

CHAPTER 102.

[S. B. 179.]

AUTHORIZING WATER DISTRICTS TO ESTABLISH LOCAL IMPROVEMENT GUARANTY FUNDS.

AN ACT authorizing water districts to establish and maintain local improvement guaranty funds to be derived from a percentage of the gross revenues of the water supply systems of the districts, and amending sections 11589-1, 11589-2, and 11589-3 of Remington's Revised Statutes, being sections 1, 2, and 3 of chapter 82 of the Session Laws of 1935.

Be it enacted by the Legislature of the State of Washington:

SECTION 1. That section 11589-1 of Remington's Revised Statutes be and the same is hereby amended to read as follows:

Amends
§ 11589-1 Rem.
Rev. Stat.
(§ 7250-24
P. C.)

Section 11589-1. Every water district in the state is hereby authorized to create a fund for the purpose of guaranteeing, to the extent of such fund, and in the manner hereinafter provided, the payment of all of its local improvement bonds issued, subsequent to the effective date of this act, to pay for any local improvement within its confines. Such fund shall be designated "Local Improvement Guaranty Fund, Water District No.....," and shall be established by resolution of the board of water commissioners. For the purpose of maintaining such fund, every water district, after the establishment thereof, shall at all times set aside and pay into such a fund such proportion of the monthly gross revenues of the water supply system of such water district as the commissioners thereof may direct by resolution. This proportion may be varied from time to time as the commissioners deem expedient or necessary: *Provided, however,* That under the existence of the conditions set forth in subsections (a) and (b) next hereunder, then the proportion must be as therein specified, to-wit:

Local im-
provement
guaranty
fund created.

Bonds.

(a) Whenever any bonds of any local improvement district have been guaranteed under this act and the guaranty fund does not have a cash balance equal to twenty per cent (20%) of all bonds originally guaranteed under this act, (excluding issues which have been retired in full) then twenty per cent (20%) of the gross monthly revenues derived from all water users in the territory included in said local improvement district (but not necessarily from users in other parts of the water district as a whole) shall be set aside and paid into the guaranty fund: *Provided, however,* That whenever, under the requirements of this subsection, said cash balance accumulates so that it is equal to twenty per cent (20%) of all bonds guaranteed, or to the full amount of all bonds guaranteed, outstanding and unpaid (which amount might be less than twenty per cent (20%) of the original total guaranteed), then no further monies need be set aside and paid into said guaranty fund so long as said condition shall continue;

Payments
into fund.

Warrants
issued
against
fund.

(b) Whenever any warrants issued against the guaranty fund, as hereinbelow provided, remain outstanding and uncalled for lack of funds for six (6) months from date of issuance thereof; or whenever any coupons or bonds guaranteed under this act have been matured for six (6) months and have not been redeemed either in cash or by issuance and delivery of warrants upon the guaranty fund, then twenty per cent (20%) of the gross monthly revenues (or such portion thereof as the commissioners of the water district determine will be sufficient to retire said warrants or redeem said coupons or bonds in the ensuing six (6) months) derived from all water users in the water district shall be set aside and paid into the guaranty fund: *Provided, however,* That whenever under the requirements of this subsection all warrants, coupons,

or bonds specified in this subsection above have been redeemed, no further income need be set aside and paid into said guaranty fund under the requirements of this subsection until and unless other warrants remain outstanding and unpaid for six (6) months or other coupons or bonds default;

(c) For the purpose of complying with the requirements of setting aside and paying into the local improvement guaranty fund a proportion of the monthly gross revenues of the water supply system of any water district, as hereinabove provided, said water district shall bind and obligate itself to maintain and operate said system and further bind and obligate itself to establish, maintain and collect such rates for water as will produce gross revenues sufficient to maintain and operate said water supply system and to make necessary provision for the local improvement guaranty fund as specified by this amendment. And said water district shall alter its rates for water from time to time and shall vary the same in different portions of its territory to comply with the said requirements;

Compliance
with re-
quirements.

(d) Whenever any coupon or bond guaranteed by this act shall mature and there shall not be sufficient funds in the appropriate local improvement district bond redemption fund to pay same, then the county treasurer shall pay same from the local improvement guaranty fund of the water district; if there shall not be sufficient funds in the said guaranty fund to pay same, then the same may be paid by issuance and delivery of a warrant upon the local improvement guaranty fund;

Maturity of
bonds or
coupons.

(e) Whenever the cash balance in the local improvement guaranty fund is insufficient for the required purposes, warrants drawing interest at a rate not to exceed seven per cent (7%) per annum may be issued by the county auditor of the county in which the water district is located, against the

Insufficient
cash balance.

said fund to meet any liability accrued against it and must be issued upon demand of the holders of any maturing coupons and/or bonds guaranteed by this act, or to pay for any certificates of delinquency for delinquent installments of assessments as provided in subsection (f) hereunder. Guaranty fund warrants shall be a first lien in their order of issuance upon the gross revenues set aside and paid into said fund;

Delinquent assessments.

