MAY 25 1996</i>
Returned to City Clerk: <i>MAY 28 1996</i>	Published:	
Vetoes by Mayor:	Veto Published:	
Passed over Veto:	Veto Sustained:	

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Law Department

The City of Seattle--Leg

INDEXED

REPORT OF COM

Honorable President: _____

Your Committee on _____

to which was referred the within Council Bill No. _____ report that we have considered the same and respectfully re

Full Council Sale

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Committee Ch

Law Department

The City of Seattle--Legislative Department

INDEXED

REPORT OF COMMITTEE

Date Reported
and Adopted

*May 1st,
passed 3-0.*

Honorable President:

Your Committee on _____

to which was referred the within Council Bill No. _____
report that we have considered the same and respectfully recommend that the same:

Full Council vote 6-0

Martin Chase

Committee Chair

OFFICE OF THE CLERK OF THE CITY COUNCIL
1000 4TH AVENUE, SUITE 1000
SEATTLE, WASHINGTON 98101
PHONE: 206-467-2000
FAX: 206-467-2001
WWW: WWW.CITYOFSEATTLE.GOV

ATTACHMENT B

ORDINANCE 118139

AN ORDINANCE relating to financing for local improvement districts Nos. 6746 and 6747; establishing funds for them and providing for the issuance of installment notes payable from Districts Nos. 5746 and 6747 of the City and providing for the sale of those notes to the Cumulative Reserve Subfund, and amending ordinances 116824 and 116263 in connection therewith.

WHEREAS, Local Improvement District #6746, 47th Avenue S.W. (slide repair; \$39,000 in assessments), was created by Ordinance 116263 and confirmed by Ordinance 117190, and Local Improvement District #6747, South Dawson Street (asphalting and surface drainage; \$128,676 in assessments), was created by Ordinance 116824 and confirmed by Ordinance 117921; and

WHEREAS, Ordinances 116824 and 116263 provided only for issuance of local improvement district bonds or consolidated local improvement district bonds; and

WHEREAS, a sufficient unexpended and unencumbered balance exists in the Cumulative Reserve Subfund, to invest in installment notes of the local improvement districts and said balance is surplus to the said Subfund for now and the foreseeable future; and

WHEREAS, the City Council has determined that the use of installment notes, pursuant to RCW 35.45.150, is more cost effective than issuing Local Improvement District Bonds for long term financing of these two small Local Improvement Districts; and

WHEREAS, the City Council has determined to issue installment notes and to sell those notes to the City's Cumulative Reserve Subfund; Now therefore,

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BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Finance Director is authorized to establish Local Improvement District Fund #6746 and Local Improvement District Fund #6747 as separate subfunds of the Interfund Notes Payable - Local Improvement Districts Fund.

Section 2. Effective May 1, 1996, pursuant to RCW 35.45.150, there shall be issued installment notes payable to the Cumulative Reserve Subfund of the General Fund out of the Local Improvement Fund, District No. 6746, to be dated May 1, 1996, and to become due on May 1, 2008. The City may provide, before May 1, 2008, alternative financing for this obligation. The Note for Local Improvement District No. 6746 will be issued for a principal amount of \$39,000 representing the costs and expenses of the Local Improvement District No. 6746 which are to be borne by the property owners therein, including accrued interest. The note shall bear interest at the rate equal to 7.5% per annum, which is the rate currently paid by landowners participating in this local improvement district, to be paid annually on the unpaid balance

