

SPECIAL SERVICE DISTRICT BONDS AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Ronald M. Winterton

House Sponsor: Scott H. Chew

LONG TITLE

General Description:

This bill modifies provisions related to the issuance of special service district bonds secured by federal mineral lease payments.

Highlighted Provisions:

This bill:

- ▶ removes a prohibition on the issuance of special service district bonds secured by federal mineral lease payments; and
- ▶ provides that the issuance of any bonds is not impaired or invalid solely because the issuance was made contrary to requirements of the removed provision.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

11-14-308, as last amended by Laws of Utah 2011, Second Special Session, Chapter 1

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

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

11-14-308. Special service district bonds secured by federal mineral lease



28 **payments -- Use of bond proceeds -- Bond resolution -- Nonimpairment of appropriation**
29 **formula -- Issuance of bonds.**

30 (1) Special service districts may:

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

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

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

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

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

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

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

43 (i) shall be irrevocable; and

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

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

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

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

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

50 (ii) the issuance of future bonds; or

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

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

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

55 (4) (a) Except as provided in Subsection (4)(b), the state may not alter, impair, or limit
56 the statutory appropriation formula provided in Subsection 59-21-2(2)(h), in a manner that
57 reduces the amounts to be distributed to the special service district until the bonds and the
58 interest on the bonds are fully met and discharged. Each special service district may include

59 this pledge and undertaking of the state in these bonds.

60 (b) Nothing in this section:

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

63 (ii) shall be construed:

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

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

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

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

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

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

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

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

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

84 [(8)] (7) Bonds which are payable solely from a special fund into which mineral lease
85 payments are deposited constitute a borrowing based solely upon the credit of the mineral lease
86 payments received or to be received by the special service district and do not constitute an
87 indebtedness or pledge of the general credit of the special service district or the state.

88 (8) No bond issuance shall be invalid or impaired solely because the bonds were issued
89 under this section during the period beginning January 1, 2021 and ending May 3, 2023.