

LOCAL GOVERNMENT BONDING AMENDMENTS

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Douglas V. Sagers

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies provisions relating to local political subdivision bonding authorizations.

Highlighted Provisions:

This bill:

- ▶ authorizes a local political subdivision to issue negotiable bonds to pay claims, judgments, or settlements in certain circumstances;
- ▶ specifies a maximum maturity date for bonds issued to pay certain claims, judgments, or settlements; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

11-14-103, as last amended by Laws of Utah 2015, Chapter 258

63G-7-702, as renumbered and amended by Laws of Utah 2008, Chapter 382

63G-7-704, as last amended by Laws of Utah 2011, Chapter 371



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

29 Section 1. Section **11-14-103** is amended to read:

30 **11-14-103. Bond issues authorized -- Purposes -- Use of bond proceeds.**

31 (1) Any local political subdivision may, in the manner and subject to the limitations
32 and restrictions contained in this chapter, issue its negotiable bonds for the purpose of paying
33 all or part of the cost of:

34 (a) acquiring, improving, or extending any one or more improvements, facilities, or
35 property that the local political subdivision is authorized by law to acquire, improve, or extend;

36 (b) acquiring, or acquiring an interest in, any one or more or any combination of the
37 following types of improvements, facilities, or property to be owned by the local political
38 subdivision, either alone or jointly with one or more other local political subdivisions, or for
39 the improvement or extension of any of those wholly or jointly owned improvements, facilities,
40 or properties:

41 (i) public buildings of every nature, including without limitation, offices, courthouses,
42 jails, fire, police and sheriff's stations, detention homes, and any other buildings to
43 accommodate or house lawful activities of a local political subdivision;

44 (ii) waterworks, irrigation systems, water systems, dams, reservoirs, water treatment
45 plants, and any other improvements, facilities, or property used in connection with the
46 acquisition, storage, transportation, and supplying of water for domestic, industrial, irrigation,
47 recreational, and other purposes and preventing pollution of water;

48 (iii) sewer systems, sewage treatment plants, incinerators, and other improvements,
49 facilities, or property used in connection with the collection, treatment, and disposal of sewage,
50 garbage, or other refuse;

51 (iv) drainage and flood control systems, storm sewers, and any other improvements,
52 facilities, or property used in connection with the collection, transportation, or disposal of
53 water;

54 (v) recreational facilities of every kind, including without limitation, athletic and play
55 facilities, playgrounds, athletic fields, gymnasiums, public baths, swimming pools, camps,
56 parks, picnic grounds, fairgrounds, golf courses, zoos, boating facilities, tennis courts,
57 auditoriums, stadiums, arenas, and theaters;

58 (vi) convention centers, sports arenas, auditoriums, theaters, and other facilities for the

- 59 holding of public assemblies, conventions, and other meetings;
- 60 (vii) roads, bridges, viaducts, tunnels, sidewalks, curbs, gutters, and parking buildings,
61 lots, and facilities;
- 62 (viii) airports, landing fields, landing strips, and air navigation facilities;
- 63 (ix) educational facilities, including without limitation, schools, gymnasiums,
64 auditoriums, theaters, museums, art galleries, libraries, stadiums, arenas, and fairgrounds;
- 65 (x) hospitals, convalescent homes, and homes for the aged or indigent; and
- 66 (xi) electric light works, electric generating systems, and any other improvements,
67 facilities, or property used in connection with the generation and acquisition of electricity for
68 these local political subdivisions and transmission facilities and substations if they do not
69 duplicate transmission facilities and substations of other entities operating in the state prepared
70 to provide the proposed service unless these transmission facilities and substations proposed to
71 be constructed will be more economical to these local political subdivisions; ~~or~~
- 72 (c) new construction, renovation, or improvement to a state highway within the
73 boundaries of the local political subdivision or an environmental study for a state highway
74 within the boundaries of the local political subdivision~~[-]; or~~
75 (d) the portion of any claim, settlement, or judgment that exceeds \$3,000,000.
- 76 (2) Except as provided in Subsection (1)(c), any improvement, facility, or property
77 under Subsection (1) need not lie within the limits of the local political subdivision.
- 78 (3) A cost under Subsection (1) may include:
- 79 (a) the cost of equipment and furnishings for such improvements, facilities, or
80 property;
- 81 (b) all costs incident to the authorization and issuance of bonds, including engineering,
82 legal, and fiscal advisers' fees;
- 83 (c) costs incident to the issuance of bond anticipation notes, including interest to accrue
84 on bond anticipation notes;
- 85 (d) interest estimated to accrue on the bonds during the period to be covered by the
86 construction of the improvement, facility, or property and for 12 months after that period; and
- 87 (e) other amounts which the governing body finds necessary to establish bond reserve
88 funds and to provide working capital related to the improvement, facility, or property.
- 89 (4) ~~[The]~~ (a) Except as provided in Subsection (4)(b), the proceeds from bonds issued

