

**SPECIAL SERVICE DISTRICT BOND**

**SECURITY**

1999 GENERAL SESSION

STATE OF UTAH

**Sponsor: Jack A. Seitz**

1 AN ACT RELATING TO CITIES, COUNTIES, AND LOCAL TAXING UNITS; **h EXPANDING**  
2 **THE PURPOSES FOR WHICH MINERAL LEASE BOND PROCEEDS MAY BE USED; h MODIFYING**  
3a **THE DATE AFTER WHICH MINERAL LEASE BONDS MAY NOT BE ISSUED; AND**  
4 **MAKING TECHNICAL CORRECTIONS.**

5 This act affects sections of Utah Code Annotated 1953 as follows:

6 AMENDS:

7 **11-14-17.6**, as last amended by Chapter 120, Laws of Utah 1994

8 *Be it enacted by the Legislature of the state of Utah:*

9 Section 1. Section **11-14-17.6** is amended to read:

10 **11-14-17.6. Special service district bonds secured by federal mineral lease payments**  
11 **-- Use of bond proceeds -- Bond resolution -- Nonimpairment of appropriation formula --**  
12 **Issuance of bonds.**

13 (1) Special service districts may:

14 (a) issue bonds payable, in whole or in part, from federal mineral lease payments which  
15 are to be deposited into the Mineral Lease Account under Section 59-21-1 and appropriated to  
16 special service districts under Section 59-21-2; or

17 (b) pledge all or any part of the mineral lease payments referred to in Subsection (1)(a) as  
18 an additional source of payment for their general obligation bonds.

19 (2) The proceeds of these bonds **h [shall] MAY h** be used **h [to] h** :

20 (a) **h TO h** construct, repair, and maintain streets and roads;

21 (b) **h TO h** fund any reserves and costs incidental to the issuance of the bonds **h [;] h** and  
22 **h [(c)] h** pay any associated administrative costs **h ; and**

23 **(c) for § [other] CAPITAL PROJECTS OF THE § special service district § [purposes related**  
24 **to the services the special service] §**

25 **§ [district is authorized to provide h] § .**

26 (3) (a) The special service district board shall enact a resolution authorizing the issuance

28 of bonds which, until the bonds have been paid in full:

- 29 (i) shall be irrevocable; and
- 30 (ii) may not be amended in any manner that would:

- 31 (A) impair the rights of the bond holders; or
- 32 (B) jeopardize the timely payment of principal or interest when due.

33 (b) Notwithstanding any other provision of this chapter, the resolution may contain  
34 covenants with the bond holder regarding:

- 35 (i) mineral lease payments, or their disposition;
- 36 (ii) the issuance of future bonds; or
- 37 (iii) other pertinent matters considered necessary by the governing body to:
  - 38 (A) assure the marketability of the bonds; or
  - 39 (B) insure the enforcement, collection, and proper application of mineral lease payments.

40 (4) (a) Except as provided in Subsection (b), the state may not alter, impair, or limit the  
41 statutory appropriation formula provided in Subsections 59-21-2(2)(f) and 59-21-2(5), in a manner  
42 that reduces the amounts to be distributed to the special service district until the bonds and the  
43 interest on the bonds are fully met and discharged. Each special service district may include this  
44 pledge and undertaking of the state in these bonds.

45 (b) Nothing in this section:

46 (i) may preclude the alteration, impairment, or limitation of these bonds if adequate  
47 provision is made by law for the protection of the bond holders; or

48 (ii) shall be construed:

49 (A) as a pledge guaranteeing the actual dollar amount ultimately received by individual  
50 special service districts;

51 (B) to require the Department of Transportation to allocate the mineral lease payments in  
52 a manner contrary to the general allocation method described in Subsection 59-21-2(5); or

53 (C) to limit the Department of Transportation in making rules or procedures allocating  
54 mineral lease payments pursuant to Subsection 59-21-2(5).

55 (5) (a) The average annual installments of principal and interest on bonds to which mineral  
56 lease payments have been pledged as the sole source of payment may not at any one time exceed:

57 (i) 80% of the total mineral lease payments received by the issuing entity during the fiscal  
58 year of the issuing entity immediately preceding the fiscal year in which the resolution authorizing

59 the issuance of bonds is adopted; or

60 (ii) if the bonds are issued during the first fiscal year the issuing entity is eligible to receive  
61 funds, 60% of the amount estimated by the Department of Transportation to be appropriated to the  
62 issuing entity in that fiscal year.

63 (b) The Department of Transportation shall not be liable for any loss or damage resulting  
64 from reliance on the estimates.

65 (6) The final maturity date of the bonds may not exceed 15 years from the date of their  
66 issuance.

67 (7) Bonds may not be issued under this section after December 31, [~~2000~~] 2010.

68 (8) Bonds which are payable solely from a special fund into which mineral lease payments  
69 are deposited constitute a borrowing based solely upon the credit of the mineral lease payments  
70 received or to be received by the special service district and do not constitute an indebtedness or  
71 pledge of the general credit of the special service district or the state.

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**Legislative Review Note**  
**as of 1-7-99 12:24 PM**

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

**Office of Legislative Research and General Counsel**