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1 CHAPTER 51. MUNICIPAL DEBT.

2 ARTICLE 1. REVENUE ANTICIPATION NOTES.

3 Sec. 29.51.010. BORROWING IN ANTICIPATION OF REVENUE. A municipality
4 of the state which is authorized to incur indebtedness may borrow money to
5 meet appropriations for any fiscal year in anticipation of the collection of
6 the revenues for that year but all debt so contracted shall be paid before
7 the end of the next fiscal year. Revenue anticipation notes may be issued
8 as evidence of the borrowing.

9 Sec. 29.51.020. ISSUANCE OF NOTES. The governing body of a munici-
10 pality may, by ordinance or resolution, authorize the issuance of revenue
11 anticipation notes and prescribe the form and details of the notes and the
12 manner of their execution. The governing body of the municipality may
13 delegate to its chief fiscal officer the power to issue the notes from time
14 to time under the terms and conditions of the ordinance or resolution which
15 provides for the manner of their sale.

16 Sec. 29.51.030. ISSUANCE OF NOTES IN ANTICIPATION OF STATE, FEDERAL
17 GRANTS. (a) The governing body of a municipality, upon adoption of a
18 long-range capital improvement budget by ordinance or resolution, may by
19 resolution provide for revenue anticipation notes in an amount not to exceed
20 the total amount of any state or federal grants finally committed for these
21 projects. The notes mature no later than the end of the next fiscal year.
22 The notes may be for single or multiple projects outlined in the adopted
23 capital improvement budget.

24 (b) If the state or federal grants for capital improvement
25 projects have not been paid to the municipality before maturity of the notes
26 issued in anticipation of the receipt of the revenue, the governing body of
27 the municipality may issue new notes in order to meet payment of the notes
28 then maturing or may renew the outstanding revenue anticipation notes. New
29

1 notes issued or renewals of outstanding revenue anticipation notes shall
2 mature not later than the end of the next fiscal year.

3 Sec. 29.51.040. PRIORITY OF REPAYMENT. The payment of the principal
4 and interest on revenue anticipation notes shall be payable from revenues,
5 and their payment additionally shall be secured by a pledge of the full
6 faith, credit and unlimited taxing power of the municipality issuing them.

7 ****Sec. 29.51.050. Repeal.

8 ARTICLE 2. BOND ANTICIPATION NOTES.

9 Sec. 29.51.080. BOND ANTICIPATION BORROWING. A municipality may
10 borrow money in anticipation of the sale of general obligation and revenue
11 bonds if

12 (1) the general obligation bonds to be sold have been auth-
13 orized by the assembly or council and ratified by a majority vote at a
14 regular or special election;

15 (2) the revenue bonds to be sold have been authorized by
16 ordinance.

17 Sec. 29.51.090. ISSUANCE OF NOTES. The assembly or council shall
18 issue negotiable or nonnegotiable notes for the amounts borrowed with a
19 maturity date not to exceed one year from the date of issue. All notes and
20 the interest on them are payable at fixed places on or before a fixed time,
21 from the proceeds of the sale of bonds in anticipation of which the original
22 note or notes were issued, unless the bonds have not been sold by the
23 maturity date of the notes.

24 Sec. 29.51.100. ISSUANCE OF NEW NOTES. If the sale of the bonds has
25 not occurred before the maturity of the notes issued in anticipation of the
26 sale, the assembly or council shall issue new notes in order to meet payment
27 of the notes then maturing or shall renew the outstanding bond anticipation
28 notes. New notes issued or renewals of outstanding bond anticipation notes
29 shall bear a maturity date not to exceed one year from the date of issue.

1 Notes, new notes, and renewals of notes shall not be outstanding for a total
2 elapsed time of more than three years.

3 Sec. 29.51.110. REPAYMENT OF NOTES. Every note is payable from the
4 proceeds of the sale of bonds which the notes anticipated or from the pro-
5 ceeds of the sale of new bond anticipation notes.

6 Sec. 29.51.120. SECURITY. (a) Notwithstanding any other provisions of
7 this chapter as to payment of notes, notes issued in anticipation of the
8 sale of general obligation bonds and the interest on them are secured by the
9 full faith, credit, taxing power and resources of the municipality. The
10 municipality may levy ad valorem taxes for payment without limitation of
11 rate or amount.

12 (b) Notes issued in anticipation of the sale of revenue bonds and
13 the interest on them are secured in the same manner as are the revenue bonds
14 in anticipation of which the notes are issued.

15 Sec. 29.51.130. LIMITATION. The total amount of notes issued and
16 outstanding shall at no time exceed the total amount of bonds authorized to
17 be issued.

18 Sec. 29.51.140. USE OF PROCEEDS. The proceeds from the sale of notes
19 shall be used only for the purposes for which the proceeds from the sale of
20 bonds may be used or to meet payment of outstanding bond anticipation notes.

21 ****Sec. 29.51.150. Repeal.

22 ARTICLE 3. GENERAL OBLIGATION BONDS.

23 Sec. 29.51.180. GENERAL OBLIGATION BONDS. A municipality may acquire,
24 construct, improve and equip capital improvements and issue negotiable or
25 nonnegotiable general obligation bonds for these purposes.

26 Sec. 29.51.190. VOTE AND NOTICE OF EXISTING INDEBTEDNESS REQUIRED.
27 (a) A municipality may incur general obligation bond debt only after a bond
28 authorization ordinance is approved by a majority of those voting on the
29 question at a regular or special election. Any municipal voter may vote in
the bond election, except as otherwise provided by charter or law.

1 (b) Before a general obligation bond issue election, the assembly
2 or council shall have published a notice of the municipality's total existing
3 bond indebtedness at least once a week for three consecutive weeks. The
4 first notice shall be published at least 20 days before the date of the
5 election. A notice shall include

6 (1) the current total general obligation bonded indebtedness,
7 including authorized but unsold bonds of the municipality;

8 (2) the cost of the debt service on the current indebtedness;

9 (3) the total assessed valuation within the municipality.

10 ****Sec. 29.51.200. Repeal.

11 Sec. 29.51.210. PAYMENT. (a) The full faith and credit of a munici-
12 pality are pledged for the payment of principal and interest on general
13 obligation bonds. The municipality may levy ad valorem taxes for payment
14 without limitation of rate or amount to pay or secure the payment of the
15 principal and interest on bonds, regardless of whether the bonds are in
16 default or in danger of default.

17 (b) General obligation bonds issued for acquiring, constructing,
18 improving and equipping a municipally-owned utility or other revenue-
19 generating enterprise may be additionally secured by a pledge of the revenue
20 derived from operation. Bonds so secured are not subject to a debt
21 limitation imposed by a borough or city home rule charter.

22 ARTICLE 4. REVENUE BONDS.

23 Sec. 29.51.240. REVENUE BONDS. ****(a) A municipality may issue
24 revenue bonds for a public enterprise or public corporation of the munici-
25 pality where the only security is the revenue of the public enterprise or
26 corporation.

27 (b) A municipality may issue its revenue bonds to finance the
28 purchase of residential mortgage loans. The revenue bonds issued under this
29 subsection are payable solely from the principal and interest of the mortgage

1 loans and from any other amounts pledged by the municipality, except the
2 pledge of revenues derived from taxes. Revenue bonds issued under this
3 subsection do not constitute a general obligation of the municipality.

4 **** (c) Repeal.

5 Sec. 29.51.250. NO ELECTION REQUIRED. No election is required to
6 authorize the issuance and sale of revenue bonds, unless otherwise provided
7 by ordinance.

8 Sec. 29.51.260. FORMS AND TERMS. The assembly or council shall fix
9 the date of the bonds, denominations, maturities, rate or rates of interest,
10 place and manner of payment, redemption terms, registration privileges,
11 manner of execution, signatures required, and other details of the bonds.
12 If an officer whose signature appears on the bonds or coupons ceases to be
13 an officer before delivery of the bonds, his signature is valid as if he had
14 remained in office until delivery.

15 ****Sec. 29.51.270. Repeal.

16 ****Sec. 29.51.280. CONSTRUCTION. The prohibitions of AS 37.10.085 shall
17 not apply to the issuance of revenue bonds or the use of proceeds from
18 revenue bonds by a home rule or general law municipality.

19 ARTICLE 5. REFUNDING BONDS.

20 Sec. 29.51.300. AUTHORIZATION. If a municipality has outstanding
21 general obligation or revenue bonds and the assembly or council determines
22 that it would be financially advantageous to refund the bonds, the assembly
23 or council may provide by ordinance for the issuance of general obligation
24 or revenue refunding bonds.

25 Sec. 29.51.310. EFFECT OF BONDS. The refunding bonds may take up and
26 refund all or any part of outstanding bonds at or before their maturity or
27 redemption date. The assembly or council may include various series and
28 issues of bonds in a single issue of refunding bonds.

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1 Sec. 29.51.320. NO ELECTION REQUIRED. No election is required to
2 authorize the issuance and sale of refunding bonds. Their issuance may be
3 authorized and all proceedings with reference to them prescribed by ordinance
4 of the assembly or council. However, when it is desirable to use general
5 obligation bonds to refund a revenue bond issue, the governing body shall
6 call an election on the question.

7 Sec. 29.51.330. PAYMENT OF REFUNDING BONDS. General obligation
8 refunding bonds are payable according to Sec. 180 of this chapter. Revenue
9 refunding bonds are payable according to Sec. 220 of this chapter.

10 ****Sec. 29.51.340. SALE OF REFUNDING BONDS. General obligation or revenue
11 refunding bonds may, at the discretion of the governing body, be exchanged
12 for the bonds being refunded, or may be sold at public or private sale.
13 They may be issued and delivered at any time before the date of maturity or
14 redemption of the refunded bonds.

