

bodies buried therein and suitably reinter them elsewhere to the satisfaction of relatives, if they can be found.

Passed the Senate February 19, 1959.

Passed the House March 10, 1959.

Approved by the Governor March 20, 1959.

CHAPTER 218.

[ S. B. 219. ]

PUBLIC UTILITY DISTRICTS—FINANCES.

AN ACT relating to public utility district financing; authorizing funding and refunding procedures; amending section 8, chapter 390, Laws of 1955 and RCW 54.16.070, section 1, chapter 140, Laws of 1957 and RCW 54.24.010, sections 1, 2, and 4 through 11, chapter 182, Laws of 1941 and section 3, chapter 182, Laws of 1941, as amended by section 2, chapter 143, Laws of 1945, and RCW 54.24.020 through 54.24.120, adding two sections to chapter 54.04 RCW; and declaring an emergency.

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

RCW 54.16.070 amended.

SECTION 1. Section 8, chapter 390, Laws of 1955, and RCW 54.16.070 are each amended to read as follows:

May borrow money and issue bonds.

A district may contract indebtedness or borrow money for any corporate purpose on its credit or on the revenues of its public utilities, and to evidence such indebtedness may issue general obligation bonds or revenue obligations, the general obligation bonds not to be sold for less than par and accrued interest; may issue and sell local utility district bonds of districts created by the commission, and may purchase with surplus funds such local utility district bonds, and may create a guaranty fund to insure prompt payment of all local utility district bonds.

RCW 54.24.010 amended.

SEC. 2. Section 1, chapter 140, Laws of 1957 and RCW 54.24.010 are each amended to read as follows:

Treasurer—  
Bond—Duties  
—Funds—  
Depositories.

The treasurer of the county in which a utility district is located shall be ex officio treasurer of the district: *Provided*, That the commission by resolution may designate some other person having experience in financial or fiscal matters as treasurer of the utility district. The commission may, and if the treasurer is not the county treasurer it shall, require a bond, with a surety company authorized to do business in the state of Washington, in an amount and under the terms and conditions which the commission by resolution from time to time finds will protect the district against loss. The premium on any such bond shall be paid by the district.

All district funds shall be paid to the treasurer and shall be disbursed by him only on warrants issued by an auditor appointed by the commission, upon orders or vouchers approved by it. The treasurer shall establish a public utility district fund, into which shall be paid all district funds, and he shall maintain such special funds as may be created by the commission, into which he shall place all money as the commission may, by resolution, direct.

If the treasurer of the district is the treasurer of the county all district funds shall be deposited with the county depositories under the same restrictions, contracts, and security as provided for county depositories; if the treasurer of the district is some other person, all funds shall be deposited in such bank or banks authorized to do business in this state as the commission by resolution shall designate, and with surety bond to the district or securities in lieu thereof of the kind, no less in amount, as provided in RCW 36.48.020 for deposit of county funds.

Such surety bond or securities in lieu thereof shall be filed or deposited with the treasurer of the district, and approved by resolution of the commission.

All interest collected on district funds shall be-

long to the district and be deposited to its credit in the proper district funds.

A district may provide and require a reasonable bond of any other person handling moneys or securities of the district: *Provided*, That the district pays the premium thereon.

RCW 54.24.020  
amended.

SEC. 3. Section 1, chapter 182, Laws of 1941 and RCW 54.24.020 are each amended to read as follows:

Bonds or war-  
rants for cost  
of utilities.

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 revenue obligations are to be issued to defray such cost and the amount of such general obligation bonds or revenue obligations.

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.

RCW 54.24.030  
amended.

SEC. 4. Section 2, chapter 182, Laws of 1941 and RCW 54.24.030 are each amended to read as follows:

Whenever the commission shall deem it advisable to issue revenue obligations 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 or 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 revenue obligations at any time issued against the special fund or funds, and to issue and sell revenue obligations payable as to both principal and interest only out of such fund or funds.

Revenue  
bonds or war-  
rants—Form—  
Special fund—  
Short term  
obligations—  
Time and  
place of pay-  
ment—Inter-  
est.

Such revenue obligations shall bear such date or dates, mature at such time or times, be in such denominations, be in such form, either coupon or registered, or both, carry such registration privileges, be made transferable, exchangeable, and interchangeable, be payable in such medium of payment, at such place or places, and be subject to such terms of redemption as the commission shall by resolution determine.

