

Senate Study Bill 3184 - Introduced

SENATE FILE _____

BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON DANIELSON)

A BILL FOR

1 An Act authorizing a city to use city reserve funds as a loan
2 for certain projects.

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

1 Section 1. Section 384.4, subsection 1, Code 2011, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. e. Payments of principal and interest on
4 loans authorized for repayment by the council from the fund
5 entered into pursuant to section 384.24B.

6 Sec. 2. NEW SECTION. **384.24B General obligation loans**
7 **funded by the city.**

8 1. A city may authorize a loan, as defined in this section,
9 to borrow money for any public project in accordance with and
10 subject to the provisions of this section.

11 2. For purposes of this section, "loan" means the sum of
12 the transfers from one or more reserve accounts or funds of the
13 city which transfers are authorized for the purpose specified
14 in the loan authorization document. A transfer from a reserve
15 account or fund for the purposes of this section shall not
16 cause the balance of reserves in such account or fund at the
17 close of the fiscal year following the fiscal year in which the
18 transfer is made to fall below any minimum balance prescribed
19 by law for such account or fund.

20 3. A loan entered into by a city pursuant to this section
21 may contain provisions similar to those sometimes found in loan
22 agreements between private parties, including but not limited
23 to the issuance of notes to evidence its obligations.

24 4. A loan made pursuant to this section is payable from the
25 debt service fund of the city. The governing body shall follow
26 the same authorization procedure required for the issuance
27 of general obligation bonds issued for the same purpose to
28 authorize a loan made payable from the debt service fund.

29 5. A loan made pursuant to this section shall provide that a
30 portion of the payments be applied as interest at a rate set by
31 the council in the authorization for the loan. The council may
32 determine a rate of interest that shall not be below that set
33 for a certificate of deposit at a financial institution defined
34 in chapter 12C and that shall not exceed the lowest rate of
35 interest payable on a bond issuance, such rate being determined

1 at the time the loan is authorized. Other laws relating to
2 interest rates do not apply.

3 6. Repayments of principal and interest shall be applied
4 to the reserve fund or account from which all or a portion of
5 the funds were advanced for the loan in the proportion that the
6 amount of the advance from the fund or account bears to the
7 entire amount of the loan.

8 7. The limitation in section 346.24 does not apply to a
9 transfer made pursuant to this section or to a loan authorized
10 pursuant to this section.

11 Sec. 3. Section 384.25, Code 2011, is amended to read as
12 follows:

13 **384.25 General obligation bonds or loans for essential**
14 **purposes.**

15 1. A city which proposes to carry out any essential
16 corporate purpose within or without its corporate limits, and
17 to contract indebtedness and issue general obligation bonds or
18 authorize a loan described in section 384.24B, to provide funds
19 to pay all or any part of the cost of a project must do so in
20 accordance with the provisions of this division.

21 2. Before the council may institute proceedings for the
22 issuance of bonds or authorization of a loan for an essential
23 corporate purpose, a notice of the proposed action, including
24 a statement of the amount and purposes of the bonds or loan,
25 and the time and place of the meeting at which the council
26 proposes to take action for the issuance of the bonds or
27 authorization of the loan, must be published as provided in
28 section 362.3. At the meeting, the council shall receive oral
29 or written objections from any resident or property owner
30 of the city. After all objections have been received and
31 considered, the council may, at that meeting or any adjournment
32 thereof, take additional action for the issuance of the bonds
33 or authorization of the loan or abandon the proposal to issue
34 the bonds or authorize the loan. Any resident or property
35 owner of the city may appeal the decision of the council to

1 take additional action to the district court of the county in
2 which any part of the city is located, within fifteen days
3 after the additional action is taken, but the additional action
4 of the council is final and conclusive unless the court finds
5 that the council exceeded its authority. The provisions of
6 this subsection with respect to notice, hearing, and appeal,
7 are in lieu of the provisions contained in chapter 73A, or any
8 other law.

9 3. *a.* Notwithstanding subsection 2, a council may institute
10 proceedings for the issuance of bonds or the authorization of a
11 loan for an essential corporate purpose specified in section
12 384.24, subsection 3, paragraph "w" or "x", in an amount equal
13 to or greater than three million dollars by causing a notice
14 of the proposal to issue the bonds or authorize the loan,
15 including a statement of the amount and purpose of the bonds
16 or loan, together with the maximum rate of interest which the
17 bonds are to bear or which will be charged to the principal
18 amount of the loan, and the right to petition for an election,
19 to be published at least once in a newspaper of general
20 circulation within the city at least ten days prior to the
21 meeting at which it is proposed to take action for the issuance
22 of the bonds or the authorization of the loan.