15 ****Sec. 29.51.350. OTHER MUNICIPAL FINANCING. (a) A municipality may
16 authorize by ordinance or resolution the issuance of revenue bonds to finance
17 any project which serves a public purpose, and the bonds shall be secured
18 and payable solely from the revenue and property of the project.

19 (b) Bonds issued under this section are not a debt or liability
20 of the municipality and do not create or constitute an indebtedness,
21 liability or obligation of the municipality nor do they constitute a pledge
22 of faith, credit or taxing power of the municipality. Each bond must contain
23 on its face a statement that the principal and interest on the bond are
24 payable solely from the revenues and property of the project being financed,
25 that the municipality is not obligated to pay the principal or the interest
26 on the bonds except from those sources, and that neither the faith and
27 credit nor the taxing power of the municipality is pledged to the payment of
28 principal or interest on the bond.

29

1 (c) A municipality may

2 (1) loan the proceeds of the bonds issued under this section;

3 (2) pledge, mortgage or assign money, leases, agreements,
4 property or other assets of the project being financed;

5 (3) enter into covenants and agreements concerning bonds
6 issued under this section which the municipality determines to be desirable;

7 (4) provide for any matter which effects the security of the
8 bonds.

9 (d) In this section

10 (1) "bonds" means bonds, notes, or other evidence of indebt-
11 edness;

12 (2) "project" includes but is not limited to commercial,
13 manufacturing, agricultural, industrial, residential housing, recreation,
14 tourism, and medical projects and programs.

15 ARTICLE 6. MISCELLANEOUS PROVISIONS.

16 ****Sec. 29.51.370. SALE. Bonds and notes issued under this chapter may
17 be sold at either public or private sale by the municipality in the manner
18 and at the price it determines.

19 ****Sec. 29.51.375. FORMS AND TERMS. The governing body may by ordinance
20 or resolution fix the date, denominations, maturities, rate or rates of
21 interest, redemption terms, registration privileges, manner of execution,
22 signatures required, purchase price, manner of sale, and other requirements
23 for issuing bonds or notes. If an official whose signature appears on the
24 bonds or coupons ceases to be an official before delivery of the bonds, his
25 signature is valid as if he had remained in office until delivery.

26 ****Sec. 29.51.380. INTEREST RATE. The interest rate payable on a bond or
27 note shall be determined by the governing body and is not subject to the
28 usury rate limitations of AS 45.45.010.
29

1 ****Sec. 29.51.390. Repeal.

2 Sec. 29.51.400. REDEMPTION BEFORE MATURITY. A bond or note may be
3 made subject to redemption before maturity as stated in the authorization or
4 in the bond or note.

5 ****Sec. 29.51.410. BOROUGH INDEBTEDNESS. (a) A borough may incur indebted-
6 ness

7 (1) on an areawide basis for areawide functions; or

8 (2) on a nonareawide basis for functions performed in the
9 area outside cities only; or

10 (3) on a service area basis for functions performed in a
11 service area only.

12 (b) Payment of debt principal and interest as well as other costs
13 shall be derived from the area incurring the debt under (a)(2) or (a)(3) of
14 this section, except that the full faith and credit of the entire borough
15 may be pledged to guarantee payment of principal and interest.

16 (c) If the bonded debt to be incurred by a borough is an areawide
17 debt, the vote is areawide; if the full faith and credit of the entire
18 borough is pledged for the payment of the debt of the area outside cities or
19 of a service area, an areawide election is held and the proposition must
20 pass both areawide and in the area which will benefit from the improvement;
21 if the bonded indebtedness to be incurred is limited to areas outside cities
22 only or to service areas, the vote is limited to voters in those areas and
23 only the full faith and credit of the area voting on the indebtedness is
24 pledged for the payment of the debt.

25 (d) The indebtedness of a municipality reclassified under
26 AS 29.08.040 is not affected by reclassification. Not less than all property
27 within a municipality which is reclassified remains subject to taxation to
28 amortize bonded or other indebtedness affecting the municipality and auth-
29 orized on the effective date of reclassification.

1 ****Sec. 29.51.420. Repeal.
2 ****Sec. 29.51.430. Repeal.
3 ****Sec. 29.51.440. SERVICE AREA DEBT. The indebtedness of a service area
4 acquired under AS 29.51.410 shall remain the indebtedness of the area which
5 incurred the debt notwithstanding a subsequent court determination that the
6 service area was not validly formed under law or by virtue of a defect in
7 the proceedings creating the service area. All the property within the
8 service area remains subject to taxation to pay the bonded indebtedness.

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6 the revenues for that year but all debt so contracted shall be paid before
7 the end of the next fiscal year. Revenue anticipation notes may be issued
8 as evidence of the borrowing.

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10 may, by ordinance or resolution, authorize the issuance of revenue anticipa-
11 tion notes and prescribe the form and details of the notes and the manner of
12 their execution. The governing body of the municipality may delegate to its
13 chief fiscal officer the power to issue the notes from time to time under
14 the terms and conditions of the ordinance or resolution which provides for
15 the manner of their sale.

16 Sec. 29.51.030. ISSUANCE OF NOTES IN ANTICIPATION OF STATE, FEDERAL
17 GRANTS. (a) The governing body of a municipality, upon adoption of a
18 long-range capital improvement budget by ordinance or resolution, may by
19 resolution provide for revenue anticipation notes in an amount not to exceed
20 the total amount of any state or federal grants finally committed for these
21 projects. The notes mature no later than the end of the next fiscal year.
22 The notes may be for single or multiple projects outlined in the adopted
23 capital improvement budget.

24 (b) If the state or federal grants for capital improvement projects
25 have not been paid to the municipality before maturity of the notes issued
26 in anticipation of the receipt of the revenue, the governing body of the
27 municipality may issue new notes in order to meet payment of the notes then
28 maturing or may renew the outstanding revenue anticipation notes. New
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2 mature not later than the end of the next fiscal year.

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13 orized by the assembly or council and ratified by a majority vote at a
14 regular or special election;

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16 ordinance.

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20 the interest on them are payable at fixed places on or before a fixed time,
21 from the proceeds of the sale of bonds in anticipation of which the original
22 note or notes were issued, unless the bonds have not been sold by the maturity
23 date of the notes.

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25 not occurred before the maturity of the notes issued in anticipation of the
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2 elapsed time of more than three years.

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4 proceeds of the sale of bonds which the notes anticipated or from the proceeds
5 of the sale of new bond anticipation notes.

6 Sec. 29.51.120. SECURITY. (a) Notwithstanding any other provisions of
7 this chapter as to payment of notes, notes issued in anticipation of the
8 sale of general obligation bonds and the interest on them are secured by the
9 full faith, credit, taxing power and resources of the municipality. The
10 municipality may levy ad valorem taxes for payment without limitation of
11 rate or amount.

12 (b) Notes issued in anticipation of the sale of revenue bonds and
13 the interest on them are secured in the same manner as are the revenue bonds
14 in anticipation of which the notes are issued.

15 Sec. 29.51.130. LIMITATION. The total amount of notes issued and
16 outstanding shall at no time exceed the total amount of bonds authorized to
17 be issued.

18 Sec. 29.51.140. USE OF PROCEEDS. The proceeds from the sale of notes
19 shall be used only for the purposes for which the proceeds from the sale of
20 bonds may be used or to meet payment of outstanding bond anticipation notes.

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23 Sec. 29.51.180. GENERAL OBLIGATION BONDS. A municipality may acquire,
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26 Sec. 29.51.190. VOTE AND NOTICE OF EXISTING INDEBTEDNESS REQUIRED.

27 (a) A municipality may incur general obligation bond debt only after a bond
28 authorization ordinance is approved by a majority of those voting on the
29 question at a regular or special election. Any municipal voter may vote in
the bond election, except as otherwise provided by charter or law.

1 (b) Before a general obligation bond issue election, the assembly
2 or council shall have published a notice of the municipality's total existing
3 bond indebtedness at least once a week for three consecutive weeks. The
4 first notice shall be published at least 20 days before the date of the
5 election. A notice shall include

6 (1) the current total general obligation bonded indebtedness,
7 including authorized but unsold bonds of the municipality;

8 (2) the cost of the debt service on the current indebtedness;

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10 ****Sec. 29.51.200. Repeal.

11 Sec. 29.51.210. PAYMENT. (a) The full faith and credit of a munici-
12 pality are pledged for the payment of principal and interest on general
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14 without limitation of rate or amount to pay or secure the payment of the
15 principal and interest on bonds, regardless of whether the bonds are in
16 default or in danger of default.

17 (b) General obligation bonds issued for acquiring, constructing,
18 improving and equipping a municipally-owned utility or other revenue-generating
19 enterprise may be additionally secured by a pledge of the revenue derived
20 from operation. Bonds so secured are not subject to a debt limitation
21 imposed by a borough or city home rule charter.

22 ARTICLE 4. REVENUE BONDS.

23 Sec. 29.51.240. REVENUE BONDS. ****(a) A municipality may issue
24 revenue bonds for a public enterprise or public corporation of the municipal-
25 ity where the only security is the revenue¹ of the public enterprise or
26 corporation.

27 (b) A municipality may issue its revenue bonds to finance the
28 purchase of residential mortgage loans. The revenue bonds issued under this
29 subsection are payable solely from the principal and interest of the mortgage

1 loans and from any other amounts pledged by the municipality, except the
2 pledge of revenues derived from taxes. Revenue bonds issued under this
3 subsection do not constitute a general obligation of the municipality.

4 **** (c) Repeal.

5 Sec. 29.51.250. NO ELECTION REQUIRED. No election is required to
6 authorize the issuance and sale of revenue bonds, unless otherwise provided
7 by ordinance.

8 Sec. 29.51.260. FORMS AND TERMS. The assembly or council shall fix
9 the date of the bonds, denominations, maturities, rate or rates of interest,
10 place and manner of payment, redemption terms, registration privileges,
11 manner of execution, signatures required, and other details of the bonds.
12 If an officer whose signature appears on the bonds or coupons ceases to be
13 an officer before delivery of the bonds, his signature is valid as if he had
14 remained in office until delivery.