90 on or after May 14, 2013, may not be used:

91 ~~[(a)]~~ (i) for operation and maintenance expenses for more than one year after the date
92 any of the proceeds are first used for those expenses; or

93 ~~[(b)]~~ (ii) for capitalization of interest more than five years after the bonds are issued.

94 (b) The restrictions on the use of bond proceeds under Subsection (4)(a) do not apply
95 to bonds issued to pay all or part of the costs of a claim, settlement, or judgment under
96 Subsection (1)(d).

97 Section 2. Section **63G-7-702** is amended to read:

98 **63G-7-702. Payment of claim or judgment against political subdivision --**
99 **Procedure by governing body -- Payment options.**

100 (1) (a) Each claim approved by a political subdivision or any final judgment obtained
101 against a political subdivision shall be submitted to the governing body of the political
102 subdivision.

103 (b) The governing body shall pay the claim immediately from the general funds of the
104 political subdivision unless:

105 (i) the funds are appropriated to some other use or restricted by law or contract for
106 other purposes; ~~[or]~~

107 (ii) the political subdivision opts to pay the claim or award in installments under
108 Subsection (2)~~[-]; or~~

109 (iii) the political subdivision elects to bond for the portion of the claim, judgment, or
110 settlement that exceeds \$3,000,000 in accordance with Subsection [11-14-103\(1\)\(d\)](#).

111 (2) If the subdivision is unable to pay the claim or award during the current fiscal year,
112 it may pay the claim or award in not more than 10 ensuing annual installments of equal size or
113 in whatever other installments that are agreeable to the claimant.

114 (3) If a political subdivision elects to bond for the portion of a claim, judgment, or
115 settlement that exceeds \$3,000,000 in accordance with Subsection [11-14-103\(1\)\(d\)](#) the political
116 subdivision may issue bonds with a maturity date not to exceed 21 years.

117 Section 3. Section **63G-7-704** is amended to read:

118 **63G-7-704. Tax levy by political subdivisions for payment of claims, judgments,**
119 **or insurance premiums.**

120 (1) Notwithstanding any provision of law to the contrary, a political subdivision may

121 levy an annual property tax sufficient to pay:

122 (a) any claim, settlement, or judgment, including interest payments and issuance costs
123 for bonds issued under Subsection 11-14-103(1)(d) to pay the portion of any claim, settlement,
124 or judgment that exceeds \$3,000,000;

125 (b) the costs to defend against any claim, settlement, or judgment; or

126 (c) for the establishment and maintenance of a reserve fund for the payment of claims,
127 settlements, or judgments that may be reasonably anticipated.

128 (2) (a) The payments authorized to pay for punitive damages or to pay the premium for
129 authorized insurance is money spent for a public purpose within the meaning of this section
130 and Article XIII, Sec. 5, Utah Constitution, even though, as a result of the levy, the maximum
131 levy as otherwise restricted by law is exceeded.

132 (b) No levy under this section may exceed .0001 per dollar of taxable value of taxable
133 property.

134 (c) The revenues derived from this levy may not be used for any purpose other than
135 those specified in this section.

136 (3) Beginning January 1, 2012, a local school board may not levy a tax in accordance
137 with this section.

Legislative Review Note
Office of Legislative Research and General Counsel