

SULTAN CITY COUNCIL

AGENDA ITEM COVER SHEET

ITEM NO: Action A 7
DATE: July 23, 2009
SUBJECT: Ordinance 1054-09 Amend Title 3.64
CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

ISSUE:

The issue before the City Council is the introduction of Ordinance 1054-09 to amend Title 3.64, Registration of Bonds and Obligations. This is a part of the code scrub project for SMC Title 3.

SUMMARY:

The City has the authority to issue General Obligation and Revenue Bonds for capital projects and equipment. The bonds are issued with a schedule of annual payments for principal and interest amounts. All bonds issued are required to be registered with a fiscal agent.

The State of Washington contracts for the services of a Fiscal Agent (currently the Bank of New York) to register bonds (required), process redemption calls and to make payments to bond holders. The City Treasurer used to be responsible for those tasks.

Ordinance 1054-09 provides for the designation of a fiscal agent pursuant to RCW 43.80 (Attachment C) and designation of a Cremation agent for the destruction of paid and canceled bonds and coupons in accordance with RCW 43.80.130.

STAFF RECOMMENDATION:

Introduce Ordinance 1054-09 amending Title 3.64 for a first reading and pass it on to a second reading.

Attachments: A. Ordinance 1054-09 Fiscal and Cremation Agent
 B. SMC Chapter 3.64 Registration of Bonds and Obligations
 C. RCW 43.80 Regarding Bonds and Fiscal Agents

**CITY OF SULTAN
WASHINGTON**

ORDINANCE NO. 1054-09

**AN ORDINANCE OF THE CITY OF SULTAN,
WASHINGTON, AMENDING SMC 3.64 REGARDING
REGISTRATION OF BONDS; ESTABLISHING A FISCAL
AGENT AND CREMATION AGENT FOR BONDS;
PROVIDING FOR SEVERABILITY; AND ESTABLISHING
AN EFFECTIVE DATE**

WHEREAS, the City uses the Washington State Fiscal Agency pursuant to authorization contained in RCW 43.80.110, RCW 43.80.120 and RCW 43.80.130;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SULTAN, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Sultan Municipal Code 3.64 is hereby amended to read as follows:

Chapter 3.64
Fiscal and Cremation Agent

Sections:

- 3.64.010 Fiscal Agent – Designated
- 3.64.020 Cremation Agent – Designated

3.64.010 Fiscal Agent – Designated: Pursuant to the authorization contained in RCW 43.80.110 and 43.80.120, the Washington State Fiscal Agency is designated as fiscal agent for the City of Sultan for payment of bonds and coupons thereof, all in accordance with the requirements of RCW 43.80.100 et seq.

3.64.020 Cremation Agent – Designated: The Washington State Fiscal Agency is designated as cremation agent for the destruction of paid and canceled bonds and coupons in accordance with the requirements of RCW 43.80.130; provided, however, that the finance officer enter into a contractual agreement with the Washington State Fiscal Agency, providing for and regulating the destruction and/or cremation of any general or revenue obligation or local improvement district bonds or interest coupons that have been canceled or paid after one year from said cancellation or payment; and further provided, that a certificate of destruction as required by RCW 43.80.140 giving full descriptive reference to the instruments destroyed shall be made by the person or persons authorized to perform such destruction, and one copy of said certificate shall be filed with the finance office of the

City of Sultan. Not certificate of destruction shall itself be destroyed until all the bonds and coupons of the issue or series described thereon shall have matured and been paid or canceled.

Section 2. Severability. Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 3. Effective Date. This Ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

ADOPTED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE ____ DAY OF _____, 2008.

CITY OF SULTAN

Carolyn Eslick, Mayor

ATTEST/AUTHENTICATED:

Laura Koenig, City Clerk

Approved as to form:

Margaret J. King, City Attorney

Passed by the City Council:

Date of Publication:

Effective Date:

Chapter 3.64
REGISTRATION OF BONDS AND OBLIGATIONS

Sections:

- [3.64.010](#) Definitions.
- [3.64.020](#) Findings.
- [3.64.030](#) Adoption of registration system.
- [3.64.040](#) Statement of transfer restrictions.

3.64.010 Definitions.

The following words shall have the following meanings when used in this chapter:

- A. "Bond" or "bonds" shall have the meaning defined in RCW 39.46.020(1), as the same may be from time to time amended.
- B. "Fiscal agencies" means the duly appointed fiscal agencies of the state of Washington serving as such at any given time.
- C. "Obligation" or "obligations" shall have the meaning defined in RCW 39.46.020(3), as the same from time to time may be amended.
- D. "Registrar" means the person or persons designated by the city to register ownership of bonds or obligations under this chapter.
- E. "City" means the city of Sultan, Washington. (Ord. 489 § 1, 1986)

3.64.020 Findings.

The city council of the city finds that it is in the city's best interest to establish a system of registering the ownership of the city's bonds and obligations in the manner permitted by law. (Ord. 489 § 2, 1986)

3.64.030 Adoption of registration system.

The city adopts the following system of registering the ownership of its bonds and obligations.