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8 refunding bonds are payable according to Sec. 180 of this chapter. Revenue
9 refunding bonds are payable according to Sec. 220 of this chapter.

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11 refunding bonds may, at the discretion of the governing body, be exchanged
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13 They may be issued and delivered at any time before the date of maturity or
14 redemption of the refunded bonds.

15 ****Sec. 29.51.350. OTHER MUNICIPAL FINANCING. (a) A municipality may
16 authorize by ordinance or resolution the issuance of revenue bonds to finance
17 any project which serves a public purpose, and the bonds shall be secured
18 and payable solely from the revenue and property of the project.

19 (b) Bonds issued under this section are not a debt or liability
20 of the municipality and do not create or constitute an indebtedness,
21 liability or obligation of the municipality nor do they constitute a pledge
22 of faith, credit or taxing power of the municipality. Each bond must contain
23 on its face a statement that the principal and interest on the bond are
24 payable solely from the revenues and property of the project being financed,
25 that the municipality is not obligated to pay the principal or the interest
26 on the bonds except from those sources, and that neither the faith and
27 credit nor the taxing power of the municipality is pledged to the payment of
28 principal or interest on the bond.
29

1 (c) A municipality may

2 (1) loan the proceeds of the bonds issued under this section;

3 (2) pledge, mortgage or assign money, leases, agreements,
4 property or other assets of the project being financed;

5 (3) enter into covenants and agreements concerning bonds
6 issued under this section which the municipality determines to be desirable;

7 (4) provide for any matter which effects the security of the
8 bonds.

9 (d) In this section

10 (1) "bonds" means bonds, notes, or other evidences of
11 indebtedness;

12 (2) "project" includes but is not limited to commercial,
13 manufacturing, agricultural, industrial, residential housing, recreation,
14 tourism, and medical projects and programs.

15 ARTICLE 6. MISCELLANEOUS PROVISIONS.

16 ****Sec. 29.51.370. SALE. Bonds and notes issued under this chapter may
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22 signatures required, purchase price, manner of sale, and other requirements
23 for issuing bonds or notes. If an official whose signature appears on the
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25 signature is valid as if he had remained in office until delivery.

26 ****Sec. 29.51.380. INTEREST RATE. The interest rate payable on a bond or
27 note shall be determined by the governing body and is not subject to the
28 usury rate limitations of AS 45.45.010.
29

1 ****Sec. 29.51.390. Repeal.

2 Sec. 29.51.400. REDEMPTION BEFORE MATURITY. A bond or note may be
3 made subject to redemption before maturity as stated in the authorization or
4 in the bond or note.

5 ****Sec. 29.51.410. BOROUGH INDEBTEDNESS. (a) A borough may incur indebted-
6 ness

7 (1) on an areawide basis for areawide functions; or

8 (2) on a nonareawide basis for functions performed in the
9 area outside cities only; or

10 (3) on a service area basis for functions performed in a
11 service area only.

12 (b) Payment of debt principal and interest as well as other costs
13 shall be derived from the area incurring the debt under (a)(2) or (a)(3) of
14 this section, except that the full faith and credit of the entire borough
15 may be pledged to guarantee payment of principal and interest.

16 (c) If the bonded debt to be incurred by a borough is an areawide
17 debt, the vote is areawide; if the full faith and credit of the entire
18 borough is pledged for the payment of the debt of the area outside cities or
19 of a service area, an areawide election is held and the proposition must
20 pass both areawide and in the area which will benefit from the improvement;
21 if the bonded indebtedness to be incurred is limited to areas outside cities
22 only or to service areas, the vote is limited to voters in those areas and
23 only the ^ufull faith and credit of the area ^{voting on the indebtedness} is pledged for the payment of the
24 debt.

25 (d) The indebtedness of a municipality reclassified under (AS)
26 29.08.040 is not affected by reclassification. Not less than all property
27 within a municipality which is reclassified remains subject to taxation to
28 amortize bonded or other indebtedness affecting the municipality and auth-
29 orized on the effective date of reclassification.

1 ****Sec. 29.51.420. Repeal.
2 ****Sec. 29.51.430. Repeal.
3 ****Sec. 29.51.440. SERVICE AREA DEBT. The indebtedness of a service area
4 acquired under AS 29.51.410 shall remain the indebtedness of the area which
5 incurred the debt notwithstanding a subsequent court determination that the
6 service area was not validly formed under law or by virtue of a defect in
7 the proceedings creating the service area. All the property within the
8 service area remains subject to taxation to pay the bonded indebtedness.

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29.51.050
29.51.150

Also repeal A.S. 29.58.060, 29.58.140 and ~~29.58.200~~ ^{29.58.200}

29.51.200
29.51.270

Repeal the following provisions--A.S. 29.58.230, 29.58.170.

29.51.240
OK

5. A.S. 29.58.200^{51.240} is amended to read:

Sec. 29.58.200. REVENUE BONDS. (a) A municipality of ~~the State~~ may issue revenue bonds for a public enterprise or public corporation of the municipality where the only security is the revenues of the public enterprise or corporation. [A MUNICIPALITY MAY ACQUIRE, CONSTRUCT, IMPROVE AND EQUIP CAPITAL IMPROVEMENTS TO BE OPERATED UPON A REVENUE-PRODUCING BASIS, AND BONDS FOR THESE PURPOSES ARE PAYABLE SOLELY FROM UNPLEDGED REVENUE OF THE PUBLIC FACILITIES FOR WHICH THE BONDS ARE ISSUED.]

(b) A municipality may issue its revenue bonds to finance the purchase of residential mortgage loans. The revenue bonds issued under this subsection are payable solely from the principal and interest of the mortgage loans and from any other amounts pledged by the municipality, except the pledge of revenues derived from taxes. Revenue bonds issued under this subsection do not constitute a general obligation of the municipality.

[(c) A MUNICIPALITY MAY ALSO ISSUE REVENUE BONDS FOR ANY LAWFUL PURPOSE. THE BONDS ARE PAYABLE FROM ANY AMOUNTS PLEDGED BY THE MUNICIPALITY EXCEPT TAXES AND DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE MUNICIPALITY.]

270 REPEAL.

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.280. CONSTRUCTION. The prohibitions of AS 37.10.085 shall not apply to the issuance of revenue bonds or the use of proceeds from revenue bonds by a home rule or general law municipality.

EXPLANATION: The following provision is made inapplicable to the use of proceeds from revenue bonds:

Sec. 37.10.085. FINANCIAL AID TO CORPORATIONS BY STATE OR POLITICAL SUBDIVISION. Neither the state nor a political subdivision of the state may

(1) make a subscription to the capital stock of a corporation;

(2) lend its credit for the use of a corporation;

or

(3) borrow money for the use of a corporation.

It is felt by bond counsels that this section currently forbids a municipality to use proceeds of revenue bond sales for loans and other expenditures designed to encourage industrial development.

Sec. 29.51.340. SALE OF REFUNDING BONDS. General obligation refunding bonds or revenue refunding bonds may, at the discretion of the ^{governing body} ~~assembly or council~~, be exchanged for the bonds being refunded, or may be sold at public or private sale. ^{deleted} They may be issued and delivered at any time before the date of maturity or redemption of the refunded bonds.

51.350
6. A new section 29.58.290 as follows:

OK Sec. 29.58.290. OTHER MUNICIPAL FINANCING. (a) A municipality may authorize by ordinance or resolution the issuance of revenue bonds to finance any public ~~purpose project or program~~ ^{which serves a public purpose, and the bonds} ~~which shall be~~ secured and payable solely from the revenue and property of ^{the} ~~such~~ project or program.

(b) Bonds issued under this section are not a debt or liability of the municipality and do not create or

constitute an indebtedness, liability or obligation of the municipality nor do they constitute a pledge of faith, credit or taxing power of the municipality. Each bond must contain on its face a statement ~~to the effect~~ that the principal and interest on the bond are payable solely from the revenues and property of the project ~~or program~~ being financed, ~~and that the municipality is not obligated to pay the principal of or the interest on the bonds except for those sources of the project or program~~ ^{from source} and that neither the faith and credit nor the taxing power of the municipality is pledged to the payment of ~~each~~ principal ~~of~~ or interest on the bond.

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(1) A municipality may at its discretion
of bonds under this section

issued under this section

(1) loan the proceeds of the bonds;

↑

(2) pledge, mortgage or assign money, leases, agree-
ments, property or other assets of the project or pro-
gram being financed;

(3) ~~make and~~ enter into any ~~and all~~ covenants and
agreements ^{concerning bonds issued under this section} which the municipality ~~may~~ determines to be
~~necessary or~~ desirable;

(4) provide for any ~~other~~ matter which ~~in any way~~
affects the security or ~~protection~~ of the bonds.

(*) In this section the word "bonds" includes bonds,
notes or other evidence of indebtedness. In this
section, the words "project" or "program" shall include
without limitation commercial, manufacturing, agricul-
tural, industrial, residential housing, recreation,
tourism and medical projects and programs.

(d) in this section

(1) "bonds" means bonds, notes, or
other evidence of indebtedness;

(2) "project" includes but is not
limited to commercial, manufacturing, agricultural,
industrial, residential housing, recreation, tourism,
and medical projects and programs.

370

Sec. 29.58.300 should be amended to read:

OK →

Sec. 29.58.300. ~~[PUBLIC] SALE.~~ Bonds and notes issued under this chapter may be sold by the municipality in the manner and at the price it determines at either public or private sale. ~~{THE MUNICIPALITY SHALL SELL ALL BONDS AT A PUBLIC OR PRIVATE SALE AS PROVIDED BY ORDINANCE, NO BONDS MAY BE SOLD AT LESS THAN PAR VALUE.}~~

4. A new Section A.S. 29.58.305 to read as follows:

375

^{51.375} Sec. 29.58.305. FORMS AND TERMS. The assembly or council may by ordinance or resolution fix the date, denominations, maturities, rate or rates of interest, redemption terms, registration privileges, manner of execution, signatures required, purchase price, manner of sale, and ~~all~~ ^{requirements for issuing} other details of the bonds or notes. If an officer ^{ial} whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, his signature is valid as if he had remained in office until delivery.

