

FINAL BILL REPORT

SB 5142

C 192 L 95
Synopsis as Enacted

Brief Description: Extending authority to enter into payment agreements.

Sponsors: Senators Quigley and Sellar.

Senate Committee on Government Operations
House Committee on Financial Institutions & Insurance

Background: In 1993 the Legislature authorized the state, including the Washington Health Care Authority, the Washington Higher Education Facilities Authority, the Housing Finance Commission, cities, counties, port districts, and public utility districts with debt or annual revenues in excess of \$100 million to participate in "swap" agreements. "Swaps" are contracts where the parties trade their respective interest obligations on a specified amount of debt for a fixed period of time. The transactions virtually always involve a trade involving a fixed rate obligation for a variable rate obligation. Advantages of such trades include long-term interest rate cost savings, stability of payment obligations, short-term savings, and increased ability to refund debt.

The enabling legislation established a variety of restrictions on "swap" agreements. Agreements can only be made with "AA" rated institutions, or "A" rated institutions if secured by federal treasury bills. The transactions must be evaluated and certified by a financial adviser. The "notional" amount and term of the trade cannot exceed the amount or term of the underlying debt.

The authority to enter "swap" agreements is limited to two years and expires on June 30, 1995. During this two year window, the City of Spokane, Chelan PUD and Snohomish PUD have completed "swap" agreements yielding substantial savings. It is desired that this authority be extended for an additional five years.

Summary: The authority of the state, and cities, counties, port districts and public utility districts with debt or annual revenues in excess of \$100 million to enter into interest rate exchange agreements, commonly known as "swap" agreements, is extended for an additional five years, to expire June 30, 2000.

Votes on Final Passage:

Senate	48	1	
House	95	0	(House amended)
Senate	43	0	(Senate concurred)

Effective: July 1, 1995