

AMENDED IN SENATE JUNE 19, 2013

AMENDED IN ASSEMBLY APRIL 15, 2013

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 850

Introduced by Assembly Member Nazarian

February 21, 2013

An act to amend Sections 6585, ~~6588~~, 6590, 6591, 6592, and 6599.3 of, and to add Section 6588.7 to, the Government Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 850, as amended, Nazarian. Public capital facilities: water quality.

Existing law, the Marks-Roos Local Bond Pooling Act of 1985, authorizes joint powers authorities, among other powers, to issue bonds and loan the proceeds to local agencies to finance specified types of projects and programs.

This bill would authorize—a *specified* joint powers—~~authority, authorities,~~ upon the application of a local agency that owns and operates a publicly owned utility, as defined, to issue rate reduction bonds to finance a utility project, as defined, under specified circumstances. The bill would provide that the rate reduction bonds are secured by utility project property, as defined. The bill would authorize the authority to impose on, and collect from, customers of the publicly owned utility a utility project charge, as a separate nonbypassable charge, to finance the rate reduction bond. The bill would authorize the authority to adjust the utility project charge to correct for any overcollection or undercollection to ensure timely payment of the

financing costs of the rate reduction bonds. The bill would require the authority to enter into a servicing agreement with the local agency for the collection of the utility project charge.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 6585 of the Government Code is amended
2 to read:

3 6585. The definitions in this section shall govern the
4 construction and interpretation of this article.

5 (a) (1) Except as provided in paragraphs (2) and (3), “authority”
6 means an entity created pursuant to Article 1 (commencing with
7 Section 6500) and includes any successor to the powers and
8 functions of that entity.

9 (2) In the case of an authority issuing bonds pursuant to this
10 chapter in which VLF receivables, as defined in subdivision (j),
11 are pledged to the payment of the bonds, other than VLF
12 receivables so pledged for a county of the first class, an authority
13 shall consist of not fewer than 100 local agencies.

14 (3) In the case of an authority issuing bonds pursuant to this
15 chapter in which Proposition 1A receivables, as defined in
16 subdivision (g), are pledged to the payment of the bonds, an
17 authority shall consist of not fewer than 250 local agencies.

18 (b) “Bond purchase agreement” means a contractual agreement
19 executed between the authority and the local agency whereby the
20 authority agrees to purchase bonds of the local agency.

21 (c) “Bonds” means all of the following:

22 (1) Bonds, including, but not limited to, assessment bonds,
23 redevelopment agency bonds, government-issued mortgage bonds,
24 and industrial development bonds.

25 (2) Notes, including bond, revenue, tax, or grant anticipation
26 notes.

27 (3) Commercial paper, floating rate and variable maturity
28 securities, and any other evidences of indebtedness.

29 (4) Certificates of participation or lease-purchase agreements.

30 (d) “Conservation or reclamation purposes” mean a utility
31 project designed to reduce the amount of potable water to be
32 supplied by a publicly owned utility or reduce the amount of water

1 imported by the publicly owned utility, including without
2 limitation, storm water capture and treatment, water recycling,
3 development of local groundwater resources, groundwater
4 recharging, and water reclamation.

5 (e) “Cost,” as applied to a public capital improvement, a utility
6 project, or portion of the improvement or utility project financed
7 under this part, means all of the following:

8 (1) All or any part of the cost of construction, renovation, and
9 acquisition of all lands, structures, real or personal property, rights,
10 rights-of-way, franchises, easements, and interests acquired or
11 used for a public capital improvement or a utility project.

12 (2) The cost of demolishing or removing any buildings or
13 structures on land so acquired, including the cost of acquiring any
14 lands to which the buildings or structures may be moved, and the
15 cost of all machinery and equipment.

16 (3) Finance charges.

17 (4) Interest prior to, during, and for a period after, completion
18 of that construction, as determined by the authority.

19 (5) Provisions for working capital, reserves for principal and
20 interest and for extensions, enlargements, additions, replacements,
21 renovations, and improvements.

22 (6) The cost of architectural, engineering, financial and legal
23 services, plans, specifications, estimates, and administrative
24 expenses.

25 (7) Other expenses necessary or incidental to determining the
26 feasibility of constructing any project or incidental to the
27 construction or acquisition or financing of any public capital
28 improvement or utility project.

29 (f) *“Customer” means a person or entity receiving water*
30 *through facilities of a publicly owned utility.*

31 (f)

32 (g) “Financing costs” mean any of the following:

33 (1) Interest and redemption premiums that are payable on rate
34 reduction bonds.

35 (2) The cost of retiring the principal of rate reduction bonds,
36 whether at maturity, including acceleration of maturity upon an
37 event of default, or upon redemption, including sinking fund
38 redemption.

39 (3) A cost related to issuing or servicing rate reduction bonds,
40 including, but not limited to, servicing fees, trustee fees, legal fees,

1 administrative fees, bond counsel fees, bond placement or
2 underwriting fees, remarketing fees, broker dealer fees, independent
3 manager fees, payment under an interest rate swap agreement,
4 financial adviser fees, accounting report fees, engineering report
5 fees, and rating agency fees.

6 (4) A payment or expense associated with a bond insurance
7 policy, financial guaranty or a contract, agreement, or other credit
8 enhancement for rate reduction bonds or a contract, agreement, or
9 other financial agreement entered into in connection with rate
10 reduction bonds.

11 (5) The funding of one or more reserve accounts related to rate
12 reduction bonds.