2. ^{51.380} Sec. 29.58.310 should be amended to read:

380

OK

^{51.370} Sec. 29.58.310. INTEREST RATE. The interest rate payable on a bond or note shall be determined by the ^{governor's body} assembly or council and is not subject to the usury rate limitations of A.S. 45.45.010. [NO MUNICIPAL BOND OR NOTE MAY BEAR AN INTEREST RATE EXCEEDING THE CONTRACT USURY RATE OR INTEREST PROVIDED BY LAW.]

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.390. BOND ATTORNEYS, BOND AND FINANCIAL CONSULTANTS.
Repeal.

OK
EXPLANATION: This section is repealed as unnecessary since the governing body has control through approving or disapproving the issuance of bonds. Arguably, contracting is an executive function.

Sec. 29.51.410. BOROUGH INDEBTEDNESS. (a) A borough may incur indebtedness

(1) on an areawide basis for areawide functions; or

(2) on a ^{nonareawide} ~~noncity~~ basis for functions performed in the area outside cities only; or

(3) on a service area basis for functions performed in a service area only.

(b) Payment of debt principal and interest as well as other costs shall be derived from the area incurring the debt under (a)(2) or (a)(3) of this section, except that the full faith and credit of the entire borough may be pledged to guarantee payment of principal and interest.

(c) If the bonded debt to be incurred by a borough is an areawide debt, the vote is areawide; if the full faith and credit of the area outside cities or of a service area, an areawide election is held and the proposition must pass both areawide and in the area which will benefit from the improvement; if the bonded indebtedness to be incurred is limited to areas outside cities only or to service areas, the vote is limited to voters in those areas ^{only} and the full faith and credit of the area is pledged for the payment of the debt.

(d) no change.

↓
incumbent
use

existing
(c)

+
changes

in last 2 times

fm text
fm text

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fm text

fm text

added

↑ voting on the indebtedness ~~pledged~~

EXPLANATION: Minor technical clean-up in (a) and (b). Language at the end of (c) added to make it clear that a service area general obligation bond can be issued.

M. use existing (c) and add "and only the full faith and credit of the area voting on the indebtedness is pledged for the payment of the debt."

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.420. BONDED INDEBTEDNESS FOR SCHOOL CONSTRUCTION.
Repeal.

Sec. 29.51.430. BOND GUARANTEE FUND. Repeal

EXPLANATION: These sections have never been used and appear to serve no useful purpose. They are repealed at the request of the State Assessor.

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DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.440. SERVICE AREA DEBT. The indebtedness of a service area acquired under AS 29.51.410 shall remain the indebtedness of the area which incurred the debt notwithstanding a subsequent court determination that the service area was not validly formed under law or by virtue of a defect in the proceedings creating the service area. All the property within the service area remains subject to taxation to pay the bonded indebtedness.

EXPLANATION: This is a new section. The Alaska Constitution prohibits the establishment of service areas when the function can be performed by a city or another service area. No guidelines have been established, leaving the legality of some service areas in doubt. This provides for the continuation of a debt should a service area subsequently be declared invalid, creating a de facto service area for purposes of the debt. *(It may be unconstitutional)*

CHAPTER 51. MUNICIPAL DEBT

~~(CHAPTER 58. MUNICIPAL DEBT)~~

ARTICLE 1. REVENUE ANTICIPATION NOTES

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Sec. 29.51.010. ~~(Sec. 29.58.010.)~~ BORROWING IN ANTICIPATION OF REVENUE. A municipality of the state which is authorized to incur indebtedness may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year but all debt so contracted shall be paid before the end of the next fiscal year. Revenue anticipation notes may be issued as evidence of the borrowing.

Sec. 29.51.020. ~~(Sec. 29.58.020.)~~ ISSUANCE OF NOTES. The governing body of a municipality may, by ordinance or resolution, authorize the issuance of revenue anticipation notes and prescribe the form and details of the notes and the manner of their execution. The governing body of the municipality may delegate to its chief fiscal officer the power to issue the notes from time to time under the terms and conditions of the ordinance or resolution which provides for the manner of their sale.

Sec. 29.51.030. ~~(Sec. 29.58.040.)~~ ISSUANCE OF NOTES IN ANTICIPATION OF STATE, FEDERAL GRANTS. (a) The governing body of a municipality, upon adoption of a long-range capital improvement budget by ordinance or resolution, may by resolution provide for revenue anticipation notes in an amount not to exceed the total amount of any state or federal grants finally committed for these projects. The notes mature no later than the end of the next fiscal year. The notes may be for single or multiple projects outlined in the adopted capital improvement budget.

(b) If the state or federal grants for capital improvement projects have not been paid to the municipality before maturity of the notes issued in anticipation of the receipt of the revenue, the governing body of the municipality may issue new notes in order to meet payment of the notes then maturing or may renew the outstanding revenue anticipation notes. New

1 notes issued or renewals of outstanding revenue anticipation notes shall
2 mature not later than the end of the next fiscal year.

3 Sec. 29.51.040. (Sec. 29.58.050.) PRIORITY OF REPAYMENT. The payment
4 of the principal and interest on revenue anticipation notes shall be payable
5 from revenues, and their payment additionally shall be secured by a pledge
6 of the full faith, credit and unlimited taxing power of the municipality
7 issuing them.

8 Sec. 29.51.050. (Sec. 29.58.060.) SALE OF NOTES. The municipality
9 may sell revenue anticipation notes in the manner and at the price it
10 determines, at either public or private sale.

11 ARTICLE 2. BOND ANTICIPATION NOTES.

12 Sec. 29.51.080. (Sec. 29.58.070.) BOND ANTICIPATION BORROWING. A
13 municipality may borrow money in anticipation of the sale of general
14 obligation and revenue bonds if

15 (1) the general obligation bonds to be sold have been
16 authorized by the assembly or council and ratified by a majority vote at a
17 regular or special election;

18 (2) the revenue bonds to be sold have been authorized by
19 ordinance.

20 Sec. 29.51.090. (Sec. 29.58.080.) ISSUANCE OF NOTES. The assembly or
21 council shall issue negotiable or nonnegotiable notes for the amounts
22 borrowed with a maturity date not to exceed one year from the date of issue.
23 All notes and the interest on them are payable at fixed places on or before
24 a fixed time, from the proceeds of the sale of bonds in anticipation of
25 which the original note or notes were issued, unless the bonds have not been
26 sold by the maturity date of the notes.

27 Sec. 29.51.100. (Sec. 29.58.090.) ISSUANCE OF NEW NOTES. If the sale
28 of the bonds has not occurred before the maturity of the notes issued in
29 anticipation of the sale, the assembly or council shall issue new notes in

1 order to meet payment of the notes then maturing or shall renew the
2 outstanding bond anticipation notes. New notes issued or renewals of
3 outstanding bond anticipation notes shall bear a maturity date not to exceed
4 one year from the date of issue. Notes, new notes, and renewals of notes
5 shall not be outstanding for a total elapsed time of more than three years.

6 Sec. 29.51.110. (Sec. 29.58.100.) REPAYMENT OF NOTES. Every note is
7 payable from the proceeds of the sale of bonds which the notes anticipated
8 or from the proceeds of the sale of new bond anticipation notes.

9 Sec. 29.51.120. (Sec. 29.58.110.) SECURITY. (a) Notwithstanding any
10 other provisions of this chapter as to payment of notes, notes issued in
11 anticipation of the sale of general obligation bonds and the interest on
12 them are secured by the full faith, credit, taxing power and resources of
13 the municipality. The municipality may levy ad valorem taxes for payment
14 without limitation of rate or amount.

15 (b) Notes issued in anticipation of the sale of revenue bonds and
16 the interest on them are secured in the same manner as are the revenue bonds
17 in anticipation of which the notes are issued.

18 Sec. 29.51.130. (Sec. 29.58.120.) LIMITATION. The total amount of
19 notes issued and outstanding shall at no time exceed the total amount of
20 bonds authorized to be issued.

21 Sec. 29.51.140. (Sec. 29.58.130.) USE OF PROCEEDS. The proceeds from
22 the sale of notes shall be used only for the purposes for which the proceeds
23 from the sale of bonds may be used or to meet payment of outstanding bond
24 anticipation notes.

25 Sec. 29.51.150. (Sec. 29.58.140.) SALE OF NOTES. Notes issued under
26 this chapter shall be sold by the municipality in the manner and at the
27 price it determines, at either public or private sale, but no note may be
28 sold for less than par and accrued interest.
29

ARTICLE 3. GENERAL OBLIGATION BONDS.

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2 Sec. 29.51.180. (Sec. 29.58.150.) GENERAL OBLIGATION BONDS. A
3 municipality may acquire, construct, improve and equip capital improvements
4 and issue negotiable or nonnegotiable general obligation bonds for these
5 purposes.

6 Sec. 29.51.190. (Sec. 29.58.160.) VOTE AND NOTICE OF EXISTING INDEBT-
7 EDNESS REQUIRED. (a) A municipality may incur general obligation bond debt
8 only after a bond authorization ordinance is approved by a majority of those
9 voting on the question at a regular or special election. Any municipal
10 voter may vote in the bond election, except as otherwise provided by charter
11 or law.

12 (b) Before a general obligation bond issue election, the assembly
13 or council shall have published a notice of the municipality's total
14 existing bond indebtedness at least once a week for three consecutive weeks.
15 The first notice shall be published at least 20 days before the date of the
16 election. A notice shall include

17 (1) the current total general obligation bonded
18 indebtedness, including authorized but unsold bonds of the municipality;

19 (2) the cost of the debt service on the current
20 indebtedness;

21 (3) the total assessed valuation within the municipality.