Any resolution or resolutions authorizing the issuance of any revenue obligations maturing in not exceeding six years from the date thereof (hereinafter in this section referred to as "short term obligations") may contain, in addition to all other provisions authorized by this title, and as an alternate method for the payment thereof, provisions which shall be a part of the contract with the holders of the short term obligations thereby authorized as to:

(1) Refunding the short term obligations at or prior to maturity and, if so provided, outstanding

Revenue  
bonds or war-  
rants—Form—  
Special fund—  
Time and  
place of pay-  
ment—Short  
term obliga-  
tions—Inter-  
est.

bonds by the issuance of revenue bonds of the district either by the sale of bonds and application of the proceeds to the payment of the short term obligations and outstanding bonds or by the exchange of bonds for the short term obligations;

(2) Satisfying, paying, or discharging the short term obligations at the election of the district by the tender or delivery of revenue bonds of the district in exchange therefor: *Provided*, That the aggregate principal amount of bonds shall not exceed by more than five percent the aggregate principal amount of the short term obligations, to satisfy, pay, or discharge said short term obligations for which the bonds are tendered or delivered;

(3) Exchanging or converting the short term obligations at the election of the holder thereof for or into the bonds of the district: *Provided*, That the aggregate principal amount of the bonds shall not exceed by more than five percent the aggregate principal amount of the short term obligations to be exchanged for or converted into bonds;

(4) Pledging bonds of the district as collateral to secure payment of the short term obligations and providing for the terms and conditions of the pledge and the manner of enforcing the pledge, which terms and conditions may provide for the delivery of the bonds in satisfaction of the short term obligations: *Provided*, That the aggregate principal amount of the bonds pledged shall not exceed by more than five percent the aggregate principal amount of the short term obligations to secure said short term obligations for which they are pledged;

(5) Depositing bonds in escrow or in trust with a trustee or fiscal agent or otherwise providing for the issuance and disposition of the bonds as security for carrying out any of the provisions in any resolution adopted pursuant to this section and providing for the powers and duties of the trustee, fiscal

agent, or other depositary and the terms and conditions upon which the bonds are to be issued, held and disposed of;

(6) Any other matters of like or different character which relate to any provision or provisions of any resolution adopted pursuant to this section.

A district shall have power to make contracts for the future sale from time to time of revenue obligations by which the purchasers shall be committed to purchase such revenue obligations from time to time on the terms and conditions stated in such contract; and a district shall have power to pay such consideration as it shall deem proper for such commitments.

SEC. 5. Section 5, chapter 182, Laws of 1941 and RCW 54.24.040 are each amended to read as follows:

RCW 54.24.040 amended.

In creating any special fund for the payment of revenue obligations, the commission shall have due regard to the cost of operation and maintenance of the plant or system constructed or added to, and to any proportion or amount of the revenues previously pledged as a fund for the payment of revenue obligations, 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 revenue obligations 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 revenue obligations shall not constitute an indebtedness of such district within the meaning of

Considerations in creating special fund.

the constitutional provisions and limitations. Each revenue obligation shall state on its face that it is payable from a special fund, naming such fund and the resolution creating it, or shall describe such alternate method for the payment thereof as shall be provided by the resolution authorizing same.

It is the intention hereof that any pledge of the revenues or other moneys or obligations made by a district shall be valid and binding from the time that the pledge is made; that the revenues or other moneys or obligations so pledged and thereafter received by a district shall immediately be subject to the lien of such pledge without any physical delivery or further act, and that the lien of any such pledge shall be valid and binding as against any parties having claims of any kind in tort, contract, or otherwise against a district irrespective of whether such parties have notice thereof. Neither the resolution or other instrument by which a pledge is created need be recorded.

RCW 54.24.050  
amended.

SEC. 6. Section 3, chapter 182, Laws of 1941, as amended by section 2, chapter 143, Laws of 1945, and RCW 54.24.050 are each amended to read as follows:

Covenants to  
secure bond-  
holders.

Any resolution creating any such special fund or authorizing the issue of revenue obligations payable therefrom, or by such alternate method of payment as may be provided therein, shall specify the title of such revenue obligations as determined by the commission and may contain covenants by the district to protect and safeguard the security and the rights of the holders thereof, including covenants as to, among other things:

(1) The purpose or purposes to which the proceeds of sale of such obligations may be applied and the use and disposition thereof;

(2) The use and disposition of the gross revenues of the public utility, and any additions or better-

ments 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;

(3) The amount, if any, of additional revenue obligations payable from such fund which may be issued and the terms and conditions on which such additional revenue obligations may be issued;

(4) 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;

(5) The operation, maintenance, management, accounting, and auditing of the public utility;

(6) The terms and prices upon which such revenue obligations or any of them may be redeemed at the election of the district;

(7) Limitations upon the right to dispose of such public utility or any part thereof without providing for the payment of the outstanding revenue obligations; and

(8) The appointment of trustees, depositaries, and paying agents to receive, hold, disburse, invest, and reinvest all or any part of the income, revenues, receipts, and profits derived by the district from the operation, ownership, and management of its public utility.

SEC. 7. Section 4, chapter 182, Laws of 1941 and RCW 54.24.060 are each amended to read as follows:

Such utility revenue obligations shall be sold and delivered in such manner and for such price or prices and at such time or times as the commission shall deem for the best interests of the district: *Provided*, That the net interest cost to the district over the life of any issue of revenue obligations shall not exceed six percent per annum. The words "life of

RCW 54.24.060  
amended.

Sale of  
revenue  
obligations.



