

CHAPTER 231.

[H. B. 141.]

MUNICIPAL UTILITIES—REVENUE BONDS.

AN ACT relating to city and town public utility revenue bonds; providing that same shall be negotiable instruments; and for parity of lien as between issues; and for the maintenance of adequate rates; and amending section 80.40.100, RCW.

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

SECTION 1. Section 80.40.100, RCW, as derived from section 4, chapter 150, Laws of 1909, as last amended by section 3, chapter 53, Laws of 1931, is amended to read as follows: Amendment.

When the voters of a city or town, or the corporate authorities thereof, have adopted a proposition for any public utility and either no general indebtedness has been authorized or the corporate authorities do not desire to incur a general indebtedness, and when the corporate authorities are authorized to exercise any of the powers conferred by this chapter without submitting the proposition to a vote, the corporate authorities may create a special fund for the sole purpose of defraying the cost of the public utility or addition, betterment, or extension thereto, into which special fund they may obligate and bind the city or town to set aside and pay a fixed proportion of the gross revenues of the utility, 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, and issue and sell bonds or warrants bearing interest not exceeding six per cent per year, payable semiannually, executed in such manner and payable at such times and places as the corporate authorities shall determine, but the bonds or warrants and the interest thereon shall be payable only out of the special fund. Such bonds shall be negotiable instruments within the meaning When authorized.

Interest.

Negotiable instruments.

of the negotiable instruments law, RCW title 62, notwithstanding same are made payable out of a particular fund contrary to the provisions of RCW 62-.01.003.

Sewage disposal plant.

When corporate authorities deem it necessary to construct any sewage disposal plant, it may be considered as a part of the waterworks department of the city or town and the cost of construction and maintenance thereof may be chargeable to the water fund of the municipality, or to any other special fund which the corporate authorities may by ordinance designate.

Considerations in creating special fund.

In creating a special fund, the corporate authorities 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 part of the revenue previously pledged as a fund for the payment of bonds, warrants, or other indebtedness, and shall not set aside into such special fund a greater amount or proportion of the revenue and proceeds than in their judgment will be available above such cost of maintenance and operation and the amount or proportion, if any, of the revenue so previously pledged. Rates shall be maintained adequate to service such bonds and to maintain the utility in sound financial condition.

Only special fund liable.

The bonds or warrants and interest thereon issued against any such fund shall be a valid claim of the holder thereof only as against the special fund and its fixed proportion or amount of the revenue pledged thereto, and shall not constitute an indebtedness of the city or town within the meaning of constitutional provisions and limitations. Each bond or warrant shall state upon its face that it is payable from a special fund, naming it and the ordinance creating it. The bonds and warrants shall be sold in such manner as the corporate authorities shall deem for the best interest of the city or town, and they may provide in

Sale.

any contract for the construction and acquirement of the proposed improvement that payment therefor shall be made only in such bonds and warrants at par value thereof.

When a special fund is created and any such obligation is issued against it, a fixed proportion, or a fixed amount out of and not exceeding such fixed proportion, or a fixed amount without regard to any fixed proportion, of revenue shall be set aside and paid into such fund as provided in the ordinance creating it, and in case the city or town fails to thus set aside and pay such fixed proportion or amount, the holder of any bond or warrant against the fund may bring action against the city or town and compel such setting aside and payment: *Provided, That* whenever the corporate authorities of any such city or town shall so provide by ordinance then all such bonds thereafter issued shall be on a parity, without regard to date of issuance or authorization and without preference or priority of right or lien with respect to participation of special funds in amounts from gross revenues for payment thereof.

Revenue
deposits to
special fund.

Compelling
deposit and
payment.

Parity of
issues.

Passed the House February 27, 1953.

Passed the Senate March 10, 1953.

Approved by the Governor March 20, 1953.