13 ~~(g)~~

14 (h) (1) "Financing resolution" means a resolution adopted by
15 the governing body of an authority financing a utility project with
16 rate reduction bonds that establishes and imposes a utility project
17 charge in connection with the rate reduction bonds in accordance
18 with Section 6588.7

19 (2) A financing resolution may be separate from a resolution
20 authorizing the issuance of the rate reduction bonds.

21 ~~(h)~~

22 (i) "Legislative body" means the governing body of a local
23 agency.

24 ~~(i)~~

25 (j) "Local agency" means a party to the agreement creating the
26 authority, or an agency or subdivision of that party, sponsoring a
27 project of public capital improvements, or any city, county, city
28 and county, authority, district, or public corporation of this state.

29 ~~(j)~~

30 (k) "Mandate" means a requirement, imposed by a mandating
31 entity by any means, including without limitation, a statute, rule,
32 regulation, an administrative or judicial order, a building, operating,
33 or licensing requirement or condition, or an agreement with, or
34 license or permit from, the mandating entity, on a facility of a
35 publicly owned utility or a facility operated in whole or in part for
36 the benefit of a publicly owned utility, or on the operations of the
37 publicly owned utility, or on the water pumped, acquired, or
38 supplied by the publicly owned utility.

39 ~~(k)~~

1 (l) (1) “Mandating entity” means the United States; a state of
2 the United States; an agency, department, commission, or other
3 subdivision of the United States or a state of the United States; a
4 court of the United States or a state of the United States; or any
5 other body or organization, that has jurisdiction over the operations
6 of a publicly owned utility; the facility of a publicly owned utility,
7 or a facility operated in whole or in part for the benefit of a publicly
8 owned utility; or the water pumped, acquired or sold by a publicly
9 owned utility.

10 (2) “Mandating entity” does not include a local agency that
11 owns the publicly owned utility.

12 ~~(t)~~

13 (m) “Proposition 1A receivable” means the right to payment of
14 moneys due or to become due to a local agency, pursuant to clause
15 (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of
16 Section 25.5 of Article XIII of the California Constitution and
17 Section 100.06 of the Revenue and Taxation Code.

18 ~~(m)~~

19 (n) “Public capital improvements” means one or more projects
20 specified in Section 6546.

21 ~~(n)~~

22 (o) “Publicly owned utility” means a utility furnishing water
23 service to retail customers that is owned and operated by a local
24 agency or a department or other subdivision of a local agency and
25 includes any successor to the powers and functions of the
26 department or other subdivision.

27 ~~(o)~~

28 (p) “Rate reduction bonds” mean bonds that are issued by an
29 authority, the proceeds of which are used directly or indirectly to
30 pay or reimburse a local agency or its publicly owned utility for
31 the payment of the costs of a utility project, and that are secured
32 by a pledge of, and are payable from, ~~bonds utility project property~~
33 as provided in Section 6588.7.

34 ~~(p)~~

35 (q) “Revenue” means income and receipts of the authority from
36 any of the following:

37 (1) A bond purchase agreement.

38 (2) Bonds acquired by the authority.

39 (3) Loans installment sale agreements, and other
40 revenue-producing agreements entered into by the authority.

- 1 (4) Projects financed by the authority.
- 2 (5) Grants and other sources of income.
- 3 (6) VLF receivables purchased pursuant to Section 6588.5.
- 4 (7) Proposition 1A receivables purchased pursuant to Section
- 5 6588.6.
- 6 (8) Interest or other income from any investment of any money
- 7 in any fund or account established for the payment of principal or
- 8 interest or premiums on bonds.
- 9 ~~(q)~~
- 10 (r) “Utility project” means the acquisition, construction,
- 11 installation, retrofitting, rebuilding, or other addition to, or
- 12 improvement of, any equipment, device, structure, improvement,
- 13 process, facility, technology, rights or property, located either
- 14 within, or outside of, the State of California, and that is used, or
- 15 to be used, in connection with the operations of a publicly owned
- 16 utility for conservation or reclamation purposes or in response to
- 17 a mandate ~~related to water quality~~.
- 18 ~~(r)~~
- 19 (s) “Utility project charge” means a charge paid or to be paid
- 20 by ~~water distribution~~ customers of a publicly owned utility to pay
- 21 financing costs of rate reduction bonds issued to finance a utility
- 22 project for a publicly owned utility that is imposed pursuant to
- 23 Section 6588.7, including any adjustment of the charge pursuant
- 24 to Section 6588.7.
- 25 ~~(s)~~
- 26 (t) “Utility project property” means the property right created
- 27 pursuant to Section 6588.7, including without limitation, the right,
- 28 title, and interest of an authority for any of the following:
- 29 (1) In and to the financing resolution and the utility charge
- 30 established with respect to the rate reduction bonds, as adjusted
- 31 from time to time in accordance with Section 6588.7.
- 32 (2) To be paid the financing costs of the rate reduction bonds
- 33 and to all revenues, collections, claims, payments, moneys, or
- 34 proceeds for, or arising from, the utility project charge relating to
- 35 the rate reduction bonds.
- 36 (3) In and to all rights to obtain adjustments to the utility project
- 37 charge relating to the rate reduction bonds pursuant to Section
- 38 6588.7.
- 39 ~~(t)~~

1 (u) “VLF receivable” means the right to payment of moneys
2 due or to become due to a local agency out of funds payable in
3 connection with vehicle license fees to a local agency pursuant to
4 Section 10754.11 of the Revenue and Taxation Code.

