

Reported Recommending.....
Ind. Postponed.....
Passed Senate.....
Failed to Pass Senate.....
Passed House.....
Failed to Pass House.....

Senate File 488

March 10, 1941.

By COMMITTEE ON CITIES AND TOWNS.

Placed on Calendar.

A BILL FOR

An Act to amend chapter three hundred eight (308), Code, 1939, relating to street improvements, sewers and special assessments by providing an optional method of financing following section six thousand twelve (6012). This optional method permits the creation of the establishment of a deficiency fund.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Default and deficiency fund. At the option
2 of the council the assessment as prepared may include an item
3 to be known as the default and deficiency fund not to exceed
4 10% of the total estimated cost of the improvement including
5 all incidentals which shall be added thereto, and which said
6 fund shall be used to pay deficits and defaulted installments
7 and other unforeseen costs and expenses incidental to said
8 improvement and assessment, including payments made by the city
9 for tax sales or redemption from tax sales.

1 Sec. 2. Rebate to property owner. After ten years and
2 seven months from the date of certification of any schedule of
3 assessment to the county treasurer for collection of any
4 assessment, if all bonds, certificates, interest, penalties,
5 deficits, defaulted installments and proper charges against

6 the proceeds of the collection of any assessment for any public
7 improvement are fully paid, then the balance remaining in said
8 fund shall be rebated to the property owners named in the original
9 schedule of assessments who have paid their assessments in
10 full in the proportion that any assessment bears to the whole
11 assessment. If at the end of the eleventh year from the first
12 day of April following the certification of the levy of an
13 assessment to the county treasurer there is still a balance
14 remaining in said fund so collected from said assessment after
15 allowing for the retirement of all bonds, interest and proper
16 charges, then said property owners so failing to collect the
17 same shall forfeit all right and title to the same and said
18 fund shall be transferred to the improvement fund.

1 Sec. 3. Notice of rebate. Notice of the availability of
2 funds for rebate as provided in the preceding section shall
3 be given by one publication in a newspaper published in said
4 city. If there be no such newspaper, such notice shall be given
5 by posting the same in three public places within the limits
6 of such city.

EXPLANATION OF S. F. 488

This bill makes available to all cities and towns within the state the method of financing now used by the city of Des Moines only under sections 6610-c19 and 6610-c62. Under existing statutes and court decisions there is no municipal responsibility behind certificates and bonds issued in anticipation of the collection of special assessments. The result is a suspicion on the part of potential bond or certificate purchasers and a heavy discount in the sale of the same. The result is that such discount must be added to the basic contract sum by bidders and the cost of improvement work is thereby materially increased to the detriment of the property owner. While this "default and deficiency fund" results in an initial addition to the cost of the improvement, such addition is offset by the sale of the securities at par and a possible additional benefit is the rebate provided in the event that ultimate defaults are less than the fund provided to cover them.