

MAR 16 1987

Place On Calendar

HOUSE FILE 523

BY COMMITTEE ON LOCAL GOVERNMENT

(Formerly House Study Bill 248)

Passed House, Date 3-31-87 (p. 986) Passed Senate, Date 4-14-87 (p. 1287)

Vote: Ayes 93 Nays 0 Vote: Ayes 49 Nays 0

Approved May 4, 1987 (p. 2006)

A BILL FOR

1 An Act relating to the financial authority of political
2 subdivisions by authorizing loan agreements, the issuance of
3 bonds for additional purposes, and the payment of interest
4 from bond proceeds.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 523

1 Section 1. Section 331.402, Code 1987, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 3. A county may enter into loan
4 agreements to borrow money for any public purpose in
5 accordance with the terms and procedures set forth in section
6 384.24A, and the references in that subsection to cities are
7 applicable to counties, the reference to section 384.25 is
8 applicable to section 331.443, and the references to the
9 council are applicable to the board.

10 Sec. 2. Section 331.441, subsection 2, paragraph b, Code
11 1987, is amended by adding the following new subparagraphs:

12 NEW SUBPARAGRAPH. (9) The acquisition, restoration, or
13 demolition of abandoned, dilapidated, or dangerous buildings,
14 structures or properties or the abatement of a nuisance.

15 NEW SUBPARAGRAPH. (10) The establishment or funding of
16 programs to provide for or assist in providing for the
17 acquisition, restoration, or demolition of housing, or for
18 other purposes as may be authorized under chapter 403A.

19 Sec. 3. Section 331.441, subsection 2, paragraph c,
20 subparagraph (11), Code 1987, is amended to read as follows:

21 (11) Any other ~~facilities-or-improvements~~ purpose which
22 ~~are~~ is necessary for the operation of the county or the health
23 and welfare of its citizens.

24 Sec. 4. Section 331.441, subsection 3, Code 1987, is
25 amended to read as follows:

26 3. The "cost" of any a project for an essential county
27 purpose or general county purpose includes construction
28 contracts and the cost of engineering, architectural,
29 technical, and legal services, preliminary reports, property
30 valuations, estimates, plans, specifications, notices,
31 acquisition of real and personal property, consequential
32 damages or costs, easements, rights of way, supervision,
33 inspection, testing, publications, printing and sale of bonds,
34 interest during the period or estimated period of construction
35 and for twelve months thereafter or for twelve months after

1 the acquisition date, and provisions for contingencies.

2 Sec. 5. Section 384.4, Code 1987, is amended by adding the
3 following new subsection:

4 NEW SUBSECTION. 4. Payments required to be made from the
5 debt service fund under a loan agreement.

6 Sec. 6. Section 384.24, subsection 3, Code 1987, is
7 amended by adding the following new lettered paragraphs:

8 NEW LETTERED PARAGRAPH. t. The acquisition, restoration,
9 or demolition of abandoned, dilapidated, or dangerous
10 buildings, structures or properties or the abatement of a
11 nuisance.

12 NEW LETTERED PARAGRAPH. u. The establishment or funding
13 of programs to provide for or assist in providing for the
14 acquisition, restoration, or demolition of housing, or for
15 other purposes as may be authorized under chapter 403A.

16 Sec. 7. Section 384.24, subsection 4, paragraph i, Code
17 1987, is amended to read as follows:

18 i. Any other ~~facilities-or-improvements~~ purpose which are
19 is necessary for the operation of the city or the health and
20 welfare of its citizens.

21 Sec. 8. Section 384.24, subsection 5, Code 1987, is
22 amended to read as follows:

23 5. The "cost" of any a project for an essential corporate
24 purpose or general corporate purpose includes construction
25 contracts and the cost of engineering, architectural,
26 technical, and legal services, preliminary reports, property
27 valuations, estimates, plans, specifications, notices,
28 acquisition of real and personal property, consequential
29 damages or costs, easements, rights of way, supervision,
30 inspection, testing, publications, printing and sale of bonds,
31 interest during the period or estimated period of construction
32 and for twelve months thereafter or for twelve months after
33 the acquisition date, and provisions for contingencies.

34 Sec. 9. NEW SECTION. 384.24A LOAN AGREEMENTS.

35 A city may enter into loan agreements to borrow money for

1 any public purpose in accordance with the following terms and
2 procedures:

3 1. A loan agreement entered into by a city may contain
4 provisions similar to those sometimes found in loan agreements
5 between private parties, including the issuance of notes to
6 evidence its obligations.

7 2. A provision of a loan agreement which stipulates that a
8 portion of the payments be applied as interest is subject to
9 chapter 74A. Other laws relating to interest rates do not
10 apply.