(f) Within twenty (20) days after the date of delinquency of any annual installment of assessments levied for the purpose of paying the local improvement bonds of any water district guaranteed under the provisions of this act, it shall be mandatory for the county treasurer of the county in which said water district is located to compile a statement of all installments delinquent, together with the amount of accrued interest and penalty appurtenant to each of said installments. Thereupon the county treasurer shall forthwith purchase (for the water district) certificates of delinquency for all such delinquent installments. Payment for all such certificates of delinquency shall be made from the local improvement guaranty fund and if there shall not be sufficient monies in said fund to pay for such certificates of delinquency, the county treasurer shall accept said local improvement guaranty fund warrants in payment therefor. All such certificates of delinquency shall be issued in the name of the local improvement guaranty fund and all guaranty fund warrants issued in payment therefor shall be issued in the name of the appropriate local improvement district fund. Whenever any market is available and the commissioners of the water district so direct, the county treasurer shall sell any certificates of delinquency belonging to the local improvement guaranty fund: *Provided*, That any such sale must not be for less than face

Certificates of delinquency purchased by district.

Sale.

value thereof plus accrued interest from date of issuance to date of sale;

Such certificates of delinquency, as above provided, shall be issued by the county treasurer of the county in which the water district is located, shall bear interest at the rate of ten per cent (10%) per annum, shall be in each instance for the face value of the delinquent installment, plus accrued interest to date of issuance of certificate of delinquency, plus a penalty of five per cent (5%) of such face value, and shall set forth:

Interest rate.

- (1) Description of property assessed;
- (2) Date installment of assessment became delinquent;
- (3) Name of owner or reputed owner, if known;

Redemption by owner.

Such certificates of delinquency may be redeemed by the owner of the property assessed at any time up to two (2) years from the date of foreclosure of such certificate of delinquency;

If any such certificate of delinquency be not redeemed on the second occurring first day of January subsequent to its issuance, the county treasurer shall then proceed to foreclose such certificate of delinquency in the manner specified for the foreclosure of the lien of local improvement assessments, pursuant to chapter 9 of the Session Laws of 1933 and amendments thereto; and if no redemption be made within the succeeding two (2) years shall execute and deliver a deed conveying fee simple title to the property described in the foreclosed certificate of delinquency.

Foreclosure of certificates.

Deed.

SEC. 2. That section 11589-2 of Remington's Revised Statutes be and the same is hereby amended to read as follows:

Amends § 11589-2 Rem. Rev. Stat. (§ 7250-24c P. C.)

Section 11589-2. Whenever there shall be paid out of a guaranty fund any sum on account of principal or interest upon a local improvement bond, or on account of purchase of certificates of delin-

Payments.

quency, the water district, as trustee for the fund, shall be subrogated to all rights of the holder of the bonds, or interest coupons, or delinquent assessment installments, so paid; and the proceeds thereof, or of the assessment or assessments underlying the same, shall become a part of the guaranty fund. There shall also be paid into each guaranty fund the interest received from the bank deposits of the fund, as well as any surplus remaining in the local improvement funds guaranteed under this act, after the payment of all outstanding bonds payable primarily out of such local improvement funds. As among the several issues of bonds guaranteed by the fund, no preference shall exist, but defaulted interest coupons, bonds shall be purchased out of the fund in the order of their presentation.

Rules and
regulations.

The commissioners of every water district operating under the provisions of this act shall prescribe, by resolution, appropriate rules and regulations for the guaranty fund, not inconsistent herewith. So much of the money of a guaranty fund as is necessary and is not required for other purposes under the terms of this act may, at the discretion of the commissioners of the water district, be used to purchase property at county tax foreclosure sales or from the county after foreclosure in cases where such property is subject to unpaid local improvement assessments securing bonds guaranteed under this act and such purchase is deemed necessary for the purpose of protecting the guaranty fund. In such cases the said fund shall be subrogated to all rights of the water district. After so acquiring title to real property, the water district may lease or resell and convey the same in the same manner that county property is authorized to be leased or resold and for such prices and on such terms as may be determined by resolution of the board of water commissioners. Any provision of law to the

contrary notwithstanding, all proceeds resulting from such resales shall belong to and be paid into the guaranty fund.

SEC. 3. That section 11589-3 of Remington's Revised Statutes be and the same is hereby amended to read as follows:

Amends
§ 11589-3 Rem.
Rev. Stat.
(§ 7250-24d
P. C.)

Section 3. Neither the holder nor the owner of any local improvement bonds guaranteed under the provisions of this act shall have any claim therefor against the water district by which the same is issued, except for payment from the special assessment made for the improvement for which said local improvement bonds were issued, and except as against the local improvement guaranty fund of said water district; and the water district shall not be liable to any holder or owner of such local improvement bond for any loss to the guaranty fund occurring in the lawful operation thereof by the water district. The remedy of the holder or owner of a local improvement bond, in case of nonpayment, shall be confined to the enforcement of the assessment and to the guaranty fund. A copy of the foregoing part of this section shall be plainly written, printed or engraved on each local improvement bond guaranteed by this act. The establishment of a local improvement guaranty fund by any water district shall not be deemed at variance from any comprehensive plan heretofore adopted by such water district.

Limitation on
claims and
remedies of
bondholders.

In the event any local improvement guaranty fund hereunder authorized at any time has a balance therein in cash, and the obligations guaranteed thereby have all been paid off, then such balance shall be transferred to the maintenance fund of the water district.

Surplus
transferred
to mainte-
nance fund.

Passed the Senate February 18, 1937.

Passed the House March 7, 1937.

Approved by the Governor March 13, 1937.