22 Sec. 29.51.200. (Sec. 29.58.170.) FORM AND TERMS OF SALE. The
23 assembly or council shall fix the date of the bonds, denominations,
24 maturities, rate of interest, place and manner of payment, redemption terms,
25 registration privileges, manner of execution, and signatures required. If
26 an officer whose signature appears on the bonds or coupons ceases to be an
27 officer before delivery of the bonds, his signature is valid as if he had
28 remained in office until delivery.
29

1 Sec. 29.51.210. (Sec. 29.58.180.) PAYMENT. (a) The full faith and
2 credit of a municipality are pledged for the payment of principal and
3 interest on general obligation bonds. The municipality may levy ad valorem
4 taxes for payment without limitation of rate or amount to pay or secure the
5 payment of the principal and interest on bonds, regardless of whether the
6 bonds are in default or in danger of default.

7 (b) General obligation bonds issued for acquiring, constructing,
8 improving and equipping a municipally-owned utility or other
9 revenue-generating enterprise may be additionally secured by a pledge of the
10 revenue derived from operation. Bonds so secured are not subject to a debt
11 limitation imposed by a borough or city home rule charter.

12 ARTICLE 4. REVENUE BONDS .

13 Sec. 29.51.240. (Sec. 29.58.200.) REVENUE BONDS. (a) A municipality
14 may acquire, construct, improve and equip capital improvements to be
15 operated upon a revenue-producing basis, and bonds for these purposes are
16 payable solely from unpledged revenue of the public facilities for which the
17 bonds are issued.

18 (b) A municipality may issue its revenue bonds to finance the
19 purchase of residential mortgage loans. The revenue bonds issued under this
20 subsection are payable solely from the principal and interest of the
21 mortgage loans and from any other amounts pledged by the municipality,
22 except the pledge of revenues derived from taxes. Revenue bonds issued under
23 this subsection do not constitute a general obligation of the municipality.

24 (c) A municipality may also issue revenue bonds for any lawful
25 purpose. The bonds are payable from any amounts pledged by the municipality
26 except taxes and do not constitute general obligations of the municipality.

27 Sec. 29.51.250. (Sec. 29.58.205.) NO ELECTION REQUIRED. No election
28 is required to authorize the issuance and sale of revenue bonds, unless
29 otherwise provided by ordinance.

1 Sec. 29.51.260. (Sec. 29.58.210.) FORMS AND TERMS. The assembly or
2 council shall fix the date of the bonds, denominations, maturities, rate or
3 rates of interest, place and manner of payment, redemption terms,
4 registration privileges, manner of execution, signatures required, and other
5 details of the bonds. If an officer whose signature appears on the bonds or
6 coupons ceases to be an officer before delivery of the bonds, his signature
7 is valid as if he had remained in office until delivery.

8 Sec. 29.51.270. (Sec. 29.58.220.) PAYMENT. Bonds issued under AS
9 29.58.200 - 29.58.220 or the proceedings of the assembly or council
10 authorizing their issuance may contain the covenants which the assembly or
11 council considers advisable concerning

12 (1) the rates or fees to be charged for services rendered by
13 the public facilities, the revenue of which is pledged to the payment of the
14 bonds, or the terms and conditions of any other amounts collected which are
15 pledged to the payment of the bonds;

16 (2) the deposit and use of the revenue of the public
17 facilities or of other amounts collected which are pledged to the payment of
18 the bonds;

19 (3) the issuance of additional bonds payable from revenue of
20 the public facilities or of other amounts collected which are pledged to the
21 payment of the bonds;

22 (4) the rights of the bondholders in case of default in the
23 payment of the principal or interest on the bonds, including the appointment
24 of a receiver to operate the public facilities;

25 (5) other covenants as the assembly or council determines.

26 ARTICLE 5. REFUNDING BONDS

27 Sec. 29.51.300. (Sec. 29.58.240.) AUTHORIZATION. If a municipality
28 has outstanding general obligation or revenue bonds and the assembly or
29 council determines that it would be financially advantageous to refund the

1 bonds, the assembly or council may provide by ordinance for the issuance of
2 general obligation or revenue refunding bonds.

3 Sec. 29.51.310. (Sec. 29.58.250.) EFFECT OF BONDS. The refunding
4 bonds may take up and refund all or any part of outstanding bonds at or
5 before their maturity or redemption date. The assembly or council may
6 include various series and issues of bonds in a single issue of refunding
7 bonds.

8 Sec. 29.51.320. (Sec. 29.58.260.) NO ELECTION REQUIRED. No election
9 is required to authorize the issuance and sale of refunding bonds. Their
10 issuance may be authorized and all proceedings with reference to them
11 prescribed by ordinance of the assembly or council. However, when it is
12 desirable to use general obligation bonds to refund a revenue bond issue,
13 the governing body shall call an election on the question.

14 Sec. 29.51.330. (Sec. 29.58.270.) PAYMENT OF REFUNDING BONDS.
15 General obligation refunding bonds are payable according to Sec. 180 of this
16 chapter. Revenue refunding bonds are payable according to Sec. 220 of this
17 chapter.

18 Sec. 29.51.340. (Sec. 29.58.280.) SALE. General obligation or
19 revenue refunding bonds may, in the discretion of the assembly or council,
20 be exchanged at par for the bonds being refunded, or may be sold at public
21 or private sale for an amount not less than par and accrued interest. They
22 may be issued and delivered at any time before the date of maturity or
23 redemption of the refunded bonds.

24 ARTICLE 6. MISCELLANEOUS PROVISIONS .

25 Sec. 29.51.370. (Sec. 29.58.300.) PUBLIC SALE. The municipality
26 shall sell all bonds at a public or private sale as provided by ordinance.
27 No bonds may be sold at less than par value.

28 Sec. 29.51.380. (Sec. 29.58.310.) INTEREST RATE. No municipal bond
29 or note may bear an interest rate exceeding the contract usury rate of
LA interest provided by law.

1 Sec. 29.51.390. (Sec. 29.58.315.) ~~BOND ATTORNEYS, BOND AND FINANCIAL~~
2 CONSULTANTS. The governing body or its designee of a home rule or general
3 law municipality shall be the sole contracting authority for bond attorneys,
4 bond consultants and financial consultants engaged in long range financial
5 planning of the municipality which leads to sale of bonds.

6 Sec. 29.51.400. (Sec. 29.58.320.) REDEMPTION BEFORE MATURITY. A bond
7 or note may be made subject to redemption before maturity as stated in the
8 authorization or in the bond or note.

9 Sec. 29.51.410. (Sec. 29.58.340.) BOROUGH INDEBTEDNESS. (a) Boroughs
10 may incur indebtedness

11 (1) on an areawide basis for areawide functions; or

12 (2) on a noncity basis for functions performed in the area
13 outside cities only; or

14 (3) on a service area basis for functions performed in a
15 service area only.

16 (b) Payment of debt principal and interest as well as other costs
17 shall be limited to the area incurring the debt under (a)(2) or (a)(3) of
18 this section, except that the full faith and credit of the entire borough
19 may be pledged to guarantee payment of principal and interest.

20 *See notes for addition*
21 (c) If the bonded debt to be incurred by a borough is an areawide
22 debt, the vote is areawide; if the full faith and credit of the entire ~~the~~
23 borough is pledged for the payment of the debt of the area outside cities or
24 of a service area, an areawide election is held and the proposition must
25 pass both areawide and in the area which will benefit from the improvement;
26 if the bonded indebtedness to be incurred is limited to areas outside cities
27 only or to service areas, the vote is limited to voters in those areas.

28 (d) The indebtedness of a municipality reclassified under AS
29 29.08.040 is not affected by reclassification. Not less than all property
within a municipality which is reclassified remains subject to taxation to

1 amortize bonded or other indebtedness affecting the municipality and
2 authorized on the effective date of reclassification.

3 Sec. 29.51.420. (Sec. 29.58.345.) BONDED INDEBTEDNESS FOR SCHOOL
4 CONSTRUCTION. A home rule city levying property taxes for schools, upon
5 furnishing proof satisfactory to the Department of Education and the
6 Department of Community and Regional Affairs of the needs for school
7 facilities which, if provided, will require the city to exceed limits on
8 authorizing or issuing bonds which may be established by charter, may exceed
9 the limits to the extent necessary to pay costs of school construction. In
10 this section "costs of school construction" means costs as defined in AS
11 43.18.100(g)(2).

12 Sec. 29.51.430. (Sec. 29.58.350.) BOND GUARANTEE FUND. (a) To
13 guarantee payment by the state of the principal and interest of bonds issued
14 under the enabling authority of Sec. 345 of this chapter, there is in the
15 Department of Community and Regional Affairs a special fund called the local
16 school bond guarantee fund in which there shall be deposited all money
17 appropriated by the legislature for the purpose of the fund and other money
18 which may be made available for the purpose of the fund from any other
19 source. Money in the fund shall be held and applied solely to further
20 guarantee and provide an additional pledge of payment of all bonds issued
21 under the provisions of Sec. 345 of this chapter. Money shall not be
22 withdrawn from the fund if a withdrawal would reduce the amount in the fund
23 to an amount equal to less than the "maximum debt service reserve" (as
24 defined in this section), except for payment of interest then due and
25 payable on bonds and the principal of bonds then maturing and payable and
26 for the retirement of bonds in accordance with the terms of a contract
27 between the municipality and its bondholders and for the payments on account
28 of which interest or principal or retirement of bonds other money is not
29 then available in accordance with the terms of the contract. In this

1 section "maximum debt service reserve" means, as of any date of computation,
2 the largest amount of money required by the terms of all contracts between
3 municipalities and their bondholders as to bonds issued under Sec. 345 of
4 this chapter to be raised in any succeeding calendar year for the payment of
5 interest on and maturing principal of outstanding bonds and payments
6 required by the terms of the contracts to sinking funds established for the
7 payment or redemption of the bonds, all calculated on the assumption that
8 bonds will cease to be outstanding after the date of the computation by
9 reason of the payment of bonds at their respective maturities and the
10 payments of the required money to sinking funds and the application of the
11 money in accordance with the terms of the contracts to the retirement of
12 bonds.

