

SPECIAL SERVICE DISTRICT BOND SECURITY

1999 GENERAL SESSION

STATE OF UTAH

Sponsor: Jack A. Seitz

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

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

AMENDS:

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

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

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

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

(1) Special service districts may:

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

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

(2) The proceeds of these bonds [shall] may be used [to]:

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

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

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

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

- (i) shall be irrevocable; and
- (ii) may not be amended in any manner that would:
 - (A) impair the rights of the bond holders; or
 - (B) jeopardize the timely payment of principal or interest when due.
- (b) Notwithstanding any other provision of this chapter, the resolution may contain

covenants with the bond holder regarding:

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

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

(b) Nothing in this section:

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

(ii) shall be construed:

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

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

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

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

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

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

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

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

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

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