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3 of the note. This note shall be issued to the Cumulative Reserve
4 Subfund of the General Fund. Money from this Local Improvement
5 Fund shall be paid to the Cumulative Reserve Subfund of the
6 General Fund at least once a year, beginning within one year from
7 the date of issue, for the purpose of reducing the principal and
8 interest amounts, including accrued interest at issuance, due on
9 the installment note. Money from the local improvement fund
10 received by the Cumulative Reserve Subfund of the General Fund
11 first shall be applied toward interest due on the unpaid balance
12 of the installment note and any additional money thereafter shall
13 apply as a reduction of the principal amount of that note.
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17 **Section 3.** Effective May 1, 1996, pursuant to RCW 35.45.150,
18 there shall be issued installment notes payable to the Cumulative
19 Reserve Subfund of the General Fund out of the Local Improvement
20 Fund, District No. 6747, to be dated May 1, 1996, and to become
21 due on May 1, 2003. The City may provide, before May 1, 2003,
22 alternative financing for this obligation. The Note for Local
23 Improvement District No. 6747 will be issued for a principal
24 amount of \$128,676 representing the costs and expenses of Local
25 Improvement District No. 6747 which are to be borne by the
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3 property owners therein, including accrued interest. The note
4 shall bear interest at the rate equal to 5.5% per annum, which is
5 the rate currently paid by landowners participating in this local
6 improvement district, to be paid on the unpaid balance of the
7 note. This note shall be issued to the Cumulative Reserve
8 Subfund of the General Fund. Money from this Local Improvement
9 Fund shall be paid to the Cumulative Reserve Subfund of the
10 General Fund at least once a year, beginning within one year
11 after the date of issue, for the purpose of reducing the
12 principal and interest amounts, including accrued interest at
13 issuance, due on the installment note. Money from the local
14 improvement fund received by the Cumulative Reserve Subfund of
15 the General Fund first shall be applied toward interest due on
16 the unpaid balance of the installment note and any additional
17 money thereafter shall apply as a reduction of the principal
18 amount of that note.
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23 **Section 4.** The installment notes issued pursuant to this
24 ordinance shall bear on their face (1) the name of the payee; (2)
25 the designation of the local improvement district from whose
26 funds the notes are payable; (3) the date of issue of the note;

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3 (4) the date on which each note or the final installment thereof
4 shall become due; (5) the rate of interest to be paid on the
5 unpaid balance of each note; and (6) the manual or facsimile
6 signature as is required to appear on warrants of the City. The
7 reverse side of the installment note shall bear a tabular payment
8 record which shall indicate at prescribed installment dates the
9 receipt of any local improvement district funds for the purpose
10 of servicing the interest and principal indicated on each note.
11 The tabular payment record, in addition to the above, shall show
12 the unpaid balance due on each installment note together with
13 sufficient space opposite each transaction affecting each note
14 for the manual signature of the officer authorized to receive the
15 money for the payee.
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20 **Section 5.** Section 5 of Ordinance 116263 (LID 6746) is
21 amended as follows:

22 5. To finance the cost and expense of the
23 improvements contemplated in Section 1 of this ordinance,
24 which shall be borne by and assessed against the property
25 within the district, the City shall issue local improvement
26 district bonds, as authorized by R.C.W. 35.45, or in the

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5 alternative, consolidated local improvement district bonds,
6 as authorized by R.C.W. 35.45.160 or interfund notes as
7 authorized by R.C.W. 35.45.150. Such bonds or notes shall
8 be in such form, contain such covenants, bear such date or
9 dates, and shall be issued in such amounts and at such times
10 or from time to time as the City Council may direct.

11 Such bonds or notes shall be redeemed by the collection
12 of special assessments to be levied upon the property within
13 said district, payable in ten (10) equal annual
14 installments, with interest, or in the alternative, in ten
15 (10) equal annual installments of principal and interest, as
16 the City Council may direct.

17 The interest on the assessments shall be set equal to
18 the true interest cost on the bonds or notes, calculated on
19 the estimated maturities of the bonds or notes, rounded to
20 the next highest tenth of one percent.

21 In addition, in the event that an installment payment
22 is delinquent, it shall, until paid, be subject to an
23 additional charge of twenty percent (20%) levied upon the
24 principal and interest due on such installment. Interest on
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delinquent payment, including penalties, shall continue to be applied until the payment is made.

Section 6. Section 5 of Ordinance 116824 (LID 6747) is amended as follows:

5. To finance the costs and expense of the improvements contemplated in Section 1 of this ordinance, which shall be borne by and assessed against the property within the district, the City shall issue local improvement district bonds, as authorized by R.C.W. 35.45, or in the alternative, consolidated local improvement district bonds, as authorized by R.C.W. 35.45.160 or interfund notes as authorized by R.C.W. 35.45.150. Such bonds or notes shall be in such form, contain such covenants, bear such date or dates, and shall be issued in such amounts and at such times or from time to time as the City Council may direct.

