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**SUBSTITUTE HOUSE BILL 1517**

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**State of Washington**

**54th Legislature**

**1995 Regular Session**

**By** House Committee on Capital Budget (originally sponsored by Representatives L. Thomas, Rust, Horn, Sommers and Ballasiotes)

Read first time 02/28/95.

1 AN ACT Relating to the receipt and expenditure of federal and  
2 private funds by local governments; amending RCW 35.21.735; creating  
3 new sections; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The purpose of this act is to assist  
6 community and economic development by clarifying the authority of all  
7 cities, towns, counties, and public corporations to engage in federally  
8 guaranteed "conduit financing" and to specify procedures that may be  
9 used for such conduit financing. Generally, in such a conduit  
10 financing a municipality borrows funds from the federal government or  
11 from private sources with the help of federal guarantees, without  
12 pledging the credit or tax revenues of the municipality, and then lends  
13 the proceeds for private projects that both fulfill public purposes,  
14 such as community and economic development, and provide the revenues to  
15 retire the municipal borrowings. Such conduit financings include  
16 issuance by municipalities of federally guaranteed notes under section  
17 108 of the housing and community development act of 1974, as amended,  
18 to finance projects eligible under federal community development block  
19 grant regulations.

1       **Sec. 2.** RCW 35.21.735 and 1985 c 332 s 3 are each amended to read  
2 as follows:

3       (1) The legislature hereby declares that carrying out the purposes  
4 of federal grants or programs is both a public purpose and an  
5 appropriate function for (~~such~~) a city, town, county, or public  
6 corporation. The provisions of RCW 35.21.730 through 35.21.755 and RCW  
7 35.21.660 and 35.21.670 and the enabling authority herein conferred to  
8 implement these provisions shall be construed to accomplish the  
9 purposes of RCW 35.21.730 through 35.21.755.

10       (2) All cities, towns (~~and~~), counties, and public corporations  
11 shall have the power and authority to enter into agreements with the  
12 United States or any agency or department thereof, or any agency of the  
13 state government or its political subdivisions, and pursuant to such  
14 agreements may receive and expend, or cause to be received and expended  
15 by a custodian or trustee, federal or private funds for any lawful  
16 public purpose. Pursuant to any such agreement, a city, town, county,  
17 or public corporation may issue bonds, notes, or other evidences of  
18 indebtedness that are guaranteed or otherwise secured by funds or other  
19 instruments provided by or through the federal government or by the  
20 federal government or an agency or instrumentality thereof under  
21 section 108 of the housing and community development act of 1974, as  
22 amended, or its successor, and may agree to repay and reimburse for any  
23 liability thereon any guarantor of any such bonds, notes, or other  
24 evidences of indebtedness issued by such jurisdiction or public  
25 corporation, or issued by any other public entity. For purposes of  
26 this subsection federal housing mortgage insurance shall not constitute  
27 a federal guarantee or security.

28       (3) A city, town, county, or public corporation may pledge, as  
29 security for any such bonds, notes, or other evidences of indebtedness  
30 or for its obligations to repay or reimburse any guarantor thereof, its  
31 right, title, and interest in and to any or all of the following: (a)  
32 Any federal grants or payments received or that may be received in the  
33 future; (b) any of the following that may be obtained directly or  
34 indirectly from the use of any federal or private funds received as  
35 authorized in this section: (i) Property and interests therein, and  
36 (ii) revenues; (c) any payments received or owing from any person  
37 resulting from the lending of any federal or private funds received as  
38 authorized in this section; (d) any proceeds under (a), (b), or (c) of  
39 this subsection and any securities or investments in which (a), (b), or

1 (c) of this subsection or proceeds thereof may be invested; (e) any  
2 interest or other earnings on (a), (b), (c), or (d) of this subsection.