5 (t)

6 (v) “Working capital” means money to be used by, or on behalf
7 of, a local agency for any purpose for which a local agency may
8 borrow money pursuant to Section 53852, or for any purpose for
9 which a VLF receivable or a Proposition 1A receivable sold to an
10 authority could have been used by the local agency.

11 ~~SEC. 2. Section 6588 of the Government Code is amended to~~
12 ~~read:~~

13 ~~6588. In addition to other powers specified in an agreement~~
14 ~~pursuant to Article 1 (commencing with Section 6500) and Article~~
15 ~~2 (commencing with Section 6540), the authority may do any or~~
16 ~~all of the following:~~

17 ~~(a) Adopt bylaws for the regulation of its affairs and the conduct~~
18 ~~of its business.~~

19 ~~(b) Sue and be sued in its own name.~~

20 ~~(c) Issue bonds, including, at the option of the authority, bonds~~
21 ~~bearing interest, to pay the cost of any public capital improvement,~~
22 ~~working capital, or liability or other insurance program. In addition,~~
23 ~~for any purpose for which an authority may execute and deliver~~
24 ~~or cause to be executed and delivered certificates of participation~~
25 ~~in a lease or installment sale agreement with any public or private~~
26 ~~entity, the authority, at its option, may issue or cause to be issued~~
27 ~~bonds, rather than certificates of participation, and enter into a~~
28 ~~loan agreement with the public or private entity.~~

29 ~~(d) Engage the services of private consultants to render~~
30 ~~professional and technical assistance and advice in carrying out~~
31 ~~the purposes of this article.~~

32 ~~(e) As provided by applicable law, employ and compensate~~
33 ~~bond counsel, financial consultants, and other advisers determined~~
34 ~~necessary by the authority in connection with the issuance and sale~~
35 ~~of any bonds.~~

36 ~~(f) Contract for engineering, architectural, accounting, or other~~
37 ~~services determined necessary by the authority for the successful~~
38 ~~development of a public capital improvement.~~

39 ~~(g) Pay the reasonable costs of consulting engineers, architects,~~
40 ~~accountants, and construction, land-use, recreation, and~~

1 environmental experts employed by any sponsor or participant if
2 the authority determines those services are necessary for the
3 successful development of public capital improvements.

4 (h) ~~Take title to, and sell by installment sale or otherwise, lands,
5 structures, real or personal property, rights, rights-of-way,
6 franchises, easements, and other interests in lands that are located
7 within the state that the authority determines are necessary or
8 convenient for the financing of public capital improvements, or
9 any portion thereof.~~

10 (i) ~~Receive and accept from any source, loans, contributions,
11 or grants, in either money, property, labor, or other things of value,
12 for, or in aid of, the construction financing, or refinancing of public
13 capital improvement, or any portion thereof or for the financing
14 of working capital or insurance programs, or for the payment of
15 the principal of and interest on bonds if the proceeds of those bonds
16 are used for one or more of the purposes specified in this section.~~

17 (j) ~~Make secured or unsecured loans to any local agency in
18 connection with the financing of capital improvement projects,
19 working capital or insurance programs in accordance with an
20 agreement between the authority and the local agency. However,
21 no loan shall exceed the total cost of the public capital
22 improvements, working capital or insurance needs of the local
23 agency as determined by the local agency and by the authority.~~

24 (k) ~~Make secured or unsecured loans to any local agency in
25 accordance with an agreement between the authority and the local
26 agency to refinance indebtedness incurred by the local agency in
27 connection with public capital improvements undertaken and
28 completed.~~

29 (l) ~~Mortgage all or any portion of its interest in public capital
30 improvements and the property on which any project is located,
31 whether owned or thereafter acquired, including the granting of a
32 security interest in any property, tangible or intangible.~~

33 (m) ~~Assign or pledge all or any portion of its interests in
34 mortgages, deeds of trust, indentures of mortgage or trust, or
35 similar instruments, notes, and security interests in property,
36 tangible or intangible, of a local agency to which the authority has
37 made loans, and the revenues therefrom, including payment or
38 income from any interest owned or held by the authority, for the
39 benefit of the holders of bonds issued to finance public capital
40 improvements. The pledge of moneys, revenues, accounts, contract~~

1 rights, or rights to payment of any kind made by or to the authority
2 pursuant to the authority granted in this part shall be valid and
3 binding from the time the pledge is made for the benefit of the
4 pledgees and successors thereto, against all parties irrespective of
5 whether the parties have notice of the claim.

6 ~~(n) Lease the public capital improvements being financed to a
7 local agency, upon terms and conditions that the authority deems
8 proper; charge and collect rents therefor; terminate any lease upon
9 the failure of the lessee to comply with any of the obligations of
10 the lease; include in any lease provisions that the lessee shall have
11 options to renew the lease for a period or periods, and at rents as
12 determined by the authority; purchase or sell by an installment
13 agreement or otherwise any or all of the public capital
14 improvements; or, upon payment of all the indebtedness incurred
15 by the authority for the financing or refinancing of the public
16 capital improvements, the authority may convey any or all of the
17 project to the lessee or lessees.~~

18 ~~(o) Charge and apportion to local agencies that benefit from its
19 services the administrative costs and expenses incurred in the
20 exercise of the powers authorized by this article. These fees shall
21 be set at a rate sufficient to recover, but not exceed, the authority's
22 costs of issuance and administration. The fee charged to each local
23 obligation acquired by the pool shall not exceed that obligation's
24 proportionate share of those costs. The level of these fees shall be
25 disclosed to the California Debt and Investment Advisory
26 Commission pursuant to Section 6599.1.~~