Such bonds or notes shall be redeemed by the collection of special assessments to be levied upon the property within said district, payable in five (5) equal annual installments, with interest, or in the alternative, in five

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3 (5) equal annual installments of principal and interest, as
4 the City Council may direct.

5 The interest on the assessments shall be set equal to
6 the true interest cost on the bonds or notes, calculated on
7 the estimated maturities of the bonds or notes, rounded to
8 the next highest tenth of one percent.

9 In addition, in the event that an installment payment
10 is delinquent, it shall, until paid, be subject to an
11 additional charge of twenty percent (20%) levied upon the
12 principal and interest due on such installment. Interest on
13 delinquent payment, including penalties, shall continue to
14 be applied until the payment is made.

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19 **Section 7.** Any acts pursuant to the authority and prior to
20 the effective date of this ordinance are hereby ratified and
21 confirmed.
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Section 8. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 20 day of May, 1996, and signed by me in open session in authentication of its passage this 20 day of May, 1996.

Jan Orsago
President _____ of the City Council

Approved by me this 25 day of May, 1996.

Norman Bruce
Mayor

Filed by me this 28th day of May, 1996.

Jocelyn E. Papp
City Clerk

(Seal)

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APR 26 1996



City of Seattle

Department
of FinanceDwight D. Dively
Director of FinanceNorman B. Rice
Mayor

April 25, 1996

The Honorable Jan Drago
President, Seattle City Council
600 Fourth Avenue, 11th Floor
Seattle, Washington 98104

Via: Mayor's Office

Attention: Tom Tierney, Director, Office of Management & Planning

Subject: Legislation to Clean-up Local Improvement District Funds

Over the past few months, we have been working on cleaning up the City's processes for managing Local Improvement Districts (LIDs). The result of this work has been to develop a more efficient and economical mechanism for financing Local Improvement Districts and to clean up the LID fund accounting. Attached is legislation to accomplish the following:

- Attachment A: Amend the Municipal Code to allow longer-term interfund financing (installment notes) for LIDs.
- Attachment B: Amend ordinances which created two recent LIDs to allow interfund financing (installment notes).
- Attachment C: Write off certain uncollectible receivables from LID funds; close certain LID funds; consolidate residual assets and liabilities into the Guarantee Fund.
- Attachment D: Transfer any unneeded Guarantee Fund balance to the General Fund.

LIDs are a means by which property owners in an area pay some or all of the costs of a public improvement that will benefit them. LIDs are often used for street improvements, sidewalks, utility undergrounding, or other amenities. Although few LIDs have been formed in Seattle in recent years, interest in this financing mechanism appears to be growing.

Attachments A & B: State law requires the City to offer financing for LIDs if property owners choose not to pay the complete LID assessment in a single installment. We have found that the standard procedure of issuing bonds to finance LIDs is no longer economical, given the small size of the property owners' portion of recent LIDs (about \$39,000 for 47th SW and about \$125,000 for S. Dawson) and that the City is only infrequently using LIDs. Interfund financing is a more cost-effective alternative. In the past, LID funds have

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borrowed from the Cumulative Reserve Fund (CRF) for the short-term before bonds are issued. We recommend that the CRF now be used for longer-term financing of the two LIDs mentioned above (LID #6746 and #6747). We further recommend allowing the use of such interfund financing for other new LIDs, provided that the amount of needed financing is modest. Attachment A limits the total interfund borrowing to \$1 million. If the City were to accumulate that amount of debt against local improvement districts, it could be refinanced with a consolidated bond. If the City were to initiate a large LID, such as a multi-million LID for the Commons, local improvement district bonds would probably be preferable.

The overall policy change is authorized in Attachment A. The specific financing of LIDs #6746 and #6747 is authorized in Attachment B.

