

BONDS SECURED BY FEDERAL MINERAL LEASE

PAYMENTS

2011 SECOND SPECIAL SESSION

STATE OF UTAH

Chief Sponsor: Ralph Okerlund

House Sponsor: Kay L. McIff

LONG TITLE

General Description:

This bill extends the date after which a special service district bond secured by federal mineral lease payments may not be issued.

Highlighted Provisions:

This bill:

- ▶ extends the date after which a special service district bond secured by federal mineral lease payments may not be issued from December 31, 2010, to December 31, 2020;

- ▶ provides for sunset review of the bond provisions described in this bill before it is repealed on December 31, 2020; and

- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides an immediate effective date.

Utah Code Sections Affected:

AMENDS:

11-14-308, as last amended by Laws of Utah 2010, Chapter 378

ENACTS:

63I-1-211, Utah Code Annotated 1953

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

31 Section 1. Section **11-14-308** is amended to read:

32 **11-14-308. Special service district bonds secured by federal mineral lease**
33 **payments -- Use of bond proceeds -- Bond resolution -- Nonimpairment of appropriation**
34 **formula -- Issuance of bonds.**

35 (1) Special service districts may:

36 (a) issue bonds payable, in whole or in part, from federal mineral lease payments which
37 are to be deposited into the Mineral Lease Account under Section 59-21-1 and distributed to
38 special service districts under Subsection 59-21-2(2)(h); or

39 (b) pledge all or any part of the mineral lease payments [~~referred to~~] described in
40 Subsection (1)(a) as an additional source of payment for their general obligation bonds.

41 (2) The proceeds of these bonds may be used:

42 (a) to construct, repair, and maintain streets and roads;

43 (b) to fund any reserves and costs incidental to the issuance of the bonds and pay any
44 associated administrative costs; and

45 (c) for capital projects of the special service district.

46 (3) (a) The special service district board shall enact a resolution authorizing the
47 issuance of bonds which, until the bonds have been paid in full:

48 (i) shall be irrevocable; and

49 (ii) may not be amended in any manner that would:

50 (A) impair the rights of the bond holders; or

51 (B) jeopardize the timely payment of principal or interest when due.

52 (b) Notwithstanding any other provision of this chapter, the resolution described in
53 Subsection (3)(a) may contain covenants with the bond holder regarding:

54 (i) mineral lease payments, or their disposition;

55 (ii) the issuance of future bonds; or

56 (iii) other pertinent matters considered necessary by the governing body to:

57 (A) assure the marketability of the bonds; or

58 (B) insure the enforcement, collection, and proper application of mineral lease
59 payments.

60 (4) (a) Except as provided in Subsection (4)(b), the state may not alter, impair, or limit
61 the statutory appropriation formula provided in Subsection 59-21-2(2)(h), in a manner that
62 reduces the amounts to be distributed to the special service district until the bonds and the
63 interest on the bonds are fully met and discharged. Each special service district may include
64 this pledge and undertaking of the state in these bonds.

65 (b) Nothing in this section:

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

68 (ii) shall be construed:

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

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

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

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

78 (i) 80% of the total mineral lease payments received by the issuing entity during the
79 fiscal year of the issuing entity immediately preceding the fiscal year in which the resolution
80 authorizing the issuance of bonds is adopted; or

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

84 (b) The Department of Transportation is not liable for any loss or damage resulting
85 from reliance on the estimates.

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

88 (7) Bonds may not be issued under this section after December 31, [~~2010~~] 2020.

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

93 Section 2. Section **63I-1-211** is enacted to read:

94 **63I-1-211. Repeal dates, Title 11.**

95 Section 11-14-308 is repealed December 31, 2020.

96 Section 3. **Effective date.**

97 If approved by two-thirds of all the members elected to each house, this bill takes effect
98 upon approval by the governor, or the day following the constitutional time limit of Utah
99 Constitution Article VII, Section 8, without the governor's signature, or in the case of a veto,
100 the date of veto override.