"Life of any issue of revenue obligations."

any issue of revenue obligations" shall mean the period from the date thereof, or from the interest payment date next preceding the delivery thereof, whichever is the later, to the respective maturity dates of the revenue obligations constituting such issue, and the words "net interest cost" shall mean the aggregate of the interest payable on all of the revenue obligations constituting such issue over the life thereof as above defined, less the amount of any premium payable by the purchaser thereof, or plus the amount of any discount if sold at less than par. The amount of premium, if any, which might become payable upon the redemption of such revenue obligations prior to the maturity thereof shall not be considered in determining such net interest cost. The commission may, if it deem it to the best interest of the district, provide in any contract 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 obligations at the par value thereof.

"Net income cost."

RCW 54.24.070 amended.

SEC. 8. Section 6, chapter 182, Laws of 1941 and RCW 54.24.070 are each amended to read as follows:

Registration of bonds—Prima facie validity.

Prior to the issue and delivery of any revenue obligations, such obligations and a certified copy of the resolution authorizing the issuance thereof shall if the revenue obligation mature in whole in more than six years from date thereof, and may if the revenue obligations mature in whole in not more than six years from date thereof, be forwarded by the commission to the state auditor together with any additional information that he may require, and when such revenue obligations 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 revenue obligation and signed by the state auditor

or a deputy appointed by him for the purpose. Such revenue obligations, 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 revenue obligations or in the sale, execution, or delivery thereof.

SEC. 9. Section 7, chapter 182, Laws of 1941 and RCW 54.24.080 are each amended to read as follows:

RCW 54.24.080  
amended.

The commission of each district which shall have revenue obligations 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 nondiscriminatory and adequate to provide revenues sufficient for the payment of the principal of and interest on such revenue obligations for which the payment has not otherwise been provided 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 and all necessary repairs, replacements, and renewals thereof.

Rates and  
charges.

SEC. 10. Section 8, chapter 182, Laws of 1941 and RCW 54.24.090 are each amended to read as follows:

RCW 54.24.090  
amended.

Whenever any district shall have outstanding any utility revenue obligations, the commission shall have power by resolution to provide for the issuance of funding or refunding revenue obligations with which to take up and refund such outstanding

Funding and  
refunding  
bonds.

revenue obligations or any part thereof at the maturity thereof or before maturity if the same be by their terms or by other agreement subject to call for prior redemption, with the right in the commission to include various series and issues of such outstanding revenue obligations in a single issue of funding or refunding revenue obligations, and to issue refunding revenue obligations to pay any redemption premium payable on the outstanding revenue obligations being funded or refunded. Such funding or refunding revenue obligations 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 net interest cost to the district over the life of any issue of such revenue obligations shall not exceed six percent per annum computed as provided in section 7 of this act. Such funding or refunding revenue obligations shall in the discretion of the commission be exchanged at par for the revenue obligations 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 revenue obligations shall except as specifically provided in this section, be issued in accordance with the provisions with respect to revenue obligations in this act set forth.

RCW 54.24.100  
amended.

SEC. 11. Section 9, chapter 182, Laws of 1941 and RCW 54.24.100 are each amended to read as follows:

Bonds and  
coupons, how  
signed.

All revenue obligations, including funding and refunding revenue obligations, shall be executed in such manner as the commission may determine: *Provided*, That at least one signature on each such revenue obligation shall be a manual signature of a member of the commission: *Provided*, That war-

rants may be signed as provided in RCW 54.24.010. The interest coupons attached to any revenue obligations may be executed with facsimile or lithographed signatures, or otherwise, as the commission may determine.

SEC. 12. Section 10, chapter 182, Laws of 1941 and RCW 54.24.110 are each amended to read as follows:

RCW 54.24.110 amended.

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 obligations as herein set forth shall constitute a contract with the holder or holders of such revenue obligations and the agreements and covenants of the district and its commission under said acts and any such resolution or resolutions shall be enforceable by any revenue obligation holder by mandamus or any other appropriate suit or action in any court of competent jurisdiction.

Resolution as contract.

SEC. 13. Section 11, chapter 182, Laws of 1941 and RCW 54.24.120 are each amended to read as follows:

RCW 54.24.120 amended.

All bonds, warrants, and revenue obligations 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, warrants, and revenue obligations 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.

Obligations as lawful securities and investments.

New section.

SEC. 14. There is added to chapter 54.04 RCW a new section to read as follows:

“Revenue obligations” defined.

As used in this title “revenue obligation” or “revenue obligations” mean and include bonds, notes, warrants, certificates of indebtedness, or any other evidences of indebtedness issued by a district which, by the terms thereof, shall be payable from the revenues of its public utilities.

New section.

SEC. 15. There is added to chapter 54.24 RCW a new section to read as follows:

Destruction of revenue obligations authorized.

After any revenue obligations or interest coupons have been canceled or paid they may be destroyed as directed by the district, any provisions of chapter 40.14 RCW notwithstanding: *Provided*, That a certificate of destruction giving full descriptive reference to the documents destroyed shall be made by the person or persons authorized to perform such destruction and one copy of the certificate shall be filed with the treasurer of the district.

Emergency.

SEC. 16. This act is necessary for the immediate preservation of the public peace, health and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the Senate February 20, 1959.

Passed the House March 9, 1959.

Approved by the Governor March 20, 1959.