13 (b) Money in the guarantee fund at any time in excess of the
14 maximum debt service reserve, whether by reason of investment or otherwise,
15 may be withdrawn by the department and transferred to the general fund.

16 (c) Money at any time in the guarantee fund may be invested in
17 any direct obligation of, or obligations as to which principal and interest
18 is guaranteed by, the United States, the state or a political subdivision.

19 (d) For purposes of valuation, investments in the guarantee fund
20 shall be valued at the lowest of the par value, cost to the authority, or
21 market value of the investments. Valuation on any particular date shall
22 include the amount of interest then earned or accrued to that date on any
23 money or investments in the fund.

24 (e) Other provisions of this section notwithstanding, no bonds
25 may be issued carrying the guarantee provided in this section unless there
26 is in the guarantee fund the maximum debt service reserve for all bonds then
27 issued and outstanding and the bonds about to be issued, but nothing
28 prevents or precludes a municipality from satisfying the foregoing
29 requirement by depositing so much of the proceeds of the bonds about to be

1 issued, upon their issuance, as is needed to achieve the maximum debt
2 service reserve.

3 (f) In order to assure the maintenance of the maximum debt
4 service reserve in the guarantee fund, there is authorized to be
5 appropriated
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Sec. 29.51.340. SALE OF REFUNDING BONDS. General obligation refunding bonds or revenue refunding bonds may, at the discretion of the ~~assembly or council~~, be exchanged for the bonds being refunded, or may be sold at public or private sale. ^{deleted} They may be issued and delivered at any time before the date of maturity or redemption of the refunded bonds.

6. A new section 29.51.350^{51.350} as follows:

ok Sec. 29.58.290. OTHER MUNICIPAL FINANCING. (a) A municipality may authorize by ordinance or resolution the issuance of revenue bonds to finance any public-^{while the bonds are being issued and the interest} purpose project or program, which ~~shall~~ shall be secured and payable solely from the revenue and property of ^{such} such project or program.

(b) Bonds issued under this section are not a debt or liability of the municipality and do not create or

constitute an indebtedness, liability or obligation of the municipality nor do they constitute a pledge of faith, credit or taxing power of the municipality. Each bond must contain on its face a statement to the effect that the principal and interest on the bond are payable solely from the revenues and property of the project or program being financed, and that the municipality is not obligated to pay the principal of or the interest on the bonds except for those sources of the project or program and that neither the faith and credit nor the taxing power of the municipality is pledged to the payment of each principal of or interest on the bond.

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^c
(A) A municipality may in connection with the issuance of bonds under this section

issued under this section

- (1) loan the proceeds of the bonds;
- (2) pledge, mortgage or assign money, leases, agreements, property or other assets of the project or ~~pre-~~ being financed;
- (3) make and enter into any and all covenants and agreements ^{Contract} which the municipality may determine to be necessary or desirable;
- (4) provide for any other matter which in any way effect, the security or protection of the bonds.

(*) In this section the word "bonds" includes bonds, notes or other evidence of indebtedness. In this section, the words "project" or "program" shall include without limitation commercial, manufacturing, agricultural, industrial, residential housing, recreation, tourism and medical projects and programs.

(d) the word

(1) bonds

other evidence of

(2) project

limited to commercial, manufacturing, agricultural, industrial, residential housing, recreation, tourism and medical projects and programs.

370

51,370

3. Sec. 29.58.300 should be amended to read:

OK →

Sec. 29.58.300. ~~[PUBLIC] SALE.~~ Bonds and notes issued under this chapter may be sold by the municipality in the manner and at the price it determines at either public or private sale. ~~{THE MUNICIPALITY SHALL SELL ALL BONDS AT A PUBLIC OR PRIVATE SALE AS PROVIDED BY ORDINANCE, NO BONDS MAY BE SOLD AT LESS THAN PAR VALUE.}~~

4. A new Section A.S. 29.58.305 to read as follows:

375

51,375

Sec. 29.58.305. FORMS AND TERMS. The assembly or council may by ordinance or resolution fix the date, denominations, maturities, rate or rates of interest, redemption terms, registration privileges, manner of execution, signatures required, purchase price, manner of sale, and ~~all~~ ^{other} ~~details of the~~ bonds or notes. If an officer whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, his signature is valid as if he had remained in office until delivery.

2. Sec. 29.58.310 should be amended to read:

51,380

380

OK

51,370

Sec. 29.58.310. INTEREST RATE. The interest rate payable on a bond or note shall be determined by the ~~governor or council~~ ^{governor or council} and is not subject to the usury rate limitations of A.S. 45.45.010. [NO MUNICIPAL BOND OR NOTE MAY BEAR AN INTEREST RATE EXCEEDING THE CONTRACT USURY RATE OR INTEREST PROVIDED BY LAW.]

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.390. BOND ATTORNEYS, BOND AND FINANCIAL CONSULTANTS.
Repeal.

OK
EXPLANATION: This section is repealed as unnecessary since the governing body has control through approving or disapproving the issuance of bonds. Arguably, contracting is an executive function.

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.410. BOROUGH INDEBTEDNESS. (a) A borough may incur indebtedness

- or
- (1) on an areawide basis for areawide functions; *fm text*
 - (2) on a ~~noncity~~ basis for functions performed in the area outside cities only; or *fm text*
 - (3) on a service area basis for functions performed in a service area only. *fm text*

(b) Payment of debt principal and interest as well as other costs shall be derived from the area incurring the debt under (a)(2) or (a)(3) of this section, except that the full faith and credit of the entire borough may be pledged to guarantee payment of principal and interest. *fm text*

incurred
use
existing
(c)

(c) If the bonded debt to be incurred by a borough is an areawide debt, the vote is areawide; if the full faith and credit of the area outside cities or of a service area, an areawide election is held and the proposition must pass both areawide and in the area which will benefit from the improvement; if the bonded indebtedness to be incurred is limited to areas outside cities only or to service areas, the vote is limited to voters in those areas ^{only} (and the full faith and credit of the area is pledged for the payment of the debt.) *added* *fm text*

(d) no change.

+
changes

in last 2 times

↑ voting on the indebtedness ~~pledged~~

EXPLANATION: Minor technical clean-up in (a) and (b). Language at the end of (c) added to make it clear that a service area general obligation bond can be issued.

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.420. BONDED INDEBTEDNESS FOR SCHOOL CONSTRUCTION.
Repeal.

Sec. 29.51.430. BOND GUARANTEE FUND. Repeal

EXPLANATION: These sections have never been used and appear to serve no useful purpose. They are repealed at the request of the State Assessor.

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 06 DECEMBER 1980

Sec. 29.51.440. SERVICE AREA DEBT. The indebtedness of a service area acquired under AS 29.51.410 shall remain the indebtedness of the area which incurred the debt notwithstanding a subsequent court determination that the service area was not validly formed under law or by virtue of a defect in the proceedings creating the service area. All the property within the service area remains subject to taxation to pay the bonded indebtedness.

EXPLANATION: This is a new section. The Alaska Constitution prohibits the establishment of service areas when the function can be performed by a city or another service area. No guidelines have been established, leaving the legality of some service areas in doubt. This provides for the continuation of a debt should a service area subsequently be declared invalid, creating a de facto service area for purposes of the debt.

CHAPTER 58. MUNICIPAL DEBT.

Four Notes

ARTICLE

1. Revenue Anticipation Notes (§§ 29.58.010--29.58.060)
2. Bond Anticipation Notes (§§ 29.58.070--29.58.140)
3. General Obligation Bonds (§§ 29.58.150--29.58.180)
4. Revenue Bonds (§§ 29.58.200--29.58.230)
5. Refunding Bonds (§§ 29.58.240--29.58.280)
6. Miscellaneous Provisions (§§ 29.58.300--29.58.350)

ARTICLE 1. REVENUE ANTICIPATION NOTES.

SECTION

SECTION

- | | |
|---|--|
| <ol style="list-style-type: none"> 10. Borrowing in anticipation of revenue 20. Issuance of notes 30. [REPEALED] | <ol style="list-style-type: none"> 40. Issuance of notes in anticipation of state, federal grants 50. Priority of repayment 60. Sale of notes |
|---|--|

SEC. 29.58.010. BORROWING IN ANTICIPATION OF REVENUE. A municipality of the state which is authorized to incur indebtedness may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year but all debt so contracted shall be paid before the end of the next fiscal year. Revenue anticipation notes may be issued as evidence of the borrowing.

SEC. 29.58.020. ISSUANCE OF NOTES. The governing body of a municipality may, by ordinance or resolution, authorize the issuance of revenue anticipation notes and prescribe the form and details of the notes and the manner of their execution. The governing body of the municipality may delegate to its chief fiscal officer the power to issue the notes from time to time under the terms and conditions of the ordinance or resolution which provides for the manner of their sale.

SEC. 29.58.030. LIMITATION ON ISSUANCE OF NOTES. ^{REPEALED.} ~~The aggregate amount of revenue anticipation notes at any time outstanding may not exceed 50 percent of the amount of revenues estimated to be collected in the fiscal year in which the notes are issued, less the amount of estimated revenues actually collected in the fiscal year before the issuance of the notes.~~

SEC. 29.58.040. ISSUANCE OF NOTES IN ANTICIPATION OF STATE, FEDERAL GRANTS. (a) The governing body of a municipality, upon adoption of a long-range capital improvement budget by ordinance or resolution, may by resolution provide for revenue anticipation notes in an amount not to exceed the total amount of any state or federal grants finally committed for these projects. The notes mature no later than the end of the next fiscal year. The notes may be for single or multiple projects outlined in the adopted capital improvement budget.