27 ~~(p) Issue, obtain, or aid in obtaining, from any department or
28 agency of the United States or of the state, or any private company,
29 any insurance or guarantee to, or for, the payment or repayment
30 of interest or principal, or both, or any part thereof, on any loan,
31 lease, or obligation or any instrument evidencing or securing the
32 same, made or entered into pursuant to this article.~~

33 ~~(q) Notwithstanding any other provision of this article, enter
34 into any agreement, contract, or any other instrument with respect
35 to any insurance or guarantee; accept payment in the manner and
36 form as provided therein in the event of default by a local agency;
37 and assign any insurance or guarantee that acts as security for the
38 authority's bonds.~~

1 ~~(r) Enter into any agreement or contract, execute any instrument,~~
2 ~~and perform any act or thing necessary, convenient, or desirable~~
3 ~~to carry out any power authorized by this article.~~

4 ~~(s) Invest any moneys held in reserve or sinking funds, or any~~
5 ~~moneys not required for immediate use or disbursement, in~~
6 ~~obligations that are authorized by law for the investment of trust~~
7 ~~funds.~~

8 ~~(t) At the request of affected local agencies, combine and pledge~~
9 ~~revenues to public capital improvements for repayment of one or~~
10 ~~more series of bonds issued pursuant to this article.~~

11 ~~(u) Delegate to any of its individual parties or other responsible~~
12 ~~individuals the power to act on its behalf subject to its general~~
13 ~~direction, guidelines, and oversight.~~

14 ~~(v) Purchase, with the proceeds of its bonds or its revenue, bonds~~
15 ~~issued by any local agency at public or negotiated sale. Bonds~~
16 ~~purchased pursuant to this subdivision may be held by the authority~~
17 ~~or sold to public or private purchasers at public or negotiated sale,~~
18 ~~in whole or in part, separately or together with other bonds issued~~
19 ~~by the authority.~~

20 ~~(w) Purchase, with the proceeds of its bonds or its revenue, VLF~~
21 ~~receivables sold to the authority pursuant to Section 6588.5. VLF~~
22 ~~receivables so purchased may be pledged to the payment of bonds~~
23 ~~issued by the authority or may be resold to public or private~~
24 ~~purchasers at public or negotiated sale, in whole or in part,~~
25 ~~separately or together with other VLF receivables purchased by~~
26 ~~the authority.~~

27 ~~(x) (1) Purchase, with the proceeds of its bonds or its revenue,~~
28 ~~Proposition 1A receivables pursuant to Section 6588.6. Proposition~~
29 ~~1A receivables so purchased may be pledged to the payment of~~
30 ~~bonds issued by the authority or may be resold to public or private~~
31 ~~purchasers at public or negotiated sales, in whole or in part,~~
32 ~~separately or together with other Proposition 1A receivables~~
33 ~~purchased by the authority.~~

34 ~~(2) (A) All entities subject to a reduction of ad valorem property~~
35 ~~tax revenues required under Section 100.06 of the Revenue and~~
36 ~~Taxation Code pursuant to the suspension set forth in Section~~
37 ~~100.05 of the Revenue and Taxation Code shall be afforded the~~
38 ~~opportunity to sell their Proposition 1A receivables to the authority.~~

39 ~~(B) If these entities offer Proposition 1A receivables to the~~
40 ~~authority for purchase and duly authorize the sale of the Proposition~~

1 ~~1A receivable pursuant to documentation approved by the~~
2 ~~authority, the authority shall purchase all Proposition 1A~~
3 ~~receivables so offered to the extent it can sell bonds therefor. If~~
4 ~~the authority does not purchase all Proposition 1A receivables~~
5 ~~offered, it shall purchase a pro rata share of each entity's offered~~
6 ~~Proposition 1A receivables.~~

7 ~~(C) The authority may establish a deadline, no earlier than~~
8 ~~November 3, 2009, by which these entities shall offer their~~
9 ~~Proposition 1A receivables for sale to the authority and complete~~
10 ~~the application required by the authority.~~

11 ~~(3) For purposes of meeting costs incurred in performing its~~
12 ~~duties relative to the purchase and sale of Proposition 1A~~
13 ~~receivables, the authority shall be authorized to charge a fee to~~
14 ~~each entity from which it purchases a Proposition 1A receivable.~~
15 ~~The fee shall be computed based on the percentage value of the~~
16 ~~Proposition 1A receivable purchased from each entity, in relation~~
17 ~~to the value of all Proposition 1A receivables purchased by the~~
18 ~~authority. The amount of the fee shall be paid from the proceeds~~
19 ~~of the bonds and shall be included in the principal amount of the~~
20 ~~bonds.~~

21 ~~(4) Terms and conditions of any and all fees and expenses~~
22 ~~charged by the authority, or those it contracts with, and the terms~~
23 ~~and conditions of sales of Proposition 1A receivables and bonds~~
24 ~~issued pursuant to this subdivision, including the terms of optional~~
25 ~~early redemption provisions, if any, shall be approved by the~~
26 ~~Treasurer and the Director of Finance, who shall not unreasonably~~
27 ~~withhold their approval. The aggregate principal amount of all~~
28 ~~bonds issued pursuant to this subdivision shall not exceed two~~
29 ~~billion two hundred fifty million dollars (\$2,250,000,000), and the~~
30 ~~rate of interest paid on those bonds shall not exceed 8 percent per~~
31 ~~annum. The authority shall exercise its best efforts to obtain the~~
32 ~~lowest cost financing possible. Any and all premium obtained shall~~
33 ~~be used for either of the following:~~

34 ~~(A) Applied to pay the costs of issuance of the bonds.~~

35 ~~(B) Deposited in a trust account that is pledged to bondholders~~
36 ~~and used solely for the payment of interest on, or for repayment~~
37 ~~of, the bonds.~~

38 ~~(5) (A) In connection with any financing backed by Proposition~~
39 ~~1A receivables, the Treasurer may retain financial advisors, legal~~

1 counsel, and other consultants to assist in performing the duties
 2 required by this chapter and related to that financing.

