

## Voted General Obligation Bonds: A Guide for Washington Cities

**General Obligation Bonds.** Washington cities may issue general obligation bonds under state law, including:

- Councilmanic or limited tax general obligation bonds (“LTGO” bonds), issued within a city’s nonvoted debt capacity. LTGO bonds are paid from regular property taxes and other available city funds.
- Voter-approved unlimited tax general obligation bonds (“UTGO” bonds), issued within a city’s voted debt capacity. UTGO bonds are paid from voter-approved “excess levies”, outside the constitutional and statutory limitations that apply to regular property taxes.

**Constitutional Authority.** The ground rules for issuing UTGO bonds are set forth directly in Article VII, section 2(b) of the Washington State Constitution, which provides that UTGO bonds may be issued:

- “By any taxing district otherwise authorized by law to issue general obligation bonds for capital purposes, for the sole purpose of making the required payments of principal and interest on general obligation bonds issued solely for capital purposes, other than the replacement of equipment...”
  - This provision permits UTGO bonds to be issued only for **capital purposes** (not including equipment replacement). Capitalizable costs may be funded, including engineering, architectural and other soft costs, costs of issuance and, subject to certain limitations, capitalized interest.
- “when authorized so to do by majority of at least three-fifths of the voters of the taxing district voting on the proposition to issue such bonds and to pay the principal and interest thereon by annual tax levies in excess of the limitation herein provided during the term of such bonds...”
  - This provision requires 60% voter approval and authorizes “excess” property tax levies to pay the bonds.
- “submitted not oftener than twice in any calendar year, at an election held in the manner provided by law for bond elections in such taxing district”.
  - This provision limits the frequency of ballot submittals to twice a year and defers to general election laws for ballot and election requirements.
  - State and local election law and regulations govern the specific steps involved in placing a ballot measure before the voters, and in communicating with voters.

Additional provisions require “validation” of the vote (the total number of voters in the election must be at least 40% of the total voters in the prior *general* election) and permit UTGOs to be refinanced without returning to the voters for approval.

**Election Timeline.** Cities may seek voter approval to issue UTGO bonds at any of the four election dates a year. For 2014, the election dates are as follows:

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- **special elections on February 11 and April 22;**
  - **a primary election on August 5; and**
  - **the general election on November 4.**
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A city must meet several deadlines well in advance of the election, to place a bond measure on the ballot.

**Election Resolution.** The city council must pass an election resolution. The election resolution:

- Proposes the form of the ballot measure requesting voter approval for the issuance of UTGO bonds and excess levies to pay debt service on the bonds. Under RCW 29A.36.071, the ballot language consists of:
  - An identification of the enacting legislative body (the city council);
  - A statement of the subject matter;
  - A concise description of the measure (no more than 75 words long, prepared or approved by the city attorney); and
  - A question (essentially, whether or not the proposition should be approved).
- Describes the capital project to be funded and outlines the circumstances, if any, under which the project may be changed. The city may reserve flexibility to reduce or expand the project scope, substitute project components or otherwise respond to changed circumstances over time;
- Sets certain parameters for the bonds, including the maximum principal amount and term; and
- Authorizes a request to the county auditor to submit the ballot proposition to the voters at a special election to be held on one of the statutory special, primary or general election dates.

The approved election resolution must be filed with the county auditor.

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**For the 2014 election dates, the first special election filing deadline was December 27, 2013 and the second is March 7, 2014. The primary election filing deadline is May 9, 2014. The general election filing deadline is August 5, 2014.**

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**Voters Pamphlet.** Under RCW 29A.32.241, a local voters' pamphlet includes, among other things:

- The text of each measure;
- An explanatory statement stating the effect of a ballot measure, if passed into law (in King County, the explanatory statement may not be more than 250 words) prepared and reviewed by the city attorney; and
- Arguments for and against the measure
  - Submitted by pro/con committees;
  - Selected pursuant to RCW 29A.32.280 (appointed by the city council not later than 45 days before the publication of the pamphlet).

It is important to review the county administrative rules regarding elections to understand the timeframe and other requirements of the voters' pamphlet.

**Public Disclosure Commission Rules.** As always, the city must abide by Public Disclosure Commission statutes and regulations, in connection with communications or use of resources regarding the ballot measure.