23 *b.* If at any time before the date fixed for taking action
24 for the issuance of the bonds or the authorization of the
25 loan, a petition is filed with the clerk of the city signed
26 by eligible electors of the city equal in number to twenty
27 percent of the persons in the city who voted for the office of
28 president of the United States at the last preceding general
29 election that had such office on the ballot, asking that the
30 question of issuing the bonds or authorizing the loan be
31 submitted to the registered voters of the city, the council
32 shall either by resolution declare the proposal to issue the
33 bonds or authorize the loan to have been abandoned or shall
34 direct the county commissioner of elections to call a special
35 election upon the question of issuing the bonds or authorizing

1 the loan. Notice of the election and its conduct shall be in
2 the manner provided in section 384.26.

3 c. If a petition is not filed, or if a petition is filed and
4 the proposition of issuing the bonds or authorizing the loan
5 is approved at an election, the council may proceed with the
6 authorization and issuance of the bonds or authorization of the
7 loan.

8 Sec. 4. Section 384.26, subsections 1, 2, 4, and 5, Code
9 2011, are amended to read as follows:

10 1. A city which proposes to carry out any general corporate
11 purpose within or without its corporate limits, and to contract
12 indebtedness and issue general obligation bonds or authorize a
13 loan described in section 384.24B, to provide funds to pay all
14 or any part of the costs of a project, must do so in accordance
15 with the provisions of this division.

16 2. Before the council may institute proceedings for the
17 issuance of bonds or authorization of a loan for a general
18 corporate purpose, it shall call a special city election to
19 vote upon the question of issuing the bonds or authorizing the
20 loan. At the election the proposition must be submitted in one
21 of the following form forms, as applicable:

22 Shall the (insert the name of the city) issue
23 its bonds in an amount not exceeding the amount of \$.... for
24 the purpose of?

25 Shall the (insert the name of the city) authorize
26 a loan from its reserve funds in an amount not exceeding the
27 amount of \$.... for the purpose of?

28 4. The proposition of issuing general corporate purpose
29 bonds or authorizing a general corporate purpose loan is not
30 carried or adopted unless the vote in favor of the proposition
31 is equal to at least sixty percent of the total vote cast
32 for and against the proposition at the election. If the
33 proposition of issuing the general corporate purpose bonds or
34 authorizing a general corporate purpose loan is approved by the
35 voters, the city may proceed with the issuance of the bonds or

1 authorization of the loan.

2 5. *a.* Notwithstanding the provisions of subsection 2,
3 a council may, in lieu of calling an election, institute
4 proceedings for the issuance of bonds or authorization of a
5 loan for a general corporate purpose by causing a notice of the
6 proposal to issue the bonds or authorize the loan, including
7 a statement of the amount and purpose of the bonds or loan,
8 together with the maximum rate of interest which the bonds are
9 to bear or which the loan is to bear, and the right to petition
10 for an election, to be published at least once in a newspaper
11 of general circulation within the city at least ten days prior
12 to the meeting at which it is proposed to take action for the
13 issuance of the bonds or authorization of the loan subject to
14 the following limitations:

15 (1) In cities having a population of five thousand or less,
16 in an amount of not more than four hundred thousand dollars.

17 (2) In cities having a population of more than five thousand
18 and not more than seventy-five thousand, in an amount of not
19 more than seven hundred thousand dollars.

20 (3) In cities having a population in excess of seventy-five
21 thousand, in an amount of not more than one million dollars.

22 *b.* If at any time before the date fixed for taking action
23 for the issuance of the bonds or the authorization of the
24 loan, a petition is filed with the clerk of the city in the
25 manner provided by section 362.4, asking that the question
26 of issuing the bonds or authorizing the loan be submitted to
27 the registered voters of the city, the council shall either by
28 resolution declare the proposal to issue the bonds or authorize
29 the loan to have been abandoned or shall direct the county
30 commissioner of elections to call a special election upon the
31 question of issuing the bonds or authorizing the loan. Notice
32 of the election and its conduct shall be in the manner provided
33 in the preceding subsections of this section.

34 *c.* If no petition is filed, or if a petition is filed and
35 the proposition of issuing the bonds or authorizing the loan

1 is approved at an election, the council may proceed with the
2 authorization and issuance of the bonds or the authorization
3 of the loan.

4 EXPLANATION

5 This bill allows a city to borrow money from its reserve
6 accounts or funds to pay for certain public projects. The bill
7 requires that a city certify taxes to be levied for deposit in
8 the debt service fund in the amount necessary to pay principal
9 and interest on loans authorized under the bill.

10 The bill requires that such loans not cause the balances
11 of such reserve accounts or funds to fall below any minimum
12 balance prescribed by law. Such a loan shall be payable from
13 the city debt service fund, and shall provide for interest
14 payments at a rate set by the city council, as limited in the
15 bill.

16 The bill requires that such authorization by a city council
17 follow substantially the same procedures for the issuance of
18 general obligation bonds for essential corporate purposes,
19 pursuant to Code section 384.25, or for general corporate
20 purposes, pursuant to Code section 384.26.