3 (B) Notwithstanding any other provision of law, none of the
 4 following shall apply to any agreements entered into by the
 5 Treasurer pursuant to subparagraph (A) in connection with any
 6 Proposition 1A financing:

- 7 (i) Section 11040 of the Government Code.
- 8 (ii) Section 10295 of the Public Contract Code.
- 9 (iii) Article 3 (commencing with Section 10300) and Article 4
 10 (commencing with Section 10335) of, Chapter 2 of Part 2 of
 11 Division 2 of the Public Contract Code, except for the authority
 12 of the Department of Finance under Section 10336 of the Public
 13 Contract Code to direct a state agency to transmit to it a contract
 14 for review, and except for Section 10348.5 of the Public Contract
 15 Code.

16 (C) Any costs incurred by the Treasurer in connection with any
 17 Proposition 1A financing shall be reimbursed out of the proceeds
 18 of the financing.

19 (y) Finance utility projects through the issuance of rate reduction
 20 bonds, and to impose and adjust utility project charges in
 21 connection with the financing pursuant to Section 6588.7.

22 (z) Set any other terms and conditions on any purchase or sale
 23 pursuant to this section as it deems by resolution to be necessary,
 24 appropriate, and in the public interest, in furtherance of the
 25 purposes of this article.

26 **SEC. 3.**

27 *SEC. 2.* Section 6588.7 is added to the Government Code, to
 28 read:

29 6588.7. (a) *A—An authority whose financing activities are*
 30 *limited to financing utility projects and projects for the use or*
 31 *benefit of public water agencies may finance utility projects as*
 32 *provided in this section, including the issuance of rate reduction*
 33 *bonds and the imposition and adjustment of utility project charges.*

34 (b) A local agency that owns and operates a publicly owned
 35 utility may apply to an authority *specified in subdivision (a)* to
 36 finance costs of a utility project for the publicly owned utility with
 37 the proceeds of rate reduction bonds *if at the time of application,*
 38 *bonds payable from revenues of the publicly owned utility are, or*
 39 *upon issuance would be, rated investment grade by a nationally*
 40 *recognized rating agency.* In its application to an authority for the

1 financing, the local agency shall specify the utility project to be
2 financed by the rate reduction bonds, the maximum principal
3 amount, the maximum interest rate, and the maximum stated terms
4 of the rate reduction bonds.

5 (b)

6 (c) A local agency shall not apply to an authority for financing
7 of a utility project pursuant to this section unless the legislative
8 body of the local agency has determined all of the following:

9 (1) The project to be financed is a utility project.

10 (2) The local agency is electing to finance costs of the utility
11 project pursuant to this section and the financing costs associated
12 with the financing are to be paid from utility project property,
13 including the utility project charge for the rate reduction bonds
14 issued for the utility project in accordance with this section.

15 (3) Based on information available to, and projections used by,
16 the legislative body, the ~~financing is expected to result in lower~~
17 ~~rates to the customers of the local agency's publicly owned utility~~
18 ~~compared with financing plus the utility project through charge~~
19 *resulting from the financing of the utility project with rate reduction*
20 *bonds are expected to be lower than the rates of the publicly owned*
21 *utility if the utility project was financed with bonds payable from*
22 *revenues of the publicly owned utility.*

23 (e)

24 (d) (1) Subject to the requirements of Article XIII D of the
25 California Constitution, an authority financing the costs of a utility
26 project or projects for a local agency's publicly owned utility with
27 rate reduction bonds is authorized and directed to impose and
28 collect a utility project charge with respect to the rate reduction
29 bonds as provided in this section. The imposition of the utility
30 project charge shall be made and evidenced by the adoption of a
31 financing resolution by the governing body of the authority. The
32 financing resolution with respect to financing a utility project or
33 project with rate reduction bonds for a publicly owned utility shall
34 include all of the following:

35 (A) The addition of a separate charge to the bill of each customer
36 ~~of distribution service~~ of the publicly owned utility in the class or
37 classes of customers specified in the financing resolution.

38 (B) A description of the financial calculation, formula, or other
39 method that the authority is to use to determine the utility project
40 charge. The calculation, formula or other method shall include a

1 periodic adjustment method to the then current utility project
 2 charge, to be applied at least annually, that shall be utilized by the
 3 authority to correct for any overcollection or undercollection of
 4 financing costs from the utility project charge or any other
 5 adjustment necessary to ensure timely payment of the financing
 6 costs of the rate reduction bonds, including, but not limited to, the
 7 adjustment of the utility project charge to pay any debt service
 8 coverage requirement for the rate reduction bonds. The financial
 9 calculation, formula, or other method, including the periodic
 10 adjustment method, established in the financing resolution pursuant
 11 to this section, and the allocation of utility project charges to, and
 12 among, ~~water distribution~~ customers of the publicly owned utility
 13 shall be decided solely by the governing body of the authority and
 14 shall be final and conclusive. In no event shall the periodic
 15 adjustment method established in the financing resolution be
 16 applied less frequently than required by the financing resolution
 17 and the documents relating to the applicable rate reduction bonds.
 18 Once the financial calculation, formula, or other method for
 19 determining the utility project charge, and the periodic adjustment
 20 method, have been established in the financing resolution and have
 21 become final and conclusive as provided in this section, they shall
 22 not be changed.

