

**11-42-701 Guaranty fund.**

- (1) Except as provided in Section 11-42-702, each local entity that issues assessment bonds shall:
  - (a) create a guaranty fund, as provided in this section, to secure bonds, to the extent of the money in the fund; and
  - (b) fund the guaranty fund by:
    - (i) appropriations from the local entity's general fund;
    - (ii) a property tax levy of not to exceed .0002 per dollar of taxable value of taxable property within the local entity's jurisdictional boundaries;
    - (iii) issuing general obligation bonds; or
    - (iv) appropriations from other sources as determined by the local entity's governing body.
- (2) A tax levied by a local entity under Subsection (1)(b)(ii) to fund a guaranty fund is not included for purposes of calculating the maximum levy limitation applicable to the local entity.
- (3) A local entity may covenant for the benefit of bond holders that, as long as the bonds are outstanding and unpaid, the local entity will:
  - (a) create a guaranty fund as provided in this section;
  - (b)
    - (i) to the extent legally permissible and by any of the methods described in Subsection (1)(b), transfer each year to the guaranty fund an amount of money up to the amount the local entity would collect by levying a tax of .0002 per dollar of taxable value of taxable property within the local entity until the balance in the guaranty fund equals 10% of the amount of all outstanding bonds; and
    - (ii) in subsequent years transfer to the guaranty fund the amount necessary to replenish or maintain the guaranty fund at 10% of the amount of all outstanding bonds; and
  - (c) invest the funds on deposit in the guaranty fund as provided in Title 51, Chapter 7, State Money Management Act.
- (4) A local entity may create subaccounts within a guaranty fund for each issue of outstanding assessment bonds and refunding assessment bonds in a manner that the local entity's governing body considers appropriate to allocate among the bond issues the securities held in and interest earnings on the guaranty fund for purposes of complying with federal law.
- (5) A local entity may transfer to its general fund any money in its guaranty fund that exceeds 10% of the amount of all of the local entity's outstanding assessment bonds and refunding assessment bonds that are secured by the guaranty fund.
- (6) For purposes of Subsections (3)(b) and (5), refunding assessment bonds may not be considered outstanding until the principal of and interest and any redemption premiums on the prior bonds that are refunded by the refunding assessment bonds are fully paid or legally considered to be paid.

Enacted by Chapter 329, 2007 General Session