11 3. The governing body shall follow substantially the same
12 authorization procedure required for the issuance of general
13 obligation bonds issued for the same purpose, to authorize a
14 loan agreement made payable from the debt service fund, or to
15 authorize any loan agreement which would result in the total
16 of scheduled annual payments of principal or interest or both
17 principal and interest of the city due from the general fund
18 of the city in any future year with respect to all loan
19 agreements in force on the date of the authorization, to
20 exceed ten percent of the last certified general fund budget
21 amount. In all other cases, the governing body shall follow
22 substantially the same authorization procedures required for
23 the issuance of general obligation bonds as set out in section
24 384.25. Chapter 75 is not applicable. A city utility is a
25 separate entity under this section whether it is governed by
26 the council or another governing body.

27 4. A loan agreement to which a city is a party or in which
28 a city has a participatory interest, is an obligation of a
29 political subdivision of this state for the purposes of
30 chapters 502 and 682, and is a lawful investment for banks,
31 trust companies, building and loan associations, savings and
32 loan associations, investment companies, insurance companies,
33 insurance associations, executors, guardians, trustees, and
34 any other fiduciaries responsible for the investment of funds.

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EXPLANATION

1 Sections 1, 5, and 9 authorize counties and cities to enter
2 into loan agreements to borrow money, and require them to
3 follow the appropriate hearing or election requirements for
4 bonds before entering into the loan agreements.

5 Sections 2 and 6 authorize counties and cities to issue
6 bonds for economic development purposes, to acquire, restore,
7 or demolish abandoned, dilapidated, or dangerous buildings, or
8 to abate a nuisance. Counties are authorized to provide for
9 housing acquisition, restoration, demolition, or other
10 purposes under chapter 403A.

11 Sections 3 and 7 allow county and city bonds to be issued
12 (subject to referendum requirements) for any necessary public
13 purpose.

14 Sections 4 and 8 amend the definition of "cost" of a
15 project to allow bond proceeds to be used to pay the interest
16 during construction.

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HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
LOCAL GOVERNMENT BILL)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *Hatch*

COMMITTEE: *Local Government*

3/10/87

1 Section 1. Section 331.402, Code 1987, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 3. A county may enter into loan
4 agreements to borrow money for any public purpose in
5 accordance with the terms and procedures set forth in section
6 384.24A, and the references in that subsection to cities are
7 applicable to counties, the reference to section 384.25 is
8 applicable to section 331.443, and the references to the
9 council are applicable to the board.

10 Sec. 2. Section 331.441, subsection 2, paragraph b, Code
11 1987, is amended by adding the following new subparagraphs:

12 NEW SUBPARAGRAPH. (9) Any purpose which is necessary for
13 the economic development of the county.

14 NEW SUBPARAGRAPH. (10) The acquisition, restoration, or
15 demolition of abandoned, dilapidated, or dangerous buildings,
16 structures, or properties or the abatement of a nuisance.

17 NEW SUBPARAGRAPH. (11) The creation or replenishment of a
18 fund to provide for housing acquisition, restoration, or
19 demolition, or other purposes authorized under chapter 403A.

20 Sec. 3. Section 331.441, subsection 2, paragraph c,
21 subparagraph (11), Code 1987, is amended to read as follows:

22 (11) Any other ~~facilities-or-improvements~~ purpose which
23 ~~are is~~ necessary for the operation of the county or the health
24 and welfare of its citizens.

25 Sec. 4. Section 331.441, subsection 3, Code 1987, is
26 amended to read as follows:

27 3. The "cost" of any a project for an essential county
28 purpose or general county purpose includes construction
29 contracts and the cost of engineering, architectural,
30 technical, and legal services, preliminary reports, property
31 valuations, estimates, plans, specifications, notices,
32 acquisition of real and personal property, consequential
33 damages or costs, easements, rights of way, supervision,
34 inspection, testing, publications, printing and sale of bonds,
35 interest during the period or estimated period of construction

1 and for twelve months thereafter or for twelve months after
2 the acquisition date, and provisions for contingencies.

3 Sec. 5. Section 384.4, Code 1987, is amended by adding the
4 following new subsection:

5 NEW SUBSECTION. 4. Payments required to be made from the
6 debt service fund under a loan agreement.

7 Sec. 6. Section 384.24, subsection 3, Code 1987, is
8 amended by adding the following new lettered paragraphs:

9 NEW LETTERED PARAGRAPH. t. The acquisition, restoration,
10 or demolition of abandoned, dilapidated, or dangerous
11 buildings, structures, or properties or the abatement of a
12 nuisance as provided in section 364.12, subsection 3.

13 NEW LETTERED PARAGRAPH. u. Any purpose which is necessary
14 for the economic development of the city.

15 Sec. 7. Section 384.24, subsection 4, paragraph i, Code
16 1987, is amended to read as follows:

17 i. Any other ~~facilities-or-improvements~~ purpose which are
18 is necessary for the operation of the city or the health and
19 welfare of its citizens.

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23 purpose or general corporate purpose includes construction
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26 valuations, estimates, plans, specifications, notices,
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33 Sec. 9. NEW SECTION. 384.24A LOAN AGREEMENTS.

