

Sen. Hawk Gene 3/30/87 D. Gann 4/8/86 (p. 1162)

MAR 17 1987

Place On Calendar

HOUSE FILE 536

BY COMMITTEE ON LOCAL GOVERNMENT

(Formerly House Study Bill 131)

Passed House, Date 3-27-87 (p. 915) Passed Senate, Date 4-14-87 (p. 1285)

Vote: Ayes 81 Nays 1 Vote: Ayes 27 Nays 22

Approved May 4, 1987 (p. 266)

A BILL FOR

1 An Act relating to public bonds by specifying requirements for
2 the issuance of certain bonds, providing for the use of bond
3 proceeds, and providing for the security of certain bonds.

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

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HF 536

1 Section 1. NEW SECTION. 74.8 DESIGNATION OF PUBLIC
2 WARRANTS.

3 Each public issuer of warrants may designate the warrants
4 as tax-exempt public warrants if the issuer complies with the
5 tax-exempt reporting requirements of the federal Internal
6 Revenue Code.

7 Sec. 2. NEW SECTION. 76.16 DEBTOR STATUS PROHIBITED.

8 A city, county, or other political subdivision of this
9 state shall not be a debtor under chapter 9 of the federal
10 Bankruptcy Code, 11 U.S.C. § 901 et seq., except as otherwise
11 specifically provided in this chapter.

12 Sec. 3. NEW SECTION. 76.17 VARIABLE RATE BONDS.

13 1. A public body authorized to issue bonds may elect to
14 issue bonds bearing a variable or fluctuating rate of interest
15 which is determined on one or more intervals by reference to
16 an index or standard, or as fixed by an interest rate indexing
17 or remarketing agent retained by the issuer of the bonds. A
18 public issuer of public bonds may provide for additional
19 security or liquidity, enter into agreements for, and expend
20 funds for policies of insurance, letters of credit, lines of
21 credit, or other forms of security issued by financial
22 institutions for the payment of principal, premium, if any,
23 and interest on the bonds. A public issuer of public bonds
24 may also enter into contracts and pay for the services of
25 underwriters, interest rate indexing agents, remarketing
26 agents, trustees, financial consultants, depositories, and
27 other services as determined by the governing body. In the
28 case of general obligation bonds, fees for the services and
29 costs of additional security and liquidity shall be considered
30 incurred in lieu of interest and may be levied through the
31 fund for payment of debt service on the bonds. Bonds issued
32 under this section may be sold at public or private sale as
33 determined by the governing body.

34 2. This section provides alternative and additional power
35 for the issuance of bonds and is not an amendment to any other

1 statute or a limitation upon powers under any other law.

2 3. A public issuer of public bonds may provide for the
3 purchase of bonds before their maturity and the remarketing of
4 purchased bonds without causing the redemption of the
5 purchased bonds.

6 Sec. 4. NEW SECTION. 76.18 TAX-EXEMPT COVENANT.

7 A public issuer of bonds or other debt obligations may
8 covenant that the issuer will comply with requirements or
9 limitations imposed by the Internal Revenue Code to preserve
10 the tax exemption of interest payable on the bonds or
11 obligations and may carry out and perform other covenants,
12 including but not limited to, the payment of any amounts
13 required to be paid by the issuer to the United States
14 government.

15 Sec. 5. Section 403.17, subsection 10, Code 1987, is
16 amended by adding the following new lettered paragraph:

17 NEW LETTERED PARAGRAPH. h. Expenditure of proceeds of
18 bonds issued before October 7, 1986, for the construction of
19 parking facilities on city blocks adjacent to an urban renewal
20 area.

21 Sec. 6. Section 74A.5, Code 1987, is repealed.

22 EXPLANATION

23 Section 1 permits the issuer of public bonds to comply with
24 the reporting requirement and identify warrants as nontaxable
25 as provided in the federal Internal Revenue Code.

26 Section 2 relates to the relationship of political
27 subdivisions to the federal Bankruptcy Code.

28 Section 3 authorizes the use of variable rate demand bonds
29 by public issuers.

30 Section 4 permits political subdivisions to comply with the
31 requirements and limits imposed on tax-exempt state and local
32 bonds by the federal Tax Reform Act of 1986.

33 Section 5 expands the definition of an urban renewal
34 project to include certain parking facilities.

35 Section 6 repeals a requirement that special assessment

1 bonds not bear a higher interest rate than the special
2 assessments securing the bonds.

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NSB 131
27-22

LOCAL GOVERNMENT

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

1 An Act relating to public bonds by specifying requirements for
2 the issuance of certain bonds, providing for the use of bond
3 proceeds, and providing for the security of certain bonds.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *Hatch*
COMMITTEE: *Local Government*
2-13-87

1 Section 1. NEW SECTION. 74.8 DESIGNATION OF PUBLIC
2 WARRANTS.

3 Each issuer of warrants shall either comply with any tax-
4 exempt reporting requirement of the Internal Revenue Code or
5 designate the warrant as a taxable public warrant.

