

CHAPTER 138.

[Senate Bill No. 417.]

REFUNDING BOND ACT.

AN ACT relating to financing by and bonds, obligations, refunding bonds, and refunding obligations of the state, its agencies, institutions, political subdivisions, and municipal and quasi municipal corporations; and declaring an emergency.

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

SECTION 1. This act shall be known as the "Re- Short title.
funding Bond Act."

SEC. 2. Except where the context otherwise re- Refunding
bond act.
Definitions.
quires, the terms defined in this section shall for all purposes have the meanings herein specified:

(1) "Governing body" means the council, commission, board of commissioners, board of directors, board of trustees, board of regents, or other legislative body of the public body designated herein in which body the legislative powers of the public body are vested: *Provided*, That with respect to the state it shall mean the state finance committee.

(2) "Public body" means the state of Washington, its agencies, institutions, political subdivisions, and municipal and quasi municipal corporations now or hereafter existing under the laws of the state of Washington.

(3) "Bond" means any revenue bond or general obligation bond.

(4) "Revenue bond" means any bond, note, warrant, certificate of indebtedness, or other obligation for the payment of money issued by a public body or any predecessor of any public body and which is payable from designated revenues or a special fund but excluding any obligation constituting an indebtedness within the meaning of the constitutional debt limitation and any obligation payable

Refunding
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Definitions.

solely from special assessments or special assessments and a guaranty fund.

(5) "General obligation bond" means any bond, note, warrant, certificate of indebtedness, or other obligation of a public body which constitutes an indebtedness within the meaning of the constitutional debt limitation.

(6) "Advance refunding bonds" means bonds issued for the purpose of refunding bonds first subject to redemption or maturing one year or more from the date of the advance refunding bonds.

(7) "Issuer" means the public body issuing any bond or bonds.

(8) "Ordinance" means an ordinance of a city or town or resolution or other instrument by which the governing body of the public body exercising any power hereunder takes formal action and adopts legislative provisions and matters of some permanency.

(9) Words used herein importing singular or plural number may be construed so that one number includes both.

Refunding
bonds
authorized.

SEC. 3. The governing body of any public body may by ordinance provide for the issuance of bonds without an election to refund outstanding bonds heretofore or hereafter issued by such public body or its predecessor and to pay redemption premiums and costs of refunding, only (1) in order to pay or discharge all or any part of such outstanding series or issue of bonds, including any interest thereon, in arrears or about to become due and for which sufficient funds are not available, or (2) in order to effect a saving to the public body. To determine whether or not a saving will be effected, consideration shall be given to the interest to fixed maturities of the refunding bonds and the bonds to be refunded, the costs of issuance of the refunding bonds, including any sale discount, the redemption

premiums, if any, to be paid, and the known earned income from the investment of the refunding bond proceeds pending redemption of the bonds to be refunded. Such refunding plan shall be subject to provisions concerning payment and to all other contractual provisions in the proceedings authorizing the issuance of the bonds to be refunded or otherwise appertaining thereto.

SEC. 4. Any bonds issued for refunding purposes may be delivered in exchange for the outstanding bonds being refunded or may be sold in the manner provided by law for the sale by the public body of bonds of the type being refunded.

Refunding bonds may be exchanged or sold.

SEC. 5. Bonds may be refunded hereunder or under any other law of this state which authorizes the issuance of refunding bonds when the holders thereof voluntarily surrender them for exchange or payment, or, if they mature or are subject to redemption prior to maturity within fifteen years from the date of the refunding bonds. In any advance refunding plan under this act the governing body shall provide irrevocably in the ordinance authorizing the issuance of the advance refunding bonds for the redemption of the bonds to be refunded within six months from the date they are first subject to redemption.

Refunding of prior bonds. redemption dates—Redemption premiums.

The ordinance authorizing the issuance of advance refunding bonds pursuant to this act shall contain a provision that such bonds shall be subject to redemption not later than five years from date of such bonds or six months after the first date on which the bonds to be refunded may be redeemed, whichever is later. If more than one issue or series of bonds are being refunded by a single issue or series of advance refunding bonds, such advance refunding bonds must be subject to redemption not later than five years from date of issue or six months

after the first date on which the series or issue of bonds being refunded having the latest first redemption date may be redeemed. The governing body may fix any redemption premium or premiums as it may in its discretion determine advisable.

Refunding bond act. Re-funding bonds, amount authorized—Use of reserve or other funds to redeem.

SEC. 6. Refunding bonds may be issued in a principal amount in excess of the principal amount of the bonds to be refunded except voted general obligation bonds. The principal amount of the refunding bonds may be less than or the same as the principal amount of the bonds being refunded so long as provision is duly and sufficiently made for the retirement or redemption of such bonds to be refunded. Any reserves held to secure the bonds to be refunded may be applied at the time the bonds to be refunded are paid to the redemption or retirement of such bonds, or if other available funds are sufficient and used to retire and redeem such bonds, such reserves may be pledged as security for the payment of the refunding bonds.

