

HOUSE BILL REPORT

SB 5166

As Reported By House Committee On:
Transportation

Title: An act relating to refunding revenue bonds for the department of transportation.

Brief Description: Authorizing refunding revenue bonds.

Sponsors: Senators Vognild, Nelson and Sheldon; by request of State Treasurer and Department of Transportation.

Brief History:

Reported by House Committee on:
Transportation, February 17, 1993, DP.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 23 members: Representatives R. Fisher, Chair; Brown, Vice Chair; Jones, Vice Chair; Schmidt, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Brough; Brumsickle; Cothorn; Eide; Forner; Hansen; Heavey; Horn; Johanson; R. Meyers; Miller; Orr; Patterson; Quall; Sheldon; Shin; Wood; and Zellinsky.

Staff: Gene Schlatter (786-7316).

Background: In January 1963, the Washington Toll Bridge Authority adopted a resolution for the issuance and sale of \$37.2 million of "Washington Toll Bridge Authority, Ferry and Hood Canal Bridge Refunding Bonds, 1963." The proceeds of this bond authorization were to refinance two prior ferry bond issues. The first was a 1955 \$10 million issue for ferry capital improvements. The second was a 1957 \$30.5 million issue which funded additional ferry capital improvements, \$20 million, and construction of the Hood Canal Bridge, \$10 million.

The 1963 refunding bond contains several restrictive covenants which require the Department of Transportation to conduct business in a specific manner until the bond issue is retired. Those covenants require such items as: 1) an independent audit by a certified public accounting firm; 2) a defined fund and account structure using a treasury trust fund held in custody by a trustee bank; and 3) a requirement

that bars competing marine transportation services within 10 miles of state transportation facilities.

Summary of Bill: The sale of up to \$15 million in bonds is authorized for the purpose of retiring the 1963 bond issue. This action will also eliminate the need for the Department of Transportation to follow restrictive bond covenants.

According to the Office of the State Treasurer and the Department of Transportation, current interest rates and the elimination of unnecessary expenses required by current bond covenants make refinancing economically feasible.

Fiscal Note: Available.

Appropriation: \$100,000 from the Puget Sound Capital Construction Account.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Elimination of restrictive bond covenants will enable the state treasurer to receive and recognize ferry system revenue and have the revenue flow directly to the treasury.

Elimination of restrictive covenants will make possible cost savings and improved management.

Testimony Against: None.

Witnesses: Tim Kerr, Office of the State Treasurer; and Terry McCarthy, Marine Division, Department of Transportation.