

REFERENCE TITLE: **general obligation bond requirements**

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HB 2585

Introduced by
Representatives Yarbrough, Murphy

AN ACT

AMENDING SECTIONS 35-452, 35-454, 35-455, 35-458, 35-471, 35-473.01 AND 35-474, ARIZONA REVISED STATUTES; RELATING TO GENERAL OBLIGATION BONDS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 35-452, Arizona Revised Statutes, is amended to
3 read:

4 35-452. Election to authorize indebtedness; costs

5 A. The governing body or board of a political subdivision enumerated
6 in section 35-451 may, and upon petition signed by fifteen per cent of the
7 qualified electors shall, order an election by such electors to determine
8 whether such indebtedness shall be authorized. The election shall be held on
9 the first Tuesday following the first Monday in November as prescribed by
10 section 16-204, subsection B, paragraph 1, subdivision (d).

11 B. THE AGGREGATE BONDED INDEBTEDNESS REQUESTED BY A POLITICAL
12 SUBDIVISION PURSUANT TO SUBSECTION A OF THIS SECTION, TOGETHER WITH THE
13 AGGREGATE OUTSTANDING BONDED INDEBTEDNESS OF THE POLITICAL SUBDIVISION, SHALL
14 NOT EXCEED THE MAXIMUM DEBT LIMITATION AUTHORITY ESTABLISHED PURSUANT TO
15 ARTICLE IX, SECTION 8, CONSTITUTION OF ARIZONA, OR SECTION 15-1021.

16 ~~B.~~ C. If a majority of the qualified electors voting at the election
17 votes in favor of creating an indebtedness such political subdivision may
18 become so indebted.

19 ~~C.~~ D. Bond counsel fees, financial advisory fees, printing costs and
20 paying agent and registrar fees shall be paid from either the amount
21 authorized by the qualified electors of the political subdivision or current
22 operating funds.

23 ~~D.~~ E. Bond election expenses shall be paid from current operating
24 funds only.

25 Sec. 2. Section 35-454, Arizona Revised Statutes, is amended to read:

26 35-454. Informational pamphlet for election; review; election;
27 return; canvass of vote; certificate of election

28 A. The governing body or board of the political subdivision shall:

29 1. Not less than thirty-five days before the bond election mail a copy
30 of an informational pamphlet to every household within the political
31 subdivision that contains a registered voter. The pamphlet shall contain
32 information on the:

33 (a) Amount of the bond authorization.

34 (b) Maximum interest rate of the bonds.

35 (c) ~~Estimated~~ Debt retirement schedule for the current amount of bonds
36 outstanding, showing both principal and interest payments, the current
37 secondary assessed valuation as reported by the department of revenue or the
38 county assessor and the current adopted and estimated tax rates. In this
39 paragraph, "secondary assessed valuation" may include the values used to
40 determine voluntary contributions collected pursuant to title 9, chapter 4,
41 article 3 and title 48, chapter 1, article 8.

42 (d) PROPOSED REDEMPTION SCHEDULE AND ESTIMATED ANNUAL INTEREST
43 PAYMENT.

44 ~~(d)~~ (e) Estimated debt retirement schedule for the proposed bond
45 authorization, showing both the estimated principal and interest payments and

1 the estimated average annual tax rate for the proposed bond authorization.
2 In preparing this information and the information prescribed by subdivision
3 (c), the projected total annual increase in secondary assessed valuation for
4 any future year shall not exceed:

5 (i) For the first five years of the estimated debt retirement
6 schedule, the average of the annual percentage growth for the previous ten
7 years in the secondary assessed valuation of the political subdivision.

8 (ii) For the remaining years of the estimated debt retirement
9 schedule, twenty per cent of the average of the annual percentage growth for
10 the previous ten years in the secondary assessed valuation of the political
11 subdivision.

12 ~~(e)~~ (f) Source of repayment.

13 ~~(f)~~ (g) Estimated issuance costs.

14 ~~(g)~~ (h) Estimated tax impact of debt service for the bonds on an
15 owner-occupied residence classified as class three pursuant to section
16 42-12003 and on commercial property classified as class one pursuant to
17 section 42-12001, paragraph 12, assuming the assessed valuation of the
18 property ~~remains constant~~ **INCREASES ANNUALLY AT THE SAME RATE AS THE**
19 **PROJECTED TOTAL ANNUAL INCREASE IN SECONDARY ASSESSED VALUATION AS DETERMINED**
20 **PURSUANT TO SUBDIVISION (d)** over the term of the bonds using the same average
21 annual tax rate as under subdivision ~~(d)~~ (e), as follows:

22 The tax impact over the term of the bonds on an
23 owner-occupied residence valued by the county assessor at
24 \$250,000 is estimated to be \$___ per year for __ years, or \$___
25 total cost.