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35 any public purpose in accordance with the following terms and

1 procedures:

2 1. A loan agreement entered into by a city may contain
3 provisions similar to those sometimes found in loan agreements
4 between private parties, including the issuance of notes to
5 evidence its obligations.

6 2. A provision of a loan agreement which stipulates that a
7 portion of the payments be applied as interest is subject to
8 chapter 74A. Other laws relating to interest rates do not
9 apply.

10 3. The governing body shall follow substantially the same
11 authorization procedure required for the issuance of general
12 obligation bonds issued for the same purpose, to authorize a
13 loan agreement made payable from the debt service fund, or to
14 authorize any loan agreement which would result in the total
15 of scheduled annual payments of principal or interest or both
16 principal and interest of the city due from the general fund
17 of the city in any future year with respect to all loan
18 agreements in force on the date of the authorization, to
19 exceed ten percent of the last certified general fund budget
20 amount. In all other cases, the governing body shall follow
21 substantially the same authorization procedures required for
22 the issuance of general obligation bonds as set out in section
23 384.25. Chapter 75 is not applicable. A city utility is a
24 separate entity under this section whether it is governed by
25 the council or another governing body.

26 4. A loan agreement to which a city is a party or in which
27 a city has a participatory interest, is an obligation of a
28 political subdivision of this state for the purposes of
29 chapters 502 and 682, and is a lawful investment for banks,
30 trust companies, building and loan associations, savings and
31 loan associations, investment companies, insurance companies,
32 insurance associations, executors, guardians, trustees, and
33 any other fiduciaries responsible for the investment of funds.

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8 housing acquisition, restoration, demolition, or other
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HOUSE FILE 523

AN ACT
RELATING TO THE FINANCIAL AUTHORITY OF POLITICAL SUBDIVISIONS
BY AUTHORIZING LOAN AGREEMENTS, THE ISSUANCE OF BONDS FOR
ADDITIONAL PURPOSES, AND THE PAYMENT OF INTEREST FROM BOND
PROCEEDS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 331.402, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A county may enter into loan agreements to borrow money for any public purpose in accordance with the terms and procedures set forth in section 384.24A, and the references in that subsection to cities are applicable to counties, the reference to section 384.25 is applicable to section 331.443, and the references to the council are applicable to the board.

Sec. 2. Section 331.441, subsection 2, paragraph b, Code 1987, is amended by adding the following new subparagraphs:

NEW SUBPARAGRAPH. (9) The acquisition, restoration, or demolition of abandoned, dilapidated, or dangerous buildings, structures or properties or the abatement of a nuisance.

NEW SUBPARAGRAPH. (10) The establishment or funding of programs to provide for or assist in providing for the acquisition, restoration, or demolition of housing, or for other purposes as may be authorized under chapter 403A.

Sec. 3. Section 331.441, subsection 2, paragraph c, subparagraph (11), Code 1987, is amended to read as follows:

(11) Any other facilities-or-improvements purpose which are is necessary for the operation of the county or the health and welfare of its citizens.

Sec. 4. Section 331.441, subsection 3, Code 1987, is amended to read as follows:

3. The "cost" of any a project for an essential county purpose or general county purpose includes construction contracts and the cost of engineering, architectural, technical, and legal services, preliminary reports, property valuations, estimates, plans, specifications, notices, acquisition of real and personal property, consequential damages or costs, easements, rights of way, supervision, inspection, testing, publications, printing and sale of bonds, interest during the period or estimated period of construction and for twelve months thereafter or for twelve months after the acquisition date, and provisions for contingencies.

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i. Any other facilities-or-improvements purpose which are is necessary for the operation of the city or the health and welfare of its citizens.

Sec. 8. Section 384.24, subsection 5, Code 1987, is amended to read as follows:

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2. A provision of a loan agreement which stipulates that a portion of the payments be applied as interest is subject to chapter 74A. Other laws relating to interest rates do not apply.

3. The governing body shall follow substantially the same authorization procedure required for the issuance of general obligation bonds issued for the same purpose, to authorize a loan agreement made payable from the debt service fund, or to authorize any loan agreement which would result in the total of scheduled annual payments of principal or interest or both principal and interest of the city due from the general fund of the city in any future year with respect to all loan agreements in force on the date of the authorization, to exceed ten percent of the last certified general fund budget amount. In all other cases, the governing body shall follow substantially the same authorization procedures required for the issuance of general obligation bonds as set out in section 384.25. Chapter 75 is not applicable. A city utility is a separate entity under this section whether it is governed by the council or another governing body.

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DONALD D. AVENSON
Speaker of the House

JO ANN ZIMMERMAN
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 523, Seventy-second General Assembly.

Approved May 4, 1987

JOSEPH O'HERN
Chief Clerk of the House

TERRY E. BRANSTAD
Governor