
HOUSE BILL 1517

State of Washington 54th Legislature 1995 Regular Session

By Representatives L. Thomas, Rust, Horn, Sommers and Ballasiotes

Read first time 01/27/95. Referred to Committee on Capital Budget.

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 financings" and to specify procedures that may be
9 used for such conduit financings. 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 but
16 are not limited to issuance by municipalities of federally guaranteed
17 notes under section 108 of the housing and community development act of
18 1974, as amended, to finance projects eligible under federal community
19 development block 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 the federal
19 government or an agency or instrumentality thereof, and may agree to
20 repay and reimburse for any liability thereon any guarantor of any such
21 bonds, notes, or other evidences of indebtedness issued by such
22 jurisdiction or public corporation, or issued by any other public
23 entity. For purposes of this subsection federal housing mortgage
24 insurance shall not constitute a federal guarantee or security.

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

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

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

27 (6) If any such federal or private funds are loaned or granted to
28 any private party or used to guarantee any obligations of any private
29 party, then any bonds, notes, other evidences of indebtedness issued or
30 entered into for the purpose of receiving or causing the receipt of
31 such federal or private funds, and any agreements to repay or reimburse
32 guarantors, shall not be obligations of any city, town, or county and
33 shall be payable only from a special fund as authorized in this section
34 or from any of the security pledged pursuant to the authority of this
35 section, or both. Any bonds, notes, or other evidences of indebtedness
36 to which this subsection applies shall contain a recital to the effect
37 that they are not obligations of the city, town, or county or the state
38 of Washington and that neither the faith and credit nor the taxing
39 power of the state or any municipal corporation or subdivision of the

1 state or any agency of any of the foregoing, is pledged to the payment
2 of principal, interest, or premium, if any, thereon. Any bonds, notes,
3 other evidences of indebtedness, or other obligations to which this
4 subsection applies shall not be included in any computation for
5 purposes of limitations on indebtedness. To the extent expressly
6 agreed in writing by a city, town, county, or public corporation, this
7 subsection shall not apply to bonds, notes, or other evidences of
8 indebtedness issued for, or obligations incurred for, the necessary
9 support of the poor and infirm by that city, town, county, or public
10 corporation.

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

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

24 NEW SECTION. Sec. 4. The authority granted by this act is
25 additional and supplemental to any other authority of any city, town,
26 county, or public corporation. Nothing in this act may be construed to
27 imply that any of the power or authority granted hereby was not
28 available to any city, town, county, or public corporation under prior
29 law.

30 NEW SECTION. Sec. 5. This act is necessary for the immediate
31 preservation of the public peace, health, or safety, or support of the
32 state government and its existing public institutions, and shall take
33 effect immediately.

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