23 *(C) Notwithstanding any other provision of this section, in no*
 24 *event shall a utility project charge exceed the maximum rate*
 25 *permitted under Article XIII D of the California Constitution.*

26 ~~(C)~~

27 *(D)* A requirement that the authority enter into a servicing
 28 agreement for the collection of the utility project charge with the
 29 local agency for which the financing is undertaken or its publicly
 30 owned utility and the local agency or its publicly owned utility
 31 shall act as a servicing agent for purposes of collecting the utility
 32 project charge as long as the servicing agreement remains in effect.
 33 Moneys collected by the local agency or its publicly owned utility,
 34 acting as a servicing agent on behalf of the authority, as a utility
 35 project charge shall be held in trust for the exclusive benefit of the
 36 persons entitled to the financing costs to be paid, directly or
 37 indirectly, from the utility project charge and shall not lose their
 38 character as revenues of the authority by virtue of possession by
 39 the local agency or its publicly owned utility. The local agency or
 40 its publicly owned utility shall provide the authority with the

1 information as to estimated sales of water and any other
2 information concerning the publicly owned utility required by the
3 authority in connection with the initial establishment and the
4 adjustment of the utility project charge.

5 (2) The determination of the legislative body of the local agency
6 that a project to be financed with rate reduction bonds is a utility
7 project shall be final and conclusive and the rate reduction bonds
8 issued to finance the utility project and the utility project charge
9 imposed relating to the rate reduction bonds shall be valid and
10 enforceable in accordance with the terms of the financing resolution
11 and the documents relating to the rate reduction bonds. The
12 authority shall require, in its financing resolution with respect to
13 a utility project charge, that as long as a customer ~~obligated to pay~~
14 ~~the utility project charge obtains water distribution service from~~
15 ~~the applicable in the class or classes of customers specified in the~~
16 *financing resolution receive water through the facilities of the*
17 publicly owned utility, the customer shall pay the utility project
18 charge regardless of whether or not the customer ~~obtains water or~~
19 ~~water services other than water distribution service~~ *has an*
20 *agreement to purchase water* from a person or entity other than
21 the publicly owned utility. The utility project charge shall be a
22 nonbypassable charge to all ~~water distribution~~ customers of the
23 publicly owned utility in the class or classes of customers specified
24 in the financing resolution ~~that are receiving water distribution~~
25 ~~service from the publicly owned utility at the time of adoption of~~
26 the financing resolution and all future ~~water distribution~~ customers
27 in that class or classes. If a customer of the publicly owned utility
28 that is subject to a utility project charge ~~ceases taking~~ *enters into*
29 *an agreement to purchase water or water services from a person*
30 *or entity other than water distribution service from the publicly*
31 owned utility, the customer shall remain liable for the payment of
32 its share of the utility project charge as if it had not ~~ceased taking~~
33 ~~the water or water service from the publicly owned utility entered~~
34 *into the agreement*. The liability may be discharged by the
35 continued payment of its share of the utility project charge as it
36 accrues or by a one-time payment, as determined by the authority.
37 All provisions of a financing resolution adopted pursuant to this
38 subdivision shall be binding on the authority.

39 (3) The timely and complete payment of all utility project
40 charges by a person liable for the charges shall be a condition of

1 receiving water service from the publicly owned utility of the local
2 agency and each of the local ~~agency~~ *agencies* and ~~its~~ *their* publicly
3 owned ~~utility~~ *utilities* is authorized to use its established collection
4 policies and all rights and remedies provided by law to enforce
5 payment and collection of the utility project charge. In no event
6 shall a person liable for a utility project charge be entitled or
7 authorized to withhold payment, in whole or in part, of the utility
8 project charge for any reason.

9 (4) The authority shall determine whether adjustments to the
10 utility project charge relating to rate reduction bonds are required
11 upon the issuance of the rate reduction bonds and at least annually,
12 and at additional intervals as may be provided for in the financing
13 resolution or the documents relating to the rate reduction bonds.
14 Each adjustment shall be made and put into effect in accordance
15 with the financial calculation, formula, or other method that the
16 authority is to use to determine the utility project charge pursuant
17 to the financing resolution expeditiously after the authority's
18 determination that the adjustment is required.

19 (5) All revenues with respect to utility project property related
20 to rate reduction bonds, including payments of the utility project
21 charge, shall be applied first to the payment of the financing costs
22 of the related rate reduction bonds then due, including the funding
23 of reserves for the rate reduction bonds, with any excess being
24 applied as determined by the authority for the benefit of the utility
25 for which the rate reduction bonds were issued.