(b) If the state or federal grants for capital improvement projects have not been paid to the municipality before maturity of the notes issued in anticipation of the receipt of the revenue, the governing body of the municipality may issue new notes in order to meet payment of the notes then maturing or may renew the outstanding revenue anticipation notes. New notes issued or renewals of outstanding revenue anticipation notes shall mature not later than the end of the next fiscal year.

SEC. 29.58.050. PRIORITY OF REPAYMENT. The payment of the principal and interest on the revenue anticipation notes shall be payable from revenues, and their payment additionally shall be secured by a pledge of the full faith, credit and unlimited taxing power of the municipality issuing them.

SEC. 29.58.060. SALE OF NOTES. The municipality may sell revenue anticipation notes in the manner and at the price it determines, at either public or private sale.

ARTICLE 2. BOND ANTICIPATION NOTES.

SECTION	SECTION
70. Bond anticipation borrowing	110. Security
80. Issuance of notes	120. Limitation
90. Issuance of new notes	130. Use of proceeds
100. Repayment of notes	140. Sale of notes

SEC. 29.58.070. BOND ANTICIPATION BORROWING. A municipality may borrow money in anticipation of the sale of general obligation and revenue bonds if

(1) the general obligation bonds to be sold have been authorized by the assembly or council and ratified by a majority vote at a regular or special election;

(2) the revenue bonds to be sold have been authorized by ordinance.

SEC. 29.58.080. ISSUANCE OF NOTES. The assembly or council shall issue negotiable or nonnegotiable notes for the amounts borrowed with a maturity date not to exceed one year from the date of issue. All notes and the interest on them are payable at fixed places on or before a fixed time, from the proceeds of the sale of bonds in anticipation of which the original note or notes were issued unless the bonds have not been sold by the maturity date of the notes.

SEC. 29.58.090. ISSUANCE OF NEW NOTES. If the sale of the bonds has not occurred before the maturity of the notes issued in anticipation of the sale, the assembly or council shall issue new notes in order to meet payment of the notes then maturing or shall renew the outstanding bond anticipation notes. New notes issued or renewals of outstanding bond anticipation notes shall bear a maturity date not to exceed one year from the date of issue. Notes, new notes, and renewals of notes shall not be outstanding for a total elapsed time of more than three years.

SEC. 29.58.100. REPAYMENT OF NOTES. Every note is payable from the proceeds of the sale of bonds which the notes anticipated or from the proceeds of the sale of new bond anticipation notes.

SEC. 29.58.110. SECURITY. (a) Notwithstanding any other provisions of this chapter as to payment of notes, notes issued in anticipation of the sale of general obligation bonds and the interest on them are secured by the full faith, credit, taxing power and resources of the municipality. The municipality may levy ad valorem taxes for payment without limitation of rate or amount.

(b) Notes issued in anticipation of the sale of revenue bonds and the interest on them are secured in the same manner as are the revenue bonds in anticipation of which the notes are issued.

SEC. 29.58.120. LIMITATION. The total amount of notes issued and outstanding shall at no time exceed the total amount of bonds authorized to be issued.

SEC. 29.58.130. USE OF PROCEEDS. The proceeds from the sale of notes shall be used only for the purposes for which the proceeds from the sale of bonds may be used or to meet payment of outstanding bond anticipation notes.

SEC. 29.58.140. SALE OF NOTES. Notes issued under this chapter shall be sold by the municipality in the manner and at a price it determines, at either public or private sale, but no note may be sold for less than par and accrued interest.

ARTICLE 3. GENERAL OBLIGATION BONDS.

SECTION

SECTION

150. General obligation bonds
160. Vote and notice of existing indebtedness required

170. Form and terms of sale
180. Payment

SEC. 29.58.150. GENERAL OBLIGATION BONDS. A municipality may acquire, construct, improve and equip capital improvements and issue negotiable or nonnegotiable general obligation bonds for these purposes.

SEC. 29.58.160. VOTE AND NOTICE OF EXISTING INDEBTEDNESS REQUIRED.

(a) A municipality may incur general obligation bond debt only after a bond authorization ordinance ~~is approved~~ is approved by a majority of those voting on the question at a regular or special election. Any municipal voter may vote in the bond election, except as otherwise provided by charter or law.

(b) Before a general obligation bond issue election, the assembly or council shall have published a notice of the municipality's total existing bond indebtedness at least once a week for three consecutive weeks. The first notice shall be published at least 20 days before the date of the election. A notice shall include

(1) the current total general obligation bonded indebtedness, including authorized but unsold bonds of the municipality;

(2) the cost of the debt service on the current indebtedness;

(3) the total assessed valuation within the municipality.

SEC. 29.58.170. FORM AND TERMS OF SALE. The assembly or council shall fix the date of the bonds, denominations, maturities, rate of interest, place and manner of payment, redemption terms, registration privileges, manner of execution, and signatures required. If an officer whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, his signature is valid as if he had remained in office until delivery.

SEC. 29.58.180. PAYMENT. (a) The full faith and credit of a municipality are pledged for the payment of principal and interest on general obligation bonds. The municipality may levy ad valorem taxes for payment without limitation of rate or amount to pay or secure the payment of the principal and interest on bonds, regardless of whether the bonds are in default or in danger of default.

(b) General obligation bonds issued for acquiring, constructing, improving and equipping a municipally-owned utility or other

revenue-generating enterprise may be additionally secured by a pledge of the revenue derived from operation. Bonds so secured are not subject to a debt limitation imposed by a borough or city home rule charter.

ARTICLE 4. REVENUE BONDS.

SECTION

- 200. Revenue bonds
- 210. Forms and terms
- 220. Payment
- 230. Operation of AS 37.10.085

See Constitution

SEC. 29.58.200. REVENUE BONDS. (a) A municipality may acquire, construct, improve and equip capital improvements to be operated upon a revenue-producing basis, and bonds for these purposes are payable ^[SOLELY]~~solely~~ from [UNPLEGGED] revenue of the public facilities for which the bonds are issued or from revenue of other public revenue-producing facilities. ^ARevenue bonds shall not be payable from taxes or from the general funds of the municipality. *Abd*

(b) A municipality may issue its revenue bonds to finance the purchase of residential mortgage loans. The revenue bonds issued under this subsection are payable solely from the principal and interest of the mortgage loans and from any other amounts pledged by the municipality, except the pledge of revenues derived from taxes. Revenue bonds issued under this subsection do not constitute a general obligation of the municipality.

(c) A municipality may also issue revenue bonds for any lawful purpose. The bonds are payable from any amounts pledged by the municipality except taxes and do not constitute general obligations of the municipality.

SEC. 29.58.210. FORMS AND TERMS. The assembly or council shall fix the date of the bonds, denominations, maturities, rate or rates of interest, place and manner of payment, redemption terms, registration privileges, manner of execution, signatures required, and other details of the bonds. If an officer whose signature appears on the bonds or coupons ceases to be an officer before

delivery of the bonds, his signature is valid as if he had remained in office until delivery.

SEC. 29.58.220. PAYMENT. Bonds issued under AS 29.58.200-- 29.58.220 or the proceedings of the assembly or council authorizing their issuance may contain the covenants which the assembly or council considers advisable concerning

(1) the rates or fees to be charged for services rendered by the public facilities, the revenue of which is pledged to the payment of the bonds, or the terms and conditions of any other amounts collected which are pledged to the payment of the bonds;

(2) the deposit and use of the revenue of the public facilities or of other amounts collected which are pledged to the payment of the bonds;

(3) the issuance of additional bonds payable from revenue of the public facilities or of other amounts collected which are pledged to the payment of the bonds;

(4) the rights of the bondholders in case of default in the payment of the principal or interest on the bonds, including the appointment of a receiver to operate the public facilities;

(5) other covenants as the assembly or council determines.

SEC. 29.58.230. OPERATION OF AS 37.10.085. The prohibitions of AS 37.10.085 shall not apply to the issuance of revenue bonds or the use of proceeds from revenue bonds by a home rule or general law municipality.

ARTICLE 5. REFUNDING BONDS.

SECTION

240. Authorization
250. Effect of bonds
260. No election required

SECTION

270. Payment of refunding bonds
280. Sale

SEC. 29.58.240. AUTHORIZATION. If a municipality has outstanding general obligation or revenue bonds and the assembly or council determines that it would be financially advantageous to refund the bonds, the assembly or council may provide by ordinance ^{or resolution} _^

for the issuance of general obligation or revenue refunding bonds.

Ad

SEC. 29.58.250. EFFECT OF BONDS. The refunding bonds may take up and refund all or any part of outstanding bonds at or before their maturity or redemption date. The assembly or council may include various series and issues of bonds in a single issue of refunding bonds.

SEC. 29.58.260. NO ELECTION REQUIRED. No election is required to authorize the issuance and sale of refunding bonds. Their issuance may be authorized and all proceedings with reference to them prescribed by ordinance of the assembly or council. However, when it is desirable to use general obligation bonds to refund a revenue bond issue, the governing body shall call an election on the question.

SEC. 29.58.270. PAYMENT OF REFUNDING BONDS. General obligation refunding bonds are payable according to § 180 of this chapter. Revenue refunding bonds are payable according to § 220 of this chapter.

SEC. 29.58.280. SALE. General obligation or revenue refunding bonds may, in the discretion of the assembly or council, be exchanged at par for the bonds being refunded, or may be sold at public or private sale for an amount not less than par and accrued interest. They may be issued and delivered at any time before the date of maturity or redemption of the refunded bonds.

ARTICLE 6. MISCELLANEOUS PROVISIONS.