6 Sec. 2. NEW SECTION. 76.16 DEBTOR STATUS PROHIBITED.

7 A city, county, or other political subdivision of this
8 state shall not be a debtor under chapter 9 of the federal
9 Bankruptcy Code, 11 U.S.C. § 901 et seq., except as otherwise
10 specifically provided in this chapter.

11 Sec. 3. NEW SECTION. 76.17 VARIABLE RATE BONDS.

12 1. A public body authorized to issue bonds may elect to
13 issue bonds bearing a variable or fluctuating rate of interest
14 which is determined on one or more intervals by reference to
15 an index or as fixed by an interest rate indexing agent
16 retained by the issuer of the bonds. An issuer of public
17 bonds may provide for additional security or liquidity, enter
18 into agreements for, and expend funds for policies of
19 insurance, letters of credit, lines of credit, or other forms
20 of security issued by financial institutions for the payment
21 of principal, premium, if any, and interest on the bonds. An
22 issuer of public bonds may also enter into contracts and pay
23 for the services of underwriters, interest rate indexing
24 agents, remarketing agents, trustees, financial consultants,
25 depositories, and other services as determined by the
26 governing body. In the case of general obligation bonds, fees
27 for the services and costs of additional security and
28 liquidity shall be considered incurred in lieu of interest and
29 may be levied through the fund for payment of debt service on
30 the bonds. Bonds issued under this section may be sold at
31 public or private sale as determined by the governing body.

32 2. This section applies only to issuers of general
33 obligation bonds having a constitutional debt limit at the
34 time of issuance equal to at least forty million dollars and
35 to issuers of revenue bonds equal to at least ten million

1 dollars.

2 3. An issuer of public bonds may provide for the purchase
3 of bonds before their maturity and the remarketing of
4 purchased bonds without causing the redemption of the
5 purchased bonds.

6 Sec. 4. NEW SECTION. 76.18 TAX EXEMPT COVENANT.

7 An issuer of public bonds or obligations may covenant that
8 issuer will comply with requirements or limitations imposed by
9 the Internal Revenue Code to preserve the tax exemption of
10 interest payable on the bonds or obligations and may carry out
11 and perform other covenants, including but not limited to, the
12 payment of any amounts required to be paid by the issuer to
13 the United States government.

14 Sec. 5. Section 384.24, subsection 3, Code 1987, is
15 amended by adding the following new lettered paragraph:

16 NEW LETTERED PARAGRAPH. t. The acquisition, restoration,
17 or demolition of abandoned, dilapidated, or dangerous
18 buildings or properties or the abatement of a nuisance as
19 provided in section 364.12, subsection 3.

20 Sec. 6. Section 384.80, subsection 5, Code 1987, is
21 amended to read as follows:

22 5. "Project" means the acquisition, construction,
23 reconstruction, extending, remodeling, improving, repairing,
24 and equipping of all or part of a city utility, combined
25 utility system, city enterprise, or combined city enterprise
26 within or without the corporate limits of the city, including
27 the purchase of entitlement to the use of facilities owned by
28 other persons, governmental bodies, or public or private
29 utilities.

30 Sec. 7. Section 390.4, subsection 1, Code 1987, is amended
31 to read as follows:

32 1. Provide that each participant shall own an undivided
33 interest in the joint facility or shall be entitled to use of
34 the joint facility, the ownership interest or entitlement
35 being equal to the percentage of the money furnished, value of

1 property furnished, or services rendered by each participant
2 toward the total cost of the joint facility, and that each
3 participant shall own and control or be entitled to the use of
4 a like percentage of the output or capacity of the joint
5 facility.

6 Sec. 8. Section 403.17, subsection 10, Code 1987, is
7 amended by adding the following new lettered paragraph:

8 NEW LETTERED PARAGRAPH. h. Expenditure of proceeds of
9 bonds issued before October 7, 1986, for the construction of
10 parking facilities on city blocks adjacent to an urban renewal
11 area.

12 Sec. 9. Section 74A.5, Code 1987, is repealed.

13 EXPLANATION

14 Section 1 requires the issuer of public bonds to comply
15 with the reporting requirement or to identify the warrant as
16 taxable as provided in the federal Tax Reform Act of 1986 in
17 order to avoid confusion and loss on the part of financial
18 institutions or other bond purchasers. This section also
19 recognizes the possibility that it may be necessary to issue
20 taxable warrants.

21 Section 2 relates to a defect in the most recent amendments
22 in the federal Bankruptcy Code adversely affecting the lien
23 status of revenue bonds. This section is intended to preserve
24 the security of revenue bonds until corrective federal
25 legislation is enacted.