A. Registration Requirement. All bonds and obligations offered to the public, having a maturity of more than one year and issued by the city after June 30, 1983, on which the interest is intended to be exempt from federal income taxation, shall be registered as to both principal and interest as provided in this chapter.

B. Method of Registration. The registration of all city bonds and obligations required to be registered shall be carried out either by (1) a book entry system of recording the ownership of the bond or obligation on the books of the city or the fiscal agencies, whether or not a physical instrument is issued; or (2) recording the ownership of the bond or obligation and requiring as a condition of the transfer of ownership of any bond or obligation the surrender of the old bond or obligation and either the reissuance of the old bond or obligation or the issuance of a new bond or obligation to the new owners. No transfer of any bond or obligation subject to registration requirements shall be effective until the name of the new owner and the new owner's mailing address, together with such other information deemed appropriate by the registrar, shall be recorded on the books of the registrar.

C. Denominations. Except as may be provided otherwise by the ordinance authorizing their issuance, registered bonds or obligations may be issued and reissued in any denomination up to the outstanding principal amount of the bonds or obligations of which they are a part. Such denominations may represent all or a part of a maturity or several maturities and on reissuance may be in smaller amounts than the individual denominations for which they are reissued.

D. Appointment of Registrar. Unless otherwise provided in the ordinance authorizing the issuance of registered bonds or obligations, the city clerk/treasurer shall be the registrar for all registered interest-bearing warrants, installment contracts, interest-bearing leases and other registered bonds or obligations not usually subject to trading without a fixed maturity date or maturing one year or less after issuance and the fiscal agencies shall be the registrar for all other city bonds and obligations without a fixed maturity date or maturing one year or more after issuance.

E. Duties of Registrar. The registrar shall serve as the city's authenticating trustee, transfer agent, registrar and paying agent for registered bonds and obligations for which he, she, or it serves as registrar and shall comply fully with all applicable federal and state laws and regulations respecting the carrying out of those duties. The rights, duties, responsibilities and compensation of the registrar shall be prescribed in each ordinance authorizing the issuance of the bonds or obligations, which rights, duties, responsibilities and compensation shall be embodied in a contract executed by the city clerk/treasurer and the registrar, except in instances when the fiscal agencies serve as registrar, the city adopts by reference the contract between the state finance committee of the state of Washington and the fiscal agencies in lieu of executing a separate contract and prescribing by ordinance the rights, duties, obligations and compensation of the registrar. When the city clerk/treasurer serves as registrar, a separate contract shall not be required. In all cases when the registrar is not the fiscal agencies and the obligation is assignable, the ordinance authorizing the issuance of the registered bonds or obligations shall specify the terms and conditions of:

1. Making payments of principal and interest;
2. Printing any physical instruments, including the use of identifying numbers or other designation;
3. Specifying record and payment dates;
4. Determining denominations;
5. Establishing the manner of communicating with the owners of the bonds or obligations;
6. Establishing the methods of receipting for the physical instruments for payment of principal, the destruction of such instruments and the certification of such destruction;
7. Registering or releasing security interests, if any; and
8. Such other matters pertaining to the registration of the bonds or obligations authorized by such ordinance as the city may deem to be necessary or appropriate. (Ord. 489 § 3, 1986)

3.64.040 Statement of transfer restrictions.

Any physical instrument issued or executed by the city subject to registration under this chapter shall state on its face that the principal of and interest on the bonds or obligations shall be paid only to the owner thereof registered as such on the books of the registrar as of the record date defined in the instrument and to no other person, and that such instrument, either principal or interest, may not be assigned except on the books of the registrar. (Ord. 489 § 4, 1986)

RCW 43.80.100

Definitions.

The definitions in this section apply throughout this chapter unless the context clearly indicates otherwise.

(1) "Fiscal agencies" means those banks or trust companies as designated in RCW [43.80.110](#) and [43.80.120](#).

(2) "Subdivision" means governmental agencies, counties, cities and towns, metropolitan municipal corporations, port districts, school districts, townships, public colleges and universities, public community colleges, municipal corporations, quasi municipal corporations, and all other such governmental agencies authorized to borrow and issue tenders of indebtedness therefor. Subdivision does not mean housing authorities and public utility districts.

(3) "Cremation" means the destruction of canceled bonds or coupons by any approved method, including but not limited to, cremation facilities, incineration facilities, shredding facilities, or dissolving in acid facilities.

RCW 43.80.110

Appointment of fiscal agencies -- Location -- Places for payment of bonds.