26 The tax impact over the term of the bonds on commercial
27 property valued by the county assessor at \$2,500,000 is
28 estimated to be \$___ per year for __ years, or \$_____ total
29 cost.

30 ~~(h)~~ (i) In bold faced type, estimated total cost of the proposed bond
31 authorization, including principal and interest.

32 ~~(i)~~ (j) Current outstanding general obligation debt and
33 constitutional debt limitation.

34 ~~(j)~~ (k) Purpose for which the bonds are to be issued.

35 ~~(k)~~ (l) Polling location for the addressee.

36 ~~(l)~~ (m) Hours during the day when the polls will be open.

37 ~~(m)~~ (n) Arguments for and against the authorization of one or more of
38 the bond propositions.

39 2. Submit a copy of the informational pamphlet to the department of
40 revenue within thirty days after the bond election. The department of
41 revenue shall maintain copies of the pamphlets.

42 B. The failure of any one or more electors to receive the
43 informational pamphlet shall not be grounds to invalidate the election. The
44 election shall conform with the general election laws of the state. The
45 return of the election held in a county shall be made to the board of

1 supervisors and, in any other case, to the governing body or board of the
2 municipal corporation or district within twelve days after the election.

3 C. For any proposed general obligation bond authorization where the
4 principal and interest will be paid by a levy of property taxes, the ballot
5 shall contain the phrase "the issuance of these bonds will result in an
6 annual levy of property taxes sufficient to pay the debt on the bonds". Any
7 written information provided by the political subdivision pertaining to the
8 bond election shall include financial information showing the estimated
9 average tax rate for the proposed bond authorization.

10 D. If the governing body intends to use revenues other than property
11 taxes to pay the debt on proposed general obligation bonds, the ballot shall
12 contain the phrase "the issuance of these bonds will result in an annual levy
13 of property taxes sufficient to pay the debt on the bonds, unless the
14 governing body provides for payment from other sources".

15 E. The board of supervisors, governing body or governing board shall
16 hold a special meeting within twenty days after the election to canvass the
17 votes cast and certify the result. The certificate of the result shall be
18 prima facie evidence of full performance of all conditions and requirements
19 precedent to holding the election.

20 F. The governing board or body shall file and record in the office of
21 the county recorder a certificate disclosing the purpose of the election, the
22 total number of votes cast and the total number of votes for and against
23 creating the indebtedness, and stating whether or not the indebtedness is
24 ordered. Upon filing and recording the certificate, the governing board or
25 body shall carry out the purpose of the election.

26 G. Variations between the estimates required by subsection A OF THIS
27 SECTION and the actual debt retirement schedules, issuance costs, annual and
28 total costs and tax rates shall not invalidate either the election or the
29 bonds.

30 Sec. 3. Section 35-455, Arizona Revised Statutes, is amended to read:
31 35-455. Issuance and sale of bonds; call for election

32 A. When the political subdivision designated in this article desires
33 to issue bonds or other evidences of indebtedness, the governing body or
34 board thereof may, with the assent of a majority of the qualified electors
35 therein voting at the election held as provided by section 35-454, issue and
36 sell bonds in the amount authorized at the election.

37 B. The call for the election shall set forth the aggregate amount of
38 the bonds, the maximum rate of interest to be paid thereon, the MINIMUM AND
39 maximum number of years bonds of any issue or series may run from their date,
40 ~~and~~ the purposes for which the money derived from the sale of the bonds will
41 be expended, THE CURRENT OUTSTANDING GENERAL OBLIGATION DEBT AND THE
42 CONSTITUTIONAL DEBT LIMITATION OF THE POLITICAL SUBDIVISION.

43 C. Bonds of any issue or series of bonds voted under this section may
44 run for any number of years not exceeding the longest period permitted by the
45 voted proposition.

1 D. The governing body or board may expend the monies received from the
2 sale of the bonds only for the purposes stated in the ballot and for the
3 necessary costs and expenses of the issuance and sale of the bonds. If an
4 unexpended balance remains after satisfying the purposes of the bonds, the
5 balance shall be used to retire the bonded indebtedness.

