

LOCAL GOVERNMENT BONDS AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lincoln Fillmore

House Sponsor: Brady Brammer

LONG TITLE

General Description:

This bill modifies provisions relating to local government bonds.

Highlighted Provisions:

This bill:

- prohibits a local political subdivision from issuing a lease revenue bond if a specified threshold is exceeded, with an exception; and
- requires a local government entity intending to issue certain lease revenue bonds to comply with specified notice and public hearing requirements before issuing the lease revenue bond.

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 2016, Chapter 386

17D-2-501, as enacted by Laws of Utah 2008, Chapter 360

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

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

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

- (1) Any local political subdivision may, in the manner and subject to the limitations and restrictions contained in this chapter, issue its negotiable bonds for the purpose of paying all or part of the cost of:
- (a) acquiring, improving, or extending any one or more improvements, facilities, or

property that the local political subdivision is authorized by law to acquire, improve, or extend;

- (b) acquiring, or acquiring an interest in, any one or more or any combination of the following types of improvements, facilities, or property to be owned by the local political subdivision, either alone or jointly with one or more other local political subdivisions, or for the improvement or extension of any of those wholly or jointly owned improvements, facilities, or properties:
- (i) public buildings of every nature, including without limitation, offices, courthouses, jails, fire, police and sheriff's stations, detention homes, and any other buildings to accommodate or house lawful activities of a local political subdivision;
 - (ii) waterworks, irrigation systems, water systems, dams, reservoirs, water treatment plants, and any other improvements, facilities, or property used in connection with the acquisition, storage, transportation, and supplying of water for domestic, industrial, irrigation, recreational, and other purposes and preventing pollution of water;
 - (iii) sewer systems, sewage treatment plants, incinerators, and other improvements, facilities, or property used in connection with the collection, treatment, and disposal of sewage, garbage, or other refuse;
 - (iv) drainage and flood control systems, storm sewers, and any other improvements, facilities, or property used in connection with the collection, transportation, or disposal of water;
 - (v) recreational facilities of every kind, including without limitation, athletic and play facilities, playgrounds, athletic fields, gymnasiums, public baths, swimming pools, camps, parks, picnic grounds, fairgrounds, golf courses, zoos, boating facilities, tennis courts, auditoriums, stadiums, arenas, and theaters;
 - (vi) convention centers, sports arenas, auditoriums, theaters, and other facilities for the holding of public assemblies, conventions, and other meetings;
 - (vii) roads, bridges, viaducts, tunnels, sidewalks, curbs, gutters, and parking buildings, lots, and facilities;
 - (viii) airports, landing fields, landing strips, and air navigation facilities;
 - (ix) educational facilities, including without limitation, schools, gymnasiums, auditoriums, theaters, museums, art galleries, libraries, stadiums, arenas, and fairgrounds;

- 63 (x) hospitals, convalescent homes, and homes for the aged or indigent; and
64 (xi) electric light works, electric generating systems, and any other improvements,
65 facilities, or property used in connection with the generation and acquisition of
66 electricity for these local political subdivisions and transmission facilities and
67 substations if they do not duplicate transmission facilities and substations of other
68 entities operating in the state prepared to provide the proposed service unless these
69 transmission facilities and substations proposed to be constructed will be more
70 economical to these local political subdivisions;
- 71 (c) new construction, renovation, or improvement to a state highway within the
72 boundaries of the local political subdivision or an environmental study for a state
73 highway within the boundaries of the local political subdivision; or
- 74 (d) except as provided in Subsection (5), the portion of any claim, settlement, or
75 judgment that exceeds \$3,000,000.
- 76 (2) Except as provided in Subsection (1)(c), any improvement, facility, or property under
77 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 property;
80 (b) all costs incident to the authorization and issuance of bonds, including engineering,
81 legal, and fiscal advisers' fees;
- 82 (c) costs incident to the issuance of bond anticipation notes, including interest to accrue
83 on bond anticipation notes;
- 84 (d) interest estimated to accrue on the bonds during the period to be covered by the
85 construction of the improvement, facility, or property and for 12 months after that
86 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) (a) Except as provided in Subsection (4)(b), the proceeds from bonds issued on or
90 after May 14, 2013, may not be used:
- 91 (i) for operation and maintenance expenses for more than one year after the date any
92 of the proceeds are first used for those expenses; or
- 93 (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 to
95 bonds issued to pay all or part of the costs of a claim, settlement, or judgment under
96 Subsection (1)(d).

