

or sporting contest, shall be guilty of a gross misdemeanor.

Passed the House March 10, 1941.

Passed the Senate March 9, 1941.

Approved by the Governor March 24, 1941.

CHAPTER 182.

[S. H. B. 219.]

PUBLIC UTILITY DISTRICT BONDS OR WARRANTS.

AN ACT relating to public utility districts and the issuance, sale, redemption, funding and refunding of revenue bonds or warrants thereby; specifying provisions and conditions thereof and covenants that may be contained therein; providing for the registration and validation thereof; making the same legal securities for certain purposes; declaring the same to be negotiable instruments; repealing all acts or parts of acts in conflict herewith; and providing that this act shall take effect immediately.

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

SECTION 1. Whenever the Commission of a public utility district, organized pursuant to chapter 1 of the Laws of 1931 (sections 11605 et seq. of Remington's Revised Statutes) shall deem it advisable that the district purchase, purchase and condemn, acquire or construct any public utility, or make any additions or betterments thereto or extensions thereof, the Commission shall provide therefor by resolution, which shall specify and adopt the system or plan proposed and declare the estimated cost thereof, as near as may be, including as part of such cost funds necessary for working capital for the operation of such public utility by the district and for the payment of the expenses incurred in the acquisition or construction thereof, and shall specify whether general obligation bonds or utility revenue

Resolution by
Commission.

Contents.

Type of
bonds.

bonds or warrants are to be issued to defray such cost and the amount of such bonds or warrants.

The Commissioners may provide in such resolution that any additional works, plants or facilities subsequently acquired or constructed by the district for the same uses, whether or not physically connected therewith, shall be deemed additions or betterments to or extensions of such public utility.

Resolution to specify need.

SEC. 2. Whenever the Commission shall deem it advisable to issue revenue bonds or warrants for the purpose of defraying the cost or part of the cost of such public utility or any additions or betterments thereto or extensions thereof, it shall have power as a part of such plan and system to create a special fund or funds for the purpose of defraying the cost of such public utility, or additions of betterments thereto or extensions thereof, into which special fund or funds it may obligate and bind the district to set aside and pay a fixed proportion of the gross revenues of such public utility, and all additions or betterments thereto or extensions thereof, or any fixed amount out of, and not exceeding a fixed proportion of such revenues, or a fixed amount without regard to any fixed proportion, or an amount of such revenues equal to a fixed percentage of the aggregate principal amount of utility revenue bonds or warrants at any time issued against such special fund or funds, and to issue and sell utility revenue bonds or warrants payable as to both principal and interest only out of such fund or funds.

To create special fund.

May obligate district.

Such bonds or warrants shall be payable at such place or places and at such time or times, both as to principal and interest, and shall bear interest at such rate or rates payable semi-annually as the Commission shall determine.

Bonds payable as directed.

SEC. 3. Any resolution creating any such special fund and authorizing the issue of revenue bonds or warrants payable therefrom shall specify the title of

To specify
title to bonds.

such bonds or warrants as determined by the Commission and may contain covenants by the district to protect and safeguard the security and the rights of the holders of such bonds and warrants, including covenants as to, among other things (a) the purpose or purposes to which the proceeds of sale of such bonds or warrants may be applied and the use and disposition thereof; (b) the use and disposition of the gross revenues of the public utility, and any additions or betterments thereto or extensions thereof, the cost of which is to be defrayed with such proceeds, including the creation and maintenance of funds for working capital to be used in the operation of the public utility and for renewals and replacements to the public utility; (c) the amount, if any, of additional bonds or warrants payable from such fund which may be issued and the terms and conditions on which such additional bonds or warrants may be issued; (d) the establishment and maintenance of adequate rates and charges for electric energy, water and other services, facilities and commodities sold, furnished or supplied by the public utility; (e) the operation, maintenance, management, accounting and auditing of the public utility; (f) the terms upon which such bonds or warrants or any of them may be redeemed at the election of the district; and (g) limitations upon the right to dispose of such public utility or any part thereof without providing for the payment of the outstanding bonds.

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Bonds to be
sold by
Commission.

SEC. 4. Such utility revenue bonds or warrants shall be sold in such manner and for such price or prices as the Commission shall deem for the best interests of the district: *Provided*, That the aggregate interest cost to maturity of the money received for any such issue shall not exceed six per cent (6%) per annum. The Commission may, if it deem it to the best interest of the district, provide in any con-

Interest rate.

tract for the construction or acquisition of the public utility, or the additions or betterments thereto or extensions thereof, that payment therefor shall be made only in such revenue bonds or warrants at the par value thereof.

Payment may be made only by revenue bonds.

SEC. 5. In creating any special fund for the payment of any issue of revenue bonds, the Commission shall have due regard to the cost of operation and maintenance of the plant or system as constructed or added to, and to any proportion or amount of the revenues previously pledged as a fund for the payment of utility revenue bonds or warrants, and shall not set aside into such special fund or funds a greater amount or proportion of the revenues and proceeds than in its judgment will be available over and above such cost of maintenance and operation and the amount or proportion, if any, of the revenues so previously pledged. Any such bonds or warrants and interest thereon issued against any such fund as herein provided shall be a valid claim of the holder thereof only as against such special fund and the proportion or amount of the revenues pledged to such fund, but shall constitute a prior charge over all other charges or claims whatsoever, including the charge or lien of any general obligation bonds against such fund and the proportion or amount of the revenues pledged thereto. Such bonds or warrants shall not constitute an indebtedness of such district within the meaning of the constitutional provisions and limitations. Each such bond or warrant shall state on its face that it is payable from a special fund, naming such fund and the resolution creating it.