26 (6) The authority shall be obligated to impose and collect the
27 utility project charge relating to rate reduction bonds in amounts,
28 based on estimates of water usage subject to the utility project
29 charge, sufficient to pay on a timely basis the financing costs
30 associated with the rate reduction bonds when due. The pledge of
31 a utility project charge to secure the payment of rate reduction
32 bonds shall be irrevocable, and the State of California, the
33 authority, or any limited liability company acting pursuant to
34 subdivision (i) shall not reduce, impair, or otherwise adjust the
35 utility project charge, except that the authority shall implement
36 the periodic adjustments to the utility project charge relating to
37 rate reduction bonds as required by the applicable financing
38 resolution and the documents relating to the rate reduction bonds.
39 Revenue from a utility project charge shall be deemed special
40 revenue of the authority and shall not constitute revenue of the

1 local agency or its publicly owned utility for any purpose, including
2 without limitation, any dedication, commitment, or pledge of
3 revenue, receipts, or other income that the local agency or its
4 publicly owned utility has made or will make for the security of
5 any of its obligations.

6 (7) A utility project charge shall constitute a utility project
7 property when, and to the extent that, a financing resolution
8 authorizing the utility project charge has become effective in
9 accordance with its terms, and the utility project property shall
10 thereafter continuously exist as property for all purposes with all
11 of the rights and privileges of this section for the period, and to
12 the extent, provided in the financing resolution, but in any event
13 until all financing costs with respect to the related rate reduction
14 bonds are paid in full, including all arrearages thereon.

15 (8) Utility project property shall constitute a current property
16 right notwithstanding that the value of the property right will
17 depend on consumers using water or, in those instances where
18 consumers are customers of the publicly owned utility, the publicly
19 owned utility performing certain services.

20 (9) In the event a local agency for which rate reduction bonds
21 have been issued and remain outstanding ceases to ~~provide operate~~
22 ~~a water distribution services, utility,~~ either directly or through its
23 publicly owned utility, references in this section to the local agency
24 or to its publicly owned utility shall be to the entity providing
25 ~~water distribution service-utility services~~ in lieu of the local agency
26 and the entity shall assume and perform all obligations of the local
27 agency and its publicly owned utility required by this section and
28 the servicing agreement with the local agency while the rate
29 reduction bonds remain outstanding.

30 ~~(d)~~

31 (e) (1) Rate reduction bonds shall be within the parameters of
32 the financing set forth by the local agency pursuant to subdivision
33 ~~(a)~~(b) in connection with the rate reduction bonds and the proceeds
34 of the rate reduction bonds made available to the local agency or
35 its publicly owned utility shall be utilized for the utility project
36 identified in the application for financing of the utility project or
37 projects pursuant to subdivision ~~(a)~~ (b).

38 (2) An authority shall authorize the issuance of rate reduction
39 bonds by a resolution of its governing body. Rate reduction bonds
40 shall be nonrecourse to the credit or any assets of the local agency

1 and the publicly owned utility for which the utility project is
2 financed and shall be payable from, and secured by a pledge of,
3 the utility project property relating to the rate reduction bonds and
4 any additional security or credit enhancement specified in the
5 documents relating to the rate reduction bonds.

6 (3) An authority issuing rate reduction bonds shall pledge the
7 utility project property relating to the rate reduction bonds as
8 security for the payment of the rate reduction bonds, which pledge
9 shall be made pursuant to, and with the effect set forth in Section
10 5451 of the Government Code. All rights of an authority with
11 respect to utility project property pledged as security for the
12 payment of rate reduction bonds shall be for the benefit of, and
13 enforceable by, the beneficiaries of the pledge to the extent
14 provided in the documents relating to the rate reduction bonds.

15 (4) To the extent that any interest in utility project property is
16 pledged as security for the payment of rate reduction bonds, the
17 applicable local agency or its publicly owned utility shall contract
18 with the authority, which contract shall be part of the utility project
19 property, that the local agency or its publicly owned utility will
20 continue to operate its publicly owned utility system that includes
21 the financed utility project to provide service to its customers, will,
22 as servicer, collect amounts in respect of the utility project charge
23 for the benefit and account of the authority and the beneficiaries
24 of the pledge of the utility project charge and will account for and
25 remit these amounts to, or for the account of, the authority.

26 (5) Notwithstanding any other law, any requirement under this
27 section, a financing resolution, any other resolution of the authority,
28 or the provisions of the documents relating to rate reduction bonds
29 to the effect that the authority shall take action with respect to the
30 utility project property relating to the rate reduction bonds shall
31 be binding upon the authority, as its governing body may be
32 constituted from time to time, and the authority shall have no power
33 or right to rescind, alter, or amend any resolution or document
34 containing the requirement.

35 (6) Notwithstanding any law, except as otherwise provided in
36 this section with respect to adjustments to a utility project charge,
37 the recovery of the financing costs for the rate reduction bonds
38 from the utility project charge shall be irrevocable and the authority
39 shall not have the power either by rescinding, altering, or amending
40 the applicable financing resolution or otherwise, to revalue or

