

1 **LOCAL GOVERNMENT BONDING AMENDMENTS**

2 2016 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Douglas V. Sagers**

5 Senate Sponsor: Curtis S. Bramble

7 **LONG TITLE**

8 **General Description:**

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

11 **Highlighted Provisions:**

12 This bill:

13 ▶ authorizes a local political subdivision to issue negotiable bonds to pay claims,
14 judgments, or settlements in certain circumstances;

15 ▶ specifies a maximum maturity date for bonds issued to pay certain claims,
16 judgments, or settlements;

17 ▶ provides that a political subdivision that imposes a property tax levy for certain
18 purposes shall comply with certain notice and public hearing requirements;

19 ▶ provides a sunset of the authorization of a local political subdivision to issue
20 negotiable bonds to pay claims, judgments, or settlements in certain circumstances;

21 and

22 ▶ makes technical and conforming changes.

23 **Money Appropriated in this Bill:**

24 None

25 **Other Special Clauses:**

26 None

27 **Utah Code Sections Affected:**

28 AMENDS:

29 **11-14-103**, as last amended by Laws of Utah 2015, Chapter 258

30 **63G-7-702**, as renumbered and amended by Laws of Utah 2008, Chapter 382

31 **63G-7-704**, as last amended by Laws of Utah 2011, Chapter 371

32

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

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

35 **11-14-103. Bond issues authorized -- Purposes -- Use of bond proceeds.**

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

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

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

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

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

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

56 (iv) drainage and flood control systems, storm sewers, and any other improvements,
57 facilities, or property used in connection with the collection, transportation, or disposal of

58 water;

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

63 (vi) convention centers, sports arenas, auditoriums, theaters, and other facilities for the
64 holding of public assemblies, conventions, and other meetings;

65 (vii) roads, bridges, viaducts, tunnels, sidewalks, curbs, gutters, and parking buildings,
66 lots, and facilities;

67 (viii) airports, landing fields, landing strips, and air navigation facilities;

68 (ix) educational facilities, including without limitation, schools, gymnasiums,
69 auditoriums, theaters, museums, art galleries, libraries, stadiums, arenas, and fairgrounds;

70 (x) hospitals, convalescent homes, and homes for the aged or indigent; and

71 (xi) electric light works, electric generating systems, and any other improvements,
72 facilities, or property used in connection with the generation and acquisition of electricity for
73 these local political subdivisions and transmission facilities and substations if they do not
74 duplicate transmission facilities and substations of other entities operating in the state prepared
75 to provide the proposed service unless these transmission facilities and substations proposed to
76 be constructed will be more economical to these local political subdivisions; [~~or~~]

77 (c) new construction, renovation, or improvement to a state highway within the
78 boundaries of the local political subdivision or an environmental study for a state highway
79 within the boundaries of the local political subdivision[~~;~~]; or

80 (d) except as provided in Subsection (5), the portion of any claim, settlement, or
81 judgment that exceeds \$3,000,000.

82 (2) Except as provided in Subsection (1)(c), any improvement, facility, or property
83 under Subsection (1) need not lie within the limits of the local political subdivision.

84 (3) A cost under Subsection (1) may include:

85 (a) the cost of equipment and furnishings for such improvements, facilities, or

86 property;

87 (b) all costs incident to the authorization and issuance of bonds, including engineering,
88 legal, and fiscal advisers' fees;

89 (c) costs incident to the issuance of bond anticipation notes, including interest to accrue
90 on bond anticipation notes;

91 (d) interest estimated to accrue on the bonds during the period to be covered by the
92 construction of the improvement, facility, or property and for 12 months after that period; and

93 (e) other amounts which the governing body finds necessary to establish bond reserve
94 funds and to provide working capital related to the improvement, facility, or property.

95 (4) ~~[The]~~ (a) Except as provided in Subsection (4)(b), the proceeds from bonds issued
96 on or after May 14, 2013, may not be used:

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

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

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

103 (5) Beginning on or after July 1, 2021, a local political subdivision may not issue its
104 negotiable bonds for a purpose described in Subsection (1)(d).

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

106 **63G-7-702. Payment of claim or judgment against political subdivision --**
107 **Procedure by governing body -- Payment options.**

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

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

113 (i) the funds are appropriated to some other use or restricted by law or contract for

114 other purposes; ~~[or]~~

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

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

119 (2) ~~[H]~~ Except as provided in Subsection (3), if the subdivision is unable to pay the
120 claim or award during the current fiscal year, it may pay the claim or award in not more than 10
121 ensuing annual installments of equal size or in whatever other installments that are agreeable to
122 the claimant.

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

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

127 **63G-7-704. Tax levy by political subdivisions for payment of claims, judgments,**
128 **or insurance premiums.**

129 (1) Notwithstanding any provision of law to the contrary, a political subdivision may
130 levy an annual property tax sufficient to pay:

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

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

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

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

141 (b) ~~[No]~~ (i) Except as provided in Subsection (2)(b)(ii), a levy under this section may

142 not exceed .0001 per dollar of taxable value of taxable property.

143 (ii) A levy under Subsection (1)(a) to pay the portion of any claim, settlement, or
144 judgment that exceeds \$3,000,000 may not exceed .001 per dollar of taxable value of taxable
145 property.

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

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

150 (4) A political subdivision that levies an annual property tax under Subsection (1)(a) to
151 pay the portion of any claim, settlement, or judgment that exceeds \$3,000,000:

152 (a) shall comply with the notice and public hearing requirements under Section
153 59-2-919; and

154 (b) may levy the annual property tax until the bonds' maturity dates expire.