- (5) Beginning on or after July 1, 2021, a local political subdivision may not issue its negotiable bonds for a purpose described in Subsection (1)(d).
- (6) (a) As used in this Subsection (6):
- (i) "Applicable lease revenue bond" means a lease revenue bond in an amount that exceeds \$10,000,000.
- (ii) "Combined total" means the total of all lease revenue bonds issued by a local political subdivision within any consecutive three-year period.
- (b) (i) A local political subdivision may not issue a lease revenue bond if the issuance of the bond will cause the combined total to exceed \$200,000,000.
- (ii) The amount of a lease revenue bond to pay for the construction, reconstruction, or remodeling of a correctional facility, as defined in Section 77-17b-102, does not count toward the combined total.
- (c) Before issuing an applicable lease revenue bond on or after May 1, 2024, a local political subdivision shall:
- (i) make a statement at a meeting of the local political subdivision, as provided in Subsection (6)(d);
- (ii) as provided in Subsection (6)(e), publish notice of the proposed issuance of a lease revenue bond and of the public hearing under Subsection (6)(f); and
- (iii) hold a public hearing, as provided in Subsection (6)(f).
- (d) (i) At a regular meeting of the local political subdivision that is held at least 14 days before a public hearing under Subsection (6)(f), the governing body of a local political subdivision intending to issue an applicable lease revenue bond shall make a statement indicating:
- (A) the intent to issue a lease revenue bond; and
- (B) the purpose and estimated amount of the lease revenue bond.
- (ii) The local political subdivision's agenda under Section 52-4-202 for a meeting described in Subsection (6)(d)(i) shall include a separate item for the statement required under Subsection (6)(d)(i).
- (e) (i) A local political subdivision intending to issue an applicable lease revenue bond shall provide notice of the intent to issue a lease revenue bond and of the public hearing required under Subsection (6)(f).
- (ii) The notice required under Subsection (6)(e)(i) shall be published:
- (A) subject to Section 45-1-101, in a newspaper or combination of newspapers of general circulation in the local political subdivision;

- 131 (B) electronically in accordance with Section 45-1-101; and
132 (C) for the local political subdivision, as a class A notice under Section
133 63G-30-102, for at least 14 days immediately before the public hearing under
134 Subsection (6)(d).
- 135 (iii) If the local political subdivision intending to issue an applicable lease revenue
136 bond is a school district, the notice required by Subsection (6)(e)(i) shall include a
137 statement that contains substantially the following language: "This proposed lease
138 revenue bond commits money from future property tax and income tax revenue
139 allocated to the school district. Additionally, a lease revenue bond generally has a
140 higher interest cost than a voter-approved general obligation bond."
- 141 (iv) The notice described in Subsection (6)(e)(ii)(A):
- 142 (A) shall be no less than 1/4 page in size, use type no smaller than 18 point, and be
143 surrounded by a 1/4-inch border;
- 144 (B) shall be run once each week for the two weeks before a local political
145 subdivision conducts a public hearing under Subsection (6)(f); and
- 146 (C) may not be placed in the portion of a newspaper where legal notices and
147 classified advertisements appear.
- 148 (v) A notice required under Subsection (6)(e)(i) shall:
- 149 (A) contain a clear statement indicating that the local political subdivision intends
150 to issue a lease revenue bond;
- 151 (B) explain the purpose, proposed amount, and length of term of the lease revenue
152 bond and the annual amount that the local political subdivision will be required
153 to pay in principal and interest on the lease revenue bond;
- 154 (C) identify the intended lessee of the facility to be constructed using proceeds
155 from the lease revenue bond and the expected annual amount of lease
156 payments that the lessee will pay;
- 157 (D) provide the date, time, place, and purpose of the public hearing under
158 Subsection (6)(f); and
- 159 (E) provide the date, time, and place of the local political subdivision governing
160 body meeting at which the governing body anticipates taking action on the
161 proposal to issue a lease revenue bond.
- 162 (f) (i) A local political subdivision intending to issue an applicable lease revenue
163 bond shall hold a public hearing on the proposed lease revenue bond.
- 164 (ii) A public hearing under this Subsection (6)(f):

(A) shall be held beginning at or after 6:00 p.m.;

(B) shall be held separate from any other public hearing; and

(C) may be held the same day as another public hearing, including immediately before or after the other public hearing.

(iii) At a public hearing under this Subsection (6)(f), the governing body of the local political subdivision shall provide a member of the public desiring to be heard an opportunity to present testimony on the proposed issuance of a lease revenue bond:

(A) within reasonable time limits; and

(B) without unreasonable restriction on the number of individuals allowed to make public comment.

Section 2. Section **17D-2-501** is amended to read:

17D-2-501 . Provisions applicable to issuance of local building authority bonds.

(1) Except as otherwise provided in this chapter:

~~[(1)]~~ (a) each local building authority that issues bonds shall:

~~[(a)]~~ (i) issue them as provided in Title 11, Chapter 14, Local Government Bonding Act, except Section 11-14-306; and

~~[(b)]~~ (ii) receive the benefits of Title 11, Chapter 30, Utah Bond Validation Act;

~~[(2)]~~ (b) bonds issued by a local building authority are governed by and subject to Title 11, Chapter 14, Local Government Bonding Act, except Sections 11-14-306 and 11-14-403; and

~~[(3)]~~ (c) each local building authority that issues refunding bonds shall issue them as provided in Title 11, Chapter 27, Utah Refunding Bond Act.

(2) A local building authority that issues a lease revenue bond on or after May 1, 2024 shall comply with the same requirements and is subject to the same limitations under Subsection 11-14-103(6) that apply to the issuance of a lease revenue bond by a local political subdivision, as defined in Section 11-14-102.

Section 3. **Effective date.**

This bill takes effect on May 1, 2024.