
SUBSTITUTE HOUSE BILL 3099

State of Washington

56th Legislature

2000 Regular Session

By House Committee on Capital Budget (originally sponsored by Representatives Dunshee, Barlean, Murray, Reardon, Koster and Lovick)

Read first time 02/08/2000. Referred to Committee on .

1 AN ACT Relating to extending provisions on interest rates on
2 government bonds; amending RCW 39.96.010, 39.96.030, and 39.96.070; and
3 providing an effective date.

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

5 **Sec. 1.** RCW 39.96.010 and 1995 c 192 s 1 are each amended to read
6 as follows:

7 The legislature finds and declares that the issuance by state and
8 local governments of bonds and other obligations(~~((, and the investment~~
9 ~~of moneys in connection with these obligations,))~~) involves exposure to
10 changes in interest rates; that a number of financial instruments are
11 available to lower the net cost of these borrowings, (~~((to increase the~~
12 ~~net return on these investments,))~~) or to reduce the exposure of state
13 and local governments to changes in interest rates; that these reduced
14 costs (~~((and increased returns))~~) for state and local governments will
15 benefit taxpayers and ratepayers; and that the legislature desires to
16 provide state and local governments with express statutory authority to
17 take advantage of these instruments. In recognition of the complexity
18 of these financial instruments, the legislature desires that this

1 authority be subject to certain limitations, and be granted for a
2 period of ((seven)) twelve years.

3 **Sec. 2.** RCW 39.96.030 and 1993 c 273 s 3 are each amended to read
4 as follows:

5 (1) Subject to subsections (2) and (3) of this section, any
6 governmental entity may enter into a payment agreement in connection
7 with, or incidental to, the issuance, incurring, or carrying of
8 specific obligations, for the purpose of managing or reducing the
9 governmental entity's exposure to fluctuations or levels of interest
10 rates. No governmental entity may carry on a business of acting as a
11 dealer in payment agreements. Nothing in this chapter shall be
12 construed to provide governmental entities with separate or additional
13 authority to invest funds or moneys relating to or held in connection
14 with any obligations.

15 (2) No governmental entity may enter into a payment agreement under
16 this chapter unless it first:

17 (a) Finds and determines, by ordinance or resolution, that the
18 payment agreement, if fully performed by all parties thereto, will (i)
19 reduce the amount or duration of its exposure to changes in interest
20 rates; or (ii) result in a lower net cost of borrowing with respect to
21 the related obligations(~~(, or a higher net rate of return on~~
22 ~~investments made in connection with, or incidental to, the issuance,~~
23 ~~incurring, or carrying of those obligations));~~

24 (b) Obtains, on or prior to the date of execution of the payment
25 agreement, a written certification from a financial advisor that (i)
26 the terms and conditions of the payment agreement and any ancillary
27 agreements, including without limitation, the interest rate or rates
28 and any other amounts payable thereunder, are commercially reasonable
29 in light of then existing market conditions; and (ii) the finding and
30 determination contained in the ordinance or resolution required by (a)
31 of this subsection is reasonable.

32 (3) Prior to selecting the other party to a payment agreement, a
33 governmental entity shall solicit and give due consideration to
34 proposals from at least two entities that meet the criteria set forth
35 in RCW 39.96.040(2). Such solicitation and consideration shall be
36 conducted in such manner as the governmental entity shall determine is
37 reasonable.

1 **Sec. 3.** RCW 39.96.070 and 1998 c 245 s 35 are each amended to read
2 as follows:

3 (1) Except as provided in subsection (3) of this section, no
4 governmental entity may enter a payment agreement under RCW 39.96.030
5 after June 30, (~~2000~~) 2005.

6 (2) The termination of authority to enter payment agreements after
7 June 30, (~~2000~~) 2005, shall not affect the validity of any payment
8 agreements or other contracts entered into under RCW 39.96.030 on or
9 before that date.

10 (3) A governmental entity may enter into a payment agreement under
11 and in accordance with this chapter after June 30, (~~2000~~) 2005, to
12 replace a payment agreement that relates to specified obligations
13 issued on or before that date and that has terminated before the final
14 term of those obligations.

15 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2000.

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