SECTION

- 300. Public sale
- 310. Interest rate
- 315. Bond attorneys, bond and financial consultants

SECTION

- 320. Redemption before maturity
- 340. Borough indebtedness
- 345. Bonded indebtedness
- 350. Bond Guaranty Fund

SEC. 29.58.300. PUBLIC SALE. The municipality shall sell all bonds at a public or private sale as provided by ordinance. No general obligation bonds may be sold at less than par value.

ALTERNATE SEC. 29.58.300. PUBLIC SALE. The municipality shall sell all bonds at a public or private sale as provided by ordinance (NO BONDS MAY BE SOLD AT LESS THAN PAR VALUE).

SEC. 29.58.310. INTEREST RATE. No municipal bond or note may bear an interest rate exceeding the contract usury rate of interest provided by law.

~~SEC. 29.58.315. BOND ATTORNEYS, BOND AND FINANCIAL CONSULTANTS. The governing body or its designee of a home rule or general law municipality shall be the sole contracting authority for bond attorneys, bond consultants and financial consultants engaged in long-range financial planning of the municipality which leads to sale of bonds.~~

SEC. 29.58.320. REDEMPTION BEFORE MATURITY. A bond or note may be made subject to redemption before maturity as stated in the authorization or in the bond or note.

SEC. 29.58.340. BOROUGH INDEBTEDNESS. (a) Boroughs may incur indebtedness

- (1) on an areawide basis for areawide functions; or
- (2) on a noncity basis for functions performed in the area outside cities only; or
- (3) on a service area basis for functions performed in a service area only.

(b) Payment of debt principal and interest as well as other costs shall be limited to the area incurring the debt under (a)(2) or (a)(3) of this section, except that the full faith and credit of the entire borough may be pledged to guarantee payment of principal and interest.

(c) If the bonded debt to be incurred by a borough is an areawide debt, the vote is areawide; if the full faith and credit of the entire borough is pledged for the payment of the debt of the area outside cities or of a service area, an areawide election is held and the proposition must pass both areawide and in the area which will benefit from the improvement; if the bonded indebtedness to be incurred is limited to areas outside cities only or to service areas, the vote is limited to voters in those areas.

(d) The indebtedness of a municipality reclassified under AS 29.08.040 is not affected by reclassification. Not less than all property within a municipality which is reclassified remains subject to taxation to amortize bonded or other indebtedness affecting the municipality and authorized on the effective date of reclassification.

~~SEC. 29.58.345. BONDED INDEBTEDNESS FOR SCHOOL CONSTRUCTION. A home rule city levying property taxes for schools, upon furnishing proof satisfactory to the Department of Education and the Department of Community and Regional Affairs of the needs for school facilities which, if provided, will require the city to exceed limits on authorizing or issuing bonds which may be established by charter, may exceed the limits to the extent necessary to pay costs of school construction. In this section "costs of school construction" means costs as defined in AS 43.18.100(g) (2).~~

~~SEC. 29.58.350. BOND GUARANTEE FUND. (a) To guarantee payment by the state of the principal and interest of bonds issued under the enabling authority of § 345 of this chapter, there is in the Department of Community and Regional Affairs a special fund called the local school bond guarantee fund in which there shall be deposited all money appropriated by the legislature for the purpose of the fund and other money which may be made available for the purpose of the fund from any other source. Money in the~~

fund shall be held and applied solely to further guarantee and provide an additional pledge of payment of all bonds issued under the provisions of § 345 of this chapter. Money shall not be withdrawn from the fund if a withdrawal would reduce the amount in the fund to an amount equal to less than the "maximum debt service reserve" (as defined in this section), except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and for the retirement of bonds in accordance with the terms of a contract between the municipality and its bondholders and for the payments on account of which interest or principal or retirement of bonds other money is not then available in accordance with the terms of the contract. In this section "maximum debt service reserve" means, as of any date of computation, the largest amount of money required by the terms of all contracts between municipalities and their bondholders as to bonds issued under § 345 of this chapter to be raised in any succeeding calendar year for the payment of interest on and maturing principal of outstanding bonds and payments required by the terms of the contracts to sinking funds established for the payment or redemption of the bonds, all calculated on the assumption that bonds will cease to be outstanding after the date of the computation by reason of the payment of bonds at their respective maturities and the payments of the required money to sinking funds and the application of the money in accordance with the terms of the contracts to the retirement of bonds.

(b) Money in the guarantee fund at any time in excess of the maximum debt service reserve, whether by reason of investment or otherwise, may be withdrawn by the department and transferred to the general fund.

(c) Money at any time in the guarantee fund may be invested in any direct obligation of, or obligations as to which principal and interest is guaranteed by, the United States, the state or a political subdivision.

(d) For purposes of valuation, investments in the guarantee fund shall be valued at the lowest of the par value, cost to the authority, or market value of the investments. Valuation on any particular date shall include the amount of interest then earned or accrued to that date on any money or investments in the fund.

(e) Other provisions of this section notwithstanding, no bonds may be issued carrying the guarantee provided in this section unless there is in the guarantee fund the maximum debt service reserve for all bonds then issued and outstanding and the bonds about to be issued, but nothing prevents or precludes a municipality from satisfying the foregoing requirement by depositing so much of the proceeds of the bonds about to be issued, upon their issuance, as is needed to achieve the maximum debt service reserve.

(f) In order to assure the maintenance of the maximum debt service reserve in the guarantee fund, there is authorized to be appropriated annually and paid to the authority for deposit in the fund, the sum, if any, that is certified by the commissioner of community and regional affairs to the governor as necessary to restore the fund to an amount equal to the maximum debt service reserve. The chairman shall annually, before December 2, deliver to the governor his certificate stating the sum, if any, required to restore the fund to that amount, and the sum so certified is authorized to be appropriated and paid to the fund during the then current state fiscal year.

(g) Nothing in this section may be considered to cause bonds, payment of which is guaranteed from money in the fund established under this section, to be in any way a debt or liability of the state or any political subdivision of the state other than the political subdivision issuing the bonds, and the bonds, whether or not payable from the maximum debt service reserve created and established under this section, shall not create or constitute an indebtedness, liability or obligation of the state or be or constitute a pledge of the faith and credit of the state.

LAW OFFICES

WOHLFORTH & FLINT
A PROFESSIONAL CORPORATION
900 WEST 5TH AVENUE, SUITE 505
ANCHORAGE, ALASKA 99501

TELEPHONE
AREA CODE 907
278-6401

ERIC E. WOHLFORTH
ROBERT B. FLINT
TIMOTHY G. MIDDLETON
PETER ARGETSINGER
W. J. PAT SORSBY

November 18, 1980

RECEIVED

NOV 19 1980

Dept. of Law
Administration

Ted Berns, Esq.
Municipal Attorney
Municipality of Anchorage
Pouch 6-650
Anchorage, Alaska 99502

Dear Ted:

I have reviewed the draft of Chapter 58 of the Municipal Code regarding Municipal Debt. I have a few suggestions as follows:

1. AS 29.58.030. This section was repealed in 1974. I don't know why it should be reenacted.
2. AS 29.58.160(a). Delete "ordinance." Before the last Title 29 revision most communities put bond questions on the ballot by resolution. Since the public has the final say on bonds at the election the additional public hearing that an ordinance provides seems superfluous. The ordinance procedure also causes timing problems due to the two reading requirement. Since small communities often meet only once or twice per month this can be serious.
3. AS 29.58.200. Subsection (a) seems superfluous; given the broad authority of (c). Thus (a) could simply be deleted. I suggest deleting "except taxes" in (c) since a project may need a limited tax backing short of full faith and credit to be marketable. The Palmer Industrial Park bonds were sold by pledging sales tax revenues. Tax increment financing is another possibility. Similarly if (a) is retained "solely" should be deleted.
4. Industrial Development Bonds. General law municipalities should have the authority to issue the IDB's permitted by Section 103(c) of the Internal Revenue Code as well as home mortgage bonds. A new section permitting this is attached.


Ted Berns, Esq.
November 18, 1980
Page Two

5. AS 29.58.280 and 29.58.300. Delete "at par" and "for an amount not less than par and accrued interest" from 29.58.280 and use alternate 29.58.300. The ability to sell at less than par can be a useful marketing tool.

6. AS 29.58.310. Delete this section which serves no purpose.

7. AS 29.58.340(c). Add the following sentence at the end: "The full faith and credit of the area voting on the indebtedness is pledged for the payment of the debt." This makes it clear that there can be a service area general obligation bond.

8. AS 29.58.360. Add a new section as follows:

 AS 29.58.360. Service Area Debt. The indebtedness of a service area issued pursuant to §340(a)(3) of this chapter shall remain the indebtedness of the area incurring the debt notwithstanding a subsequent determination by a court that the service area was not validly formed under law or by virtue of a defect in the proceedings creating the service area. Not less than all property within the service area remains subject to taxation to pay the bonded indebtedness.

The Alaska Constitution prohibits the establishment of service areas when the function can be performed by a city or another service area. No guidelines have ever been established, leaving the legality of some areas in doubt. This language provides for the continuation of a debt should such an area subsequently be declared to have violated constitutional standards. In effect it creates a de facto service area for the purpose of the debt.

Very truly yours,

WOHLFORTH & FLINT

By 

Robert B. Flint

RBF/am
Attachment
cc: Senator Arliss Sturgulewski

Sec. 29.58.200(c) [or(d) if (a) is retained]. A municipality shall have the power to borrow money and to issue bonds or other evidence of indebtedness for the purpose of promoting economic development in and adjacent to the municipality. Such indebtedness may be authorized by the municipality without a vote of the electorate for obligations which are defined as industrial development bonds by the United States Internal Revenue Code, as amended. The municipality may, with respect to the issuance of such debt, acquire, purchase, lease, construction, sell, sublease or otherwise dispose of projects by action of the council or assembly. No bonds or other indebtedness issued by the municipality under this section shall be repayable from taxes levied by the municipality nor be a charge against the general credit of the municipality.