Proceeds from sale of advance refunding bonds, investment of.

SEC. 7. Prior to the application of the proceeds derived from the sale of advance refunding bonds to the purposes for which such bonds shall have been issued, such proceeds, together with any other funds the governing body may set aside for the payment of the bonds to be refunded, may be invested and reinvested only in direct obligations of the United States of America maturing or having guaranteed redemption prices at the option of the holder at such time or times as may be required to provide funds sufficient to pay principal, interest and redemption premiums, if any, in accordance with the advance refunding plan. To the extent incidental expenses have been capitalized, such bond proceeds may be used to defray such expenses.

Proceeds from sale of advance refunding bonds, safe-

SEC. 8. The governing body may contract with respect to the safekeeping and application of the

advance refunding bond proceeds and other funds included therewith and the income therefrom. The governing body may provide in the refunding plan that until such moneys are required to redeem or retire revenue bonds to be refunded, the refunding bond proceeds and other funds, and the income therefrom shall be used to pay and secure the payment of the principal of and interest on the advance refunding bonds. The governing body may additionally pledge for the payment of such refunding bonds any revenues which might legally be pledged for the payment of revenue bonds of the issuer of the type being refunded. Provisions must be made by the governing body for moneys sufficient in amount to accomplish the refunding as scheduled.

keeping and application of.

SEC. 9. When a public body has irrevocably set aside for and pledged to the payment of revenue bonds to be refunded advance refunding bond proceeds and other moneys in amounts which together with known earned income from the investment thereof are sufficient in amount to pay the principal of and interest and any redemption premiums on such revenue bonds as the same become due and to accomplish the refunding as scheduled, the governing body may provide that the advance refunding revenue bonds shall be payable from any source which, either at the time of the issuance of the advance refunding bonds or the revenue bonds to be refunded, might legally be or have been pledged for the payment of the revenue bonds refunded to the extent it may legally do so, notwithstanding the pledge of such revenues for the payment of the outstanding revenue bonds being refunded.

Refunding bonds, redeemable from other sources.

SEC. 10. The various annual maturities of general obligation bonds issued to refund voted general obligation bonds shall not extend over a longer period of time than the bonds to be refunded. Such maturities may be changed in amount or shortened

Refunding bonds, annual maturities of—
Time limitation on—
Changes in amount or term.

Refunding bond act, Refunding bonds, annual maturities of.

in term if the estimated respective annual principal and interest requirements of the refunding bonds, computed upon the anticipated effective interest rate the governing body shall in its discretion determine will be borne by such bonds, will not exceed the respective annual principal and interest requirements of the bonds being refunded: *Provided*, That the issuer may increase the principal amount of annual maturities for the purpose of rounding out maturities to the nearest five thousand dollars.

Refunding bonds not indebtedness for constitutional or statutory debt limitation.

SEC. 11. When funds and investments and the known earned income therefrom in amounts sufficient to pay the principal of and interest and any premium on general obligation bonds to be refunded as they become due at their respective maturities or at the date fixed for redemption have been irrevocably pledged to the general obligation bonds to be refunded, such bonds shall not constitute an indebtedness of the public body within the meaning of any constitutional or statutory debt limitation.

Refunding bond issuance—Separately or in combination.

SEC. 12. Bonds for refunding and bonds for any other purpose or purposes authorized may be issued separately or issued in combination in one or more series or issues by the same issuer.

Refunding bonds issued with reference to type of bonds being refunded.

SEC. 13. Except as specifically provided in this act, refunding bonds issued hereunder shall be issued in accordance with the provisions of law applicable to the type of bonds of the issuer being refunded, either at the time of the issuance of the refunding bonds or the bonds to be refunded.

Act supplemental.

SEC. 14. The authority of a public body to issue refunding bonds pursuant to this act is additional to any existing authority to issue such bonds and nothing in this act shall prevent the issuance of such bonds pursuant to any other law, and this act shall not be construed to amend any existing law

authorizing the issuance of refunding bonds by a public body.

SEC. 15. If bonds are to be issued under this act for refunding of any bonds issued specifically to finance any electric power and energy project or facility and there are contracts in existence for the sale of electric power and energy generated by such project or facility wherein the cost of power to a purchaser specifically includes a portion of the debt service on the bonds to be refunded, such power contracts shall be amended to reflect in each year during the remaining terms of such contracts that portion of the savings to be realized from such refunding during each such year equal to the percentage of power output from such project or facility purchased by the purchaser under such power contracts. Nothing in this act shall be construed to alter, modify or change any such power contracts without the mutual agreement of the parties thereto.

Prior power contracts to reflect savings realized in refunding under act.

SEC. 16. If any provision of this act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

Severability.

SEC. 17. 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.

Emergency.

Passed the Senate April 13, 1965.

Passed the House April 12, 1965.

Approved by the Governor April 20, 1965.