

CHAPTER 82.

[S. B. 270.]

WATER DISTRICTS; LOCAL IMPROVEMENT
GUARANTY FUNDS.

AN Act relating to water districts, providing for the establishment and maintenance of local improvement guaranty funds, to be derived from a percentage of the gross revenues of the water supply system of the district, and declaring an emergency.

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

SECTION 1. Every water district in the state is hereby given the power to create a fund for the purpose of guaranteeing, to the extent of such fund, and in the manner hereinafter provided, the payment of its local improvement bonds issued, subsequent to the effective date of this act, to pay for any local improvement ordered. Such fund shall be designated "Local Improvement Guaranty Fund," and may be established by resolution of the board of water commissioners. For the purpose of maintaining the same, every water district which shall establish such a fund shall, after the creation thereof, set aside and pay into such a fund a fixed proportion not to exceed ten per cent (10%) of the gross revenues of the water system of such water district, sufficient to provide, from time to time, such sums as may be necessary to meet the financial requirements thereof: *Provided*, That such sums so set aside unto said fund from gross revenues shall not exceed ten per cent (10%) of the outstanding obligations thereby guaranteed.

Creation of
a fund."Local Im-
provement
Guaranty
Fund."

Maintenance.

Not exceed
ten per cent.

SEC. 2. Whenever there shall be paid out of a guaranty fund any sum on account of principal or interest in a local improvement bond, the water district, as trustee for the fund, shall be subrogated to all rights of the holder of the bonds, or interest

Water district subrogated to rights of holder.

coupons, so paid; and the proceeds thereof, or of the assessment underlying the same, shall become a part of the guaranty fund. There shall also be paid into each guaranty fund the interest received from bank deposits of the fund, as well as any surplus remaining in the local improvement fund guaranteed hereunder, after the payment of all outstanding bonds payable primarily out of such local improvement fund. As among the several issues of bonds guaranteed by the fund, no preference shall exist, but defaulted interest coupons shall be purchased out of the fund in the order of their presentation, and defaulted bonds in their numerical order.

Defaulted interest coupons.

Regulation of guaranty fund.

The commissioners of every water district operating under the provisions of this act shall prescribe, by resolution, appropriate rules and regulations of the guaranty fund, not inconsistent herewith. So much of the money of a guaranty fund as is necessary may be used to purchase certificates of delinquency for general taxes on property, subject to local improvement assessments, underlying bonds guaranteed by the fund, or to purchase such property at county tax foreclosures or from the county after foreclosure, for the purpose of protecting the guaranty fund. The said fund shall be subrogated to the rights of the water district, and the water district may foreclose the lien of general tax certificates of delinquency and purchase the property at the foreclosure sale. After so acquiring title to real property, the water district may lease or sell and convey the same by public or private sale for such price and on such terms as may be determined by resolution of the board of water commissioners. Any provision of law, to the contrary notwithstanding, and all proceeds resulting from such sales shall belong to and be paid into the guaranty fund.

Delinquency.

Public or private sale.

SEC. 3. Neither the holder nor the owner of any local improvement guaranteed bonds under the pro-

visions 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 non-payment, 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 hereunder. 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.

Special assessment.

Water district not liable.

Copy of section.

SEC. 4. This act is necessary for the immediate preservation of the public health, safety, and shall take effect immediately.

Effective immediately.

Passed the Senate March 5, 1935.

Passed the House March 13, 1935.

Approved by the Governor March 18, 1935.