6 Sec. 4. Section 35-458, Arizona Revised Statutes, is amended to read:
7 35-458. Levy of tax for payment of interest and bonds

8 A. After the bonds are issued, the governing body or board shall enter
9 upon its minutes a record of the bonds sold, their numbers and dates, and
10 shall annually levy and cause to be collected a tax, at the same time and in
11 the same manner as other taxes are levied and collected upon all taxable
12 property in such political subdivision, **THAT SHALL NOT EXCEED AN AMOUNT**
13 **sufficient to pay the ANNUAL interest on the bonds when due, and shall**
14 **likewise annually levy a tax sufficient to redeem the bonds when they mature.**
15 **THE ANNUAL LEVY FOR BOTH THE PRINCIPAL AND INTEREST PAYMENT, INCLUDING A**
16 **REASONABLE TAX DELINQUENCY FACTOR DETERMINED BY THE COUNTY TREASURER, SHALL**
17 **NOT EXCEED THE AMOUNT NECESSARY TO MAKE THE ANNUAL PAYMENT.**

18 B. Monies derived from the levy of the tax when collected shall
19 constitute a fund for payment of interest and the bonds. The fund shall be
20 kept separately and shall be known as the "interest fund" and "redemption
21 fund."

22 Sec. 5. Section 35-471, Arizona Revised Statutes, is amended to read:
23 35-471. Refunding bonds; resolution authorizing issuance;
24 definition

25 A. The board of supervisors, on behalf of the county, the governing
26 body of a city or town or similar municipal corporation and a school district
27 governing board may issue refunding bonds to refund the bonded indebtedness
28 of such county, school district, city or town or other similar municipal
29 corporation ~~when it is expedient to do so~~ **IF THE REFUNDING RESULTS IN A LOWER**
30 **INTEREST RATE AND THE REDEMPTION SCHEDULE APPROVED BY VOTERS REMAINS**
31 **CONSTANT.**

32 B. The board of supervisors or other governing body desiring to issue
33 refunding bonds shall adopt and include in its minutes a resolution stating:

34 1. The facts and determination of the necessity or advisability of
35 refunding such bonded indebtedness, including an estimate of the present
36 value of the debt service savings, net of all costs associated with the
37 refunding bonds, that will occur.

38 2. The amount of bonds to be issued, the date of such bonds and the
39 denominations.

40 3. The rate of interest ~~and the maturity date~~ **BEFORE REFUNDING THE**
41 **BONDS AND THE RATE OF INTEREST AFTER REFUNDING THE BONDS.**

42 4. The place of payment, within or without the state, of the principal
43 and interest.

1 C. The amount of net premium associated with a refunding bond issue
2 may not exceed the total of the following:

3 1. The difference between the amount required to fund the escrow
4 account and the par amount of the refunded bonds.

5 2. The costs of the issuance of the refunding bonds that may be paid
6 from premium, up to two per cent of the par value of the refunded bonds.

7 D. Any net premium not used to pay the costs of the bond issue or to
8 fund the escrow account shall be deposited in a debt service fund and used to
9 pay interest on the bonds.

10 E. For THE purposes of this section, "net premium" means the
11 difference between the par amount of the bond issue and the bond issue price
12 determined pursuant to United States treasury regulations.

13 Sec. 6. Section 35-473.01, Arizona Revised Statutes, is amended to
14 read:

15 35-473.01. Refunding bonds issued in advance of maturity of the
16 bonds to be refunded; definition

17 A. Refunding bonds, designated as such, may also be authorized, issued
18 and sold pursuant to ~~the provisions of~~ this article for the purpose of
19 refunding any bonds theretofore issued under the authority of article 3 of
20 this chapter or under the authority of both article 3 of this chapter and
21 title 9, chapter 5, article 3 or under the authority of title 15, chapter 4,
22 article 5 and chapter 9, article 7 or by any political subdivision which is a
23 public, corporate body under the laws of this state the property of which is
24 exempt from taxation, for the purpose of refunding any bonds, theretofore
25 issued under authority of law and payable from the proceeds of taxes,
26 including assessments, which may be levied annually at uniform rates and are
27 secured by property subject thereto in the political subdivision, in advance
28 of the maturity or call date of such bonds to be refunded. **IF THE REFUNDING**
29 **RESULTS IN A LOWER INTEREST RATE AND THE REDEMPTION SCHEDULE APPROVED BY THE**
30 **VOTERS REMAINS CONSTANT**, no election on the issuance of the refunding bonds
31 shall be required. ~~, but~~ If the refunding bonds are combined into a single
32 issue with bonds authorized for nonrefunding purposes, the bonds so
33 authorized for nonrefunding purposes shall have been submitted at an election
34 as otherwise provided by law.