26 Section 3 authorizes the use of variable rate demand bonds
27 by public issuers. The bonds provide for the setting of a new
28 interest rate at the end of each "put" period, varying from
29 one week to one year, at which time the holder may accept the
30 rate or demand payment of the bond. This authorization tends
31 to be advantageous for larger political subdivisions having
32 expertise to manage variable rate bonds which are practical if
33 issued in amounts of ten million dollars or more.

34 Section 4 permits political subdivisions to commit to
35 comply with the requirements and limits imposed on tax-exempt

1 state and local bonds by the federal Tax Reform Act of 1986.
2 It authorizes the issuer of public bonds access to more
3 favorable tax-exempt interest rates.

4 Section 5 authorizes the use of essential corporate purpose
5 bonds by a city to acquire, restore, or demolish abandoned,
6 dilapidated, or dangerous buildings. These bonds may also be
7 used to abate a nuisance.

8 Sections 6 and 7 provide the purchase of entitlement use of
9 utility facilities by city utilities from private or
10 cooperative utilities. This is intended to eliminate the need
11 for legalizing acts to cure defects in contracts between
12 public utilities and cooperative associations and private
13 utilities.

14 Section 8 is intended to avoid the loss of a grandfather
15 status under the federal Tax Reform Act of 1986 which would
16 result from the change of urban renewal boundaries to permit
17 parking construction on a particular site.

18 Section 9 repeals a requirement that special assessment
19 bonds not bear a higher interest rate than the special
20 assessments securing the bonds. A city which desires to
21 reduce the interest rates payable on assessments is inhibited
22 from doing so by the possibility of change in the interest
23 market. If the interest rate on special assessment bonds
24 increase, a city may still issue bonds at the higher rate by
25 reducing the principal amount.

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HOUSE FILE 536

AN ACT

RELATING TO PUBLIC BONDS BY SPECIFYING REQUIREMENTS FOR THE
ISSUANCE OF CERTAIN BONDS, PROVIDING FOR THE USE OF BOND
PROCEEDS, AND PROVIDING FOR THE SECURITY OF CERTAIN BONDS.

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

Section 1. NEW SECTION. 74.8 DESIGNATION OF PUBLIC
WARRANTS.

Each public issuer of warrants may designate the warrants
as tax-exempt public warrants if the issuer complies with the
tax-exempt reporting requirements of the federal Internal
Revenue Code.

Sec. 2. NEW SECTION. 76.16 DEBTOR STATUS PROHIBITED.

A city, county, or other political subdivision of this
state shall not be a debtor under chapter 9 of the federal
Bankruptcy Code, 11 U.S.C. § 901 et seq., except as otherwise
specifically provided in this chapter.

Sec. 3. NEW SECTION. 76.17 VARIABLE RATE BONDS.

1. A public body authorized to issue bonds may elect to
issue bonds bearing a variable or fluctuating rate of interest
which is determined on one or more intervals by reference to
an index or standard, or as fixed by an interest rate indexing
or remarketing agent retained by the issuer of the bonds. A

public issuer of public bonds may provide for additional
security or liquidity, enter into agreements for, and expend
funds for policies of insurance, letters of credit, lines of
credit, or other forms of security issued by financial
institutions for the payment of principal, premium, if any,
and interest on the bonds. A public issuer of public bonds
may also enter into contracts and pay for the services of
underwriters, interest rate indexing agents, remarketing
agents, trustees, financial consultants, depositories, and
other services as determined by the governing body. In the
case of general obligation bonds, fees for the services and
costs of additional security and liquidity shall be considered
incurred in lieu of interest and may be levied through the
fund for payment of debt service on the bonds. Bonds issued
under this section may be sold at public or private sale as
determined by the governing body.

2. This section provides alternative and additional power
for the issuance of bonds and is not an amendment to any other
statute or a limitation upon powers under any other law.

3. A public issuer of public bonds may provide for the
purchase of bonds before their maturity and the remarketing of
purchased bonds without causing the redemption of the
purchased bonds.

Sec. 4. NEW SECTION. 76.18 TAX-EXEMPT COVENANT.

A public issuer of bonds or other debt obligations may
covenant that the issuer will comply with requirements or
limitations imposed by the Internal Revenue Code to preserve
the tax exemption of interest payable on the bonds or
obligations and may carry out and perform other covenants,
including but not limited to, the payment of any amounts
required to be paid by the issuer to the United States
government.

Sec. 5. Section 403.17, subsection 10, Code 1987, is
amended by adding the following new lettered paragraph:

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NEW LETTERED PARAGRAPH. h. Expenditure of proceeds of bonds issued before October 7, 1986, for the construction of parking facilities on city blocks adjacent to an urban renewal area.

Sec. 6. Section 74A.5, Code 1987, is repealed.

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 536, Seventy-second General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 4, 1987

TERRY E. BRANSTAD
Governor