Attachment C: Several LID funds have been inactive for many years and remain open only because they show receivables reflecting delinquent accounts. Generally, the City initiates foreclosure proceedings on delinquent accounts. However, the City has recorded receivables from accounts for the State of Washington and King County as delinquent, even though these have been uncollectible for, in some cases, a very long time. Although the State of Washington never consented to the Streetcar LID, as required by RCW 79.44.040, the City carries a receivable (\$3,532.88) in CLID # 7 to reflect an expectation that it would someday pay.

Apparently, the City has never billed the County for assessments against County property, even though County property was often part of City LIDs. The City's records show that the County was a participant in eight LIDs, with assessments totaling \$4,561.44. Some of these LIDs date back to the 1960's. Since the City never billed the County for these LIDs, and the amount due is negligible, it would be impractical to collect now. Starting with LID 6747 (S. Dawson Street, 1995), the City will begin billing the County and the State for LIDs of which they are participants.

The attached ordinance authorizes the Finance Department to write off uncollectible LID receivables totaling \$8,094.32.

Minor residual assets, liabilities, and fund balances in these accounts will be transferred to the LID Guarantee Fund.

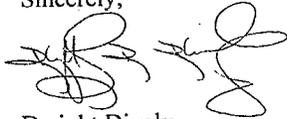
Attachment D: Since the only LID debt outstanding will be the installment notes issued for LID 6746 and 6747, most of the balance of the Guarantee Fund will no longer be required. Consequently, it will be transferred to the General Fund. This transfer will be about \$450,000, which will leave \$100,000 in the Guarantee Fund

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to provide the legally required guarantee for the two existing outstanding instalment notes for LID 6746 and LID 6747 and several small future LIDs. This balance is sufficient to guarantee a total of \$1 million of borrowing by local improvement districts.

If you have any questions, please feel free to contact Michael van Dyck at 684-5236.

Sincerely,



Dwight Dively
Finance Director

Attachments

cc: Gail Bartley, Engineering Department
Brian McCartan, Finance
Michael van Dyck
Sandy Cohen, Law Department
Saroja Reddy, Council Central Staff
Julie Pai, Office of Management & Planning
Carol Metcalf, Finance
Carolyn Walker, Finance

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City of Seattle

Executive Department—Office of Management and Planning

Thomas M. Tierney, Director
Norman B. Rice, Mayor

April 29, 1996

The Honorable Mark Sidran
City Attorney
City of Seattle

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING DEPARTMENT: Finance

SUBJECT: AN ORDINANCE relating to financing for local improvement districts Nos. 6746 and 6747; establishing funds for them and providing for the issuance of installment notes payable from District Nos. 6746 and 6747 of the City and providing for the sale of those notes to the Cumulative Reserve Subfund, and amending ordinances 116824 and 116263 in connection therewith.

Pursuant to the City Council's M.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMP. Any specific questions regarding the legislation can be directed to Julie Pai at 684-8085.

Sincerely,

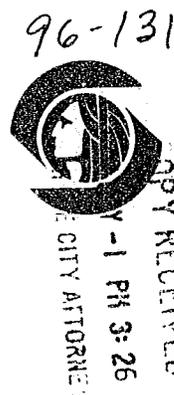
Norman B. Rice
Mayor

by

TOM TIERNEY
Director

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Enclosure



OK
2/2/96

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TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

Mr. Arthur Chase

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO: _____

PRESIDENT'S SIGNATURE

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STATE OF WASHINGTON - KING COUNTY

68630
City of Seattle, City Clerk

-ss.

No. ATTCH B/ORD

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

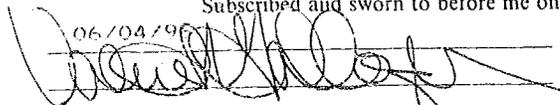
CT:ORD 118139

was published on

06/03/96

The amount of the fee charged for the foregoing publication is the sum of \$ _____, which amount has been paid in full.

Subscribed and sworn to before me on

06/04/96


Notary Public for the State of Washington,
residing in Seattle

Affidavit of Publication

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