3 (4) A city, town, county, or public corporation may establish one  
4 or more special funds relating to any or all of the sources listed in  
5 subsection (3)(a) through (e) of this section and to pay or cause to be  
6 paid from such fund the principal, interest, premium if any, and other  
7 amounts payable on any bonds, notes, or other evidences of indebtedness  
8 authorized under this section, and to pay or cause to be paid any  
9 amounts owing on any obligations for repayment or reimbursement of  
10 guarantors of any such bonds, notes, or other evidences of  
11 indebtedness. A city, town, county, or public corporation may contract  
12 with a financial institution either to act as trustee or custodian to  
13 receive, administer, and expend any federal or private funds, or to  
14 collect, administer, and make payments from any special fund as  
15 authorized under this section, or both, and to perform other duties and  
16 functions in connection with the transactions authorized under this  
17 section. If the bonds, notes, or other evidences of indebtedness and  
18 related agreements comply with subsection (6) of this section, then any  
19 such funds held by any such trustee or custodian, or by a public  
20 corporation, shall not constitute public moneys or funds of any city,  
21 town, or county and at all times shall be kept segregated and set apart  
22 from other funds.

23 (5) For purposes of this section, "lawful public purpose" includes,  
24 without limitation, any use of funds, including loans thereof to public  
25 or private parties, authorized by the agreements with the United States  
26 or any department or agency thereof under which federal or private  
27 funds are obtained, or authorized under the federal laws and  
28 regulations pertinent to such agreements.

29 (6) If any such federal or private funds are loaned or granted to  
30 any private party or used to guarantee any obligations of any private  
31 party, then any bonds, notes, other evidences of indebtedness issued or  
32 entered into for the purpose of receiving or causing the receipt of  
33 such federal or private funds, and any agreements to repay or reimburse  
34 guarantors, shall not be obligations of any city, town, or county and  
35 shall be payable only from a special fund as authorized in this section  
36 or from any of the security pledged pursuant to the authority of this  
37 section, or both. Any bonds, notes, or other evidences of indebtedness  
38 to which this subsection applies shall contain a recital to the effect  
39 that they are not obligations of the city, town, or county or the state

1 of Washington and that neither the faith and credit nor the taxing  
2 power of the state or any municipal corporation or subdivision of the  
3 state or any agency of any of the foregoing, is pledged to the payment  
4 of principal, interest, or premium, if any, thereon. Any bonds, notes,  
5 other evidences of indebtedness, or other obligations to which this  
6 subsection applies shall not be included in any computation for  
7 purposes of limitations on indebtedness. To the extent expressly  
8 agreed in writing by a city, town, county, or public corporation, this  
9 subsection shall not apply to bonds, notes, or other evidences of  
10 indebtedness issued for, or obligations incurred for, the necessary  
11 support of the poor and infirm by that city, town, county, or public  
12 corporation.

13 (7) Any bonds, notes, or other evidences of indebtedness issued by,  
14 or reimbursement obligations incurred by, a city, town, county, or  
15 public corporation consistent with the provisions of this section but  
16 prior to the effective date of this section, and any loans or pledges  
17 made by a city, town, or county in connection therewith substantially  
18 consistent with the provisions of this section but prior to the  
19 effective date of this section, are deemed authorized and shall not be  
20 held void, voidable, or invalid due to any lack of authority under the  
21 laws of this state.

22 NEW SECTION. Sec. 3. If any provision of this act or its  
23 application to any person or circumstance is held invalid, the  
24 remainder of the act or the application of the provision to other  
25 persons or circumstances is not affected.

26 NEW SECTION. Sec. 4. The authority granted by this act is  
27 additional and supplemental to any other authority of any city, town,  
28 county, or public corporation. Nothing in this act may be construed to  
29 imply that any of the power or authority granted hereby was not  
30 available to any city, town, county, or public corporation under prior  
31 law. Any previous actions consistent with the provisions of this act  
32 are ratified and confirmed.

33 NEW SECTION. Sec. 5. This act is necessary for the immediate  
34 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and shall take  
2 effect immediately.

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