Fiscal agencies shall be appointed for the payment of bonds and any coupons issued by this state or by any subdivision thereof. The appointed fiscal agencies may be located in any major city of the country. No bonds hereafter issued by this state or by any affected subdivision thereof, shall be by their terms made payable at a specific place other than: (1) The office of the designated fiscal agencies; (2) offices of the state or local treasurers or fiscal offices of any affected subdivision; or (3) the offices of trustees if provided for in the indenture, as provided for by the terms of the bonds. As used in this chapter, bonds do not include short-term obligations. Fiscal agencies may be authorized to register bonds in accordance with RCW [39.46.030](#).

Bonds and any coupons of subdivisions may be paid at one or more of the state's fiscal agents and/or at the office of the state treasurer or offices of local treasurers as provided for in the terms of the bonds.

RCW 43.80.120

Designation of fiscal agencies -- Qualifications -- Duration of designation -- Compensation.

The state finance committee shall designate responsible banks or trust companies as fiscal agencies, each having a paid-up capital and surplus of not less than five million dollars. The state finance committee shall designate fiscal agencies by any method deemed appropriate to the best interests of this state and its subdivisions.

The state finance committee shall make duplicate certificates of such designations, cause them to be attested under the seal of the state, and file one copy of each certification in the office of the secretary of state and transmit the other to the bank or trust company designated.

The banks or trust companies so designated shall continue to be such fiscal agencies for the

term of four years from and after the filing of the certificate of its designation, and thereafter until the designation of other banks or trust companies as such fiscal agencies.

Until successors have been appointed, the banks or trust companies named shall act as the fiscal agencies of the state of Washington in accordance with such terms as shall be agreed upon between the state finance committee and the fiscal agencies so designated. The manner and amount of compensation of the fiscal agents shall be matters specifically left for the state finance committee to determine.

If no such banks or trust companies are willing to accept appointment as fiscal agencies, or if the state finance committee considers unsatisfactory the terms under which such banks or trust companies are willing so to act, the bonds and bond interest coupons normally payable at the fiscal agency, shall thereupon become payable at the state treasury or at the office of the treasurer or fiscal officer of the subdivision concerned, as the case may be.

RCW 43.80.130

Receipts -- Payment procedure -- Cremation -- Certificate of destruction.

The fiscal agencies, on the receipt of any moneys transmitted to them by or for this state, or for any affected subdivision, for the purpose of paying therewith any of its bonds or coupons by their terms made payable at the situs of the state of Washington fiscal agencies, shall transmit forthwith to the sender of such moneys a proper receipt therefor; pay such bonds or coupons upon presentation thereof for payment at the office of the fiscal agencies at or after the maturity thereof, in the order of their presentation insofar as the moneys received for that purpose suffice therefor; and cancel all such bonds and coupons upon payment thereof, and thereupon forthwith return the same to the proper officers of this state or affected subdivisions which issued them; and, concerning the same, report to the state and/or affected subdivision within thirty days following a maturity date the amount of bonds and coupons presented and paid to that date: PROVIDED, That nothing herein shall prevent the state or any of the subdivisions thereof from designating its fiscal agencies, or the trustee of any revenue bond issue, or both, also as its agencies for cremation and to provide by agreement therewith, that after one year any general or revenue obligation bonds or interest coupons that have been canceled or paid, may be destroyed as directed by the proper officers of the state or other subdivisions hereinbefore mentioned: PROVIDED FURTHER, That a certificate of destruction giving full descriptive reference to the instruments destroyed shall be made by the person or persons authorized to perform such destruction and one copy of the certificate shall be filed with the treasurer of the state or local subdivisions as applicable. Whenever said treasurer has redeemed any of the bonds or coupons referred to in this section through his local office, or whenever such redemption has been performed by the trustee of any revenue bond issue, and the canceled instruments or certificates of transmittal thereafter have been forwarded to said treasurer for recording, such canceled instruments may be forwarded to the fiscal agents designated as agents for cremation for destruction pursuant to any agreements therefor, or said treasurer may, notwithstanding any provision of state statute to the contrary, himself destroy such canceled instruments in the presence of the public officers or boards or their authorized representatives, which by law perform the auditing functions within the state or such political subdivisions as hereinbefore specified: PROVIDED, That he and the said auditing officers or boards shall execute a certificate of destruction, giving full descriptive reference to the instruments destroyed, which certificates

shall be filed with those of the agencies for cremation herein designated. No certificate required by this section shall be destroyed until all of the bonds and coupons of the issue or series described thereon shall have matured and been paid or canceled.

RCW 43.80.140

Notice of establishment of fiscal agencies -- Publication -- Bonds and coupons paid at fiscal agencies.

The state finance committee shall, immediately after the establishment of fiscal agencies, publish a notice thereof, once a week for two consecutive weeks, in some financial newspaper of general circulation in cities designated as headquarters of the fiscal agents. All bonds and coupons of this state or of any affected subdivision thereafter issued shall be paid at the designated fiscal agencies or at such other place as allowed by law and provided for in the bonds.