35 B. When refunding bonds issued pursuant to this section are sold, the
36 net proceeds shall be invested in obligations issued by or guaranteed by the
37 United States government, ~~so long as such~~ **IF THESE** investments will mature
38 with interest so as to provide funds to pay when due, or called for
39 redemption, the bonds to be refunded together with interest thereon and
40 redemption premiums, if any, and such proceeds or obligations shall, and
41 other funds legally available for such purposes may, be deposited in the
42 respective principal and interest redemption funds and shall be held in trust
43 for the payment of the refunded bonds with interest and redemption premiums,
44 if any, on maturity or upon an available redemption date or upon an earlier
45 voluntary surrender with the consent of the issuer.

1 C. When bonds are issued in advance of maturity of the bonds being
2 refunded the holder of the refunding bonds shall rely upon the sufficiency of
3 the funds or securities held in trust for the payment of the refunded
4 bonds. The issuance of refunding bonds shall in no way infringe upon the
5 rights of the holder of the refunded bonds to rely upon a tax levy for the
6 payment of principal and interest on the refunded bonds if the investments in
7 the redemption funds prove insufficient. The total aggregate of taxes levied
8 to pay principal and interest on the refunding bonds in the aggregate shall
9 not exceed the total aggregate principal and interest to become due on the
10 refunded bonds from the date of issuance of the refunding bonds to the final
11 date of maturity on the bonds being refunded. Subject to such limitation,
12 taxes in an amount sufficient to pay the interest on all refunding bonds
13 issued pursuant to this section, then outstanding, the installments of the
14 principal thereof becoming due and payable in the ensuing year, and the
15 annual portion of such sinking fund as may be set up for retirement thereof,
16 shall be levied, assessed and collected as other taxes of the political
17 subdivision and the proceeds therefrom kept in a special fund and used only
18 for the purposes for which collected.

19 D. Proceedings pursuant to this section shall be had by the board or
20 boards which would be authorized to issue and sell the bonds to be refunded
21 if such bonds were then to be issued and sold. The refunding bonds to be
22 issued pursuant hereto may be of serial, including semiannual, or term
23 maturities payable at any time on or before the maximum maturity date
24 otherwise authorized by this article, and the provisions relating to
25 execution, validity, records, place of payment and payment, cancellation and
26 destruction upon maturity of the bonds to be refunded shall apply to such
27 refunding bonds.

28 E. Refunding bonds to be issued pursuant to this section may be
29 combined with bonds otherwise authorized provided that they are of equal
30 priority.

31 F. The powers conferred by this section are in addition to, and not in
32 substitution of, and the limitations imposed by this section shall not affect
33 the powers conferred by any other law.

34 G. The amount of net premium associated with a refunding bond issue
35 may not exceed the total of the following:

36 1. The difference between the amount required to fund the escrow
37 account and the par amount of the refunded bonds.

38 2. The costs of the issuance of the refunding bonds that may be paid
39 from premium, up to two per cent of the par value of the refunded bonds.

40 H. Any net premium not used to pay the costs of the bond issue or to
41 fund the escrow account shall be deposited in a debt service fund and used to
42 pay interest on the bonds.

43 I. For THE purposes of this section, "net premium" means the
44 difference between the par amount of the bond issue and the bond issue price
45 determined pursuant to United States treasury regulations.

1 Sec. 7. Section 35-474, Arizona Revised Statutes, is amended to read:
2 35-474. Levy of tax for payment of bonds
3 The board of supervisors, on behalf of the county or a school district
4 therein, or the governing body or board of a municipal corporation, which has
5 issued refunding bonds shall, during each year in which the bonds are
6 outstanding, levy a tax on all property in the political subdivision for
7 which the bonds are issued, ~~— THAT DOES NOT EXCEED AN AMOUNT~~ sufficient to pay
8 the ANNUAL interest on all bonds then outstanding and the annual installment
9 of the principal thereof becoming due and payable in the next ensuing year.
10 THE ANNUAL LEVY FOR BOTH THE PRINCIPAL AND INTEREST PAYMENT, INCLUDING A
11 REASONABLE TAX DELINQUENCY FACTOR DETERMINED BY THE COUNTY TREASURER, SHALL
12 NOT EXCEED THE AMOUNT NECESSARY TO MEET THE ANNUAL PAYMENT. Such taxes shall
13 be levied, assessed and collected at the same time and in the same manner as
14 other taxes are levied, assessed and collected. The proceeds of the taxes
15 shall be kept in a special fund and shall be used only for the purpose for
16 which collected.