To pledge profit to special fund.

Holder of bond has claim against fund.

Revenue bonds not general indebtedness.

SEC. 6. Prior to the issue and delivery of any revenue bonds, such bonds and a certified copy of the resolution authorizing the issuance thereof shall be forwarded by the Commission to the State Auditor together with any additional information that he

Resolution to be filed with State Auditor.

Bonds to be registered by Auditor.

may require, and when such bonds have been examined they shall be registered by the State Auditor in books to be kept by him for the purpose and a certificate of such registration shall be endorsed upon each bond and signed by the State Auditor or a deputy appointed by him for the purpose. Such bonds, after having been so registered and bearing such certificate, shall be held in every action, suit or proceeding in which their validity is or may be brought into question prima facie valid and binding obligations of the districts in accordance with their terms, notwithstanding any defects or irregularities in the proceedings for the organization of the district and the election of the Commissioners thereof or for the authorization and issuance of such bonds or in the sale, execution or delivery thereof.

Commission to fix rates for utility.

SEC. 7. The Commission of each district which shall have revenue bonds or warrants outstanding shall have the power and shall be required to establish, maintain and collect rates or charges for electric energy and water and other services, facilities and commodities sold, furnished or supplied by the district which shall be fair and non-discriminatory and adequate to provide revenues sufficient for the payment of the principal of and interest on such bonds or warrants and all payments which the district is obligated to set aside in any special fund or funds created for such purpose, and for the proper operation and maintenance of the public utility owned by the district and all necessary repairs, replacements and renewals thereof.

Sufficient to pay operation and debts.

May refund.

SEC. 8. Whenever any district shall have outstanding any utility revenue warrants or bonds, the Commission shall have power by resolution to provide for the issuance of funding or refunding bonds with which to take up and refund such outstanding warrants or bonds or any part thereof at the maturity thereof or before maturity of the same be by

their terms or by other agreement subject to call for prior redemption, with the right in the Commission to combine various series and issues of such outstanding warrants or bonds by a single issue of funding or refunding bonds. Such funding or refunding bonds shall be payable only out of a special fund created out of the gross revenues of such public utility, and shall only be a valid claim as against such special fund and the amount of the revenues of such utility pledged to such fund. The coupon rate of interest on funding or refunding bonds shall not exceed the coupon rate of interest on the warrants and bonds funded or refunded thereby. Such funding or refunding bonds shall in the discretion of the Commission be exchanged at par for the warrants or bonds which are being funded or refunded or shall be sold in such manner as the Commission shall deem for the best interest of the district. Said funding or refunding bonds shall except as specifically provided in this section, be issued in accordance with the provisions with respect to utility revenue bonds and warrants in this act set forth.

May combine issues.

Refunding bonds payable only from gross revenues.

Refunding bonds exchanged at par.

SEC. 9. All the revenue bonds or warrants, including funding and refunding bonds, shall be signed by the President of the Commission, attested by the Secretary, and the seal of the district be affixed to each bond: *Provided*, That the interest coupons may have printed or lithographed facsimiles of the signatures of such officers.

Form of revenue bonds.

SEC. 10. The provisions of this act and the provisions of chapter 1, Laws of 1931, not hereby superseded, and of any resolution or resolutions providing for the issuance of any revenue bonds as herein set forth shall constitute a contract with the holder or holders of such bonds or warrants and the obligations of the district and its commission under said acts and any such resolution or resolutions shall be enforceable by any bond or warrant holder by man-

Existing bonds valid unless superseded herein.

damus or any other appropriate suit or action in any court of competent jurisdiction.

Obligations
created are
legal
security.

SEC. 11. All bonds and warrants issued under the authority of chapter 1, Laws of 1931, and this act shall be legal securities, which may be used by any bank or trust company for deposit with the State Treasurer, or any county, city or town Treasurer, as security for deposits in lieu of a surety bond under any law relating to deposits of public moneys and shall constitute legal investments for trustees and other fiduciaries other than corporations doing a trust business in this state and for savings and loan associations, banks and insurance companies doing business in this state. All such bonds and all coupons appertaining thereto shall be negotiable instruments within the meaning of and for all purposes of the negotiable instruments law of this state.

Bonds
negotiable.

Partial
invalidity.

SEC. 12. If any section or provision of this act shall be adjudged to be invalid such adjudication shall not affect the validity of the act as a whole or any section, provision or part thereof not adjudged to be invalid.

Conflicting
acts repealed.

SEC. 13. All acts or parts of acts in conflict herewith are hereby repealed.

Effective
immediately.

SEC. 14. This act is necessary for the promotion of the public welfare and the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House March 1, 1941.

Passed the Senate March 10, 1941.

Approved by the Governor March 24, 1941.