1 revise for ratemaking purposes the financing costs of rate reduction
2 bonds, determine that the financing costs for the related rate
3 reduction bonds or the utility project charge is unjust or
4 unreasonable, or in any way reduce or impair the value of utility
5 project property that includes the utility project charge, either
6 directly or indirectly; nor shall the amount of revenues arising with
7 respect to the financing costs for the related rate reduction bonds
8 or the utility project charge be subject to reduction, impairment,
9 postponement, or termination for any reason until all financing
10 costs to be paid from the utility project charge are fully met and
11 discharged. Except as otherwise provided in this section with
12 respect to adjustments to a utility project charge, the State of
13 California does hereby pledge and agree with the owners of rate
14 reduction bonds that the State of California shall neither limit nor
15 alter the financing costs or the utility project property, including
16 the utility project charge, relating to the rate reduction bonds, or
17 any rights in, to or under, the utility project property until all
18 financing costs with respect to the rate reduction bonds are fully
19 met and discharged. This section does not preclude limitation or
20 alteration if and when adequate provision shall be made by law
21 for the protection of the owners. The authority is authorized to
22 include this pledge and undertaking by the State of California in
23 the governing documents for rate reduction bonds. Notwithstanding
24 any other provision of this section, the authority shall make the
25 adjustments to the utility project charge relating to rate reduction
26 bonds provided by this section and the documents related to those
27 rate reduction bonds as may be necessary to ensure timely payment
28 of all financing costs with respect to the rate reduction bonds. The
29 adjustments shall not impose the utility project charge upon classes
30 of customers which were not subject to the utility project charge
31 pursuant to the financing resolution imposing the utility project
32 charge.

33 (e)

34 (f) (1) Financing costs in connection with rate reduction bonds
35 do not constitute a debt or liability of the State of California or of
36 any political subdivision thereof, other than the special obligation
37 of the authority, and do not constitute a pledge of the full faith and
38 credit of the State of California or any of its political subdivisions,
39 including the authority, but are payable solely from the funds
40 provided therefor under this section and in the documents relating

1 to the rate reduction bonds. This subdivision shall in no way
2 preclude guarantees or credit enhancements in connection with
3 rate reduction bonds. All the rate reduction bonds shall contain on
4 the face thereof a statement to the following effect:

5 Neither the full faith and credit nor the taxing power of the State
6 of California or any political subdivision thereof is pledged to the
7 payment of the principal of, or interest on, this bond.

8 (2) The issuance of rate reduction bonds shall not directly,
9 indirectly, or contingently obligate the State of California or any
10 political subdivision thereof to levy or to pledge any form of
11 taxation to pay the rate reduction bonds or to make any
12 appropriation for their payment.

13 ~~(f)~~

14 (g) (1) Utility project property shall constitute property for all
15 purposes, including for contracts securing rate reduction bonds,
16 whether or not the revenues and proceeds arising with respect
17 thereto have accrued.

18 (2) Subject to the terms of the pledge document with respect to
19 a pledge of utility project property, the validity and relative priority
20 of a pledge created or authorized under this section is not defeated
21 or adversely affected by the commingling of revenues arising with
22 respect to the utility project property with other funds of the local
23 agency or the publicly owned utility collecting a utility project
24 charge on behalf of an authority.

25 ~~(g)~~

26 (h) (1) There shall exist a statutory lien on the utility project
27 property relating to rate reduction bonds. Upon the effective date
28 of the financing resolution relating to rate reduction bonds, there
29 shall exist a first priority statutory lien on all utility project
30 property, then existing or, thereafter arising, to secure the payment
31 of the rate reduction bonds. This lien shall arise pursuant to law
32 by operation of this section automatically without any action on
33 the part of the authority, the local agency or its publicly owned
34 utility, or any other person. This lien shall secure the payment of
35 all financing costs, then existing or subsequently arising, to the
36 holders of the rate reduction bonds, the trustee or representative
37 for the holders of the rate reduction bonds, and any other entity
38 specified in the financing resolution or the documents relating to
39 the rate reduction bonds. This lien shall attach to the utility project
40 property regardless of who shall own, or shall subsequently be

1 determined to own, the utility project property including any local
2 agency or its publicly owned utility, the authority, or any other
3 person. This lien shall be valid and enforceable against the owner
4 of the utility project property and all third parties upon the
5 effectiveness of the financing resolution without any further public
6 notice.

7 (2) The statutory lien on utility project property created by this
8 section is a continuously perfected lien on all revenues and
9 proceeds arising with respect thereto, whether or not the revenues
10 or proceeds have accrued. Utility project property shall constitute
11 property for all purposes, including for contracts securing rate
12 reduction bonds, whether or not the revenues or proceeds arising
13 with respect thereto have accrued.

14 (3) In addition, the authority may require, in a financing
15 resolution creating utility project property, that, in the event of
16 default by the local agency or its publicly owned utility, in payment
17 of revenues arising with respect to the utility project property, the
18 authority, upon the application by the beneficiaries of the statutory
19 lien, and without limiting any other remedies available to the
20 beneficiaries by reason of the default, shall order the sequestration
21 and payment to the beneficiaries of revenues arising with respect
22 to the utility project property.

23 ~~(h)~~

24 (i) Notwithstanding any other law, an authority that has financed
25 a utility project through the issuance of rate reduction bonds is not
26 authorized, and no governmental officer or organization shall be
27 empowered to authorize the authority, to become a debtor in a case
28 under the United States Bankruptcy Code (11 U.S.C. Sec. 1 et
29 seq.) or to become the subject of any similar case or proceeding
30 under any other law, whether federal or State of California, as long
31 as any payment obligation from utility project property remains
32 with respect to the rate reduction bonds.

33 ~~(i)~~

34 (j) An authority may elect to effect a financing of a utility project
35 pursuant to this section through a single member limited liability
36 company formed by the authority by authorizing the company to
37 adopt the financing resolution and the authority's issuing rate
38 reduction bonds payable from, and secured by a pledge of, amounts
39 paid by the company to the authority from the applicable utility
40 project property pursuant to an agreement. The provisions of

1 subdivisions ~~(f) and (g)~~ (g) and (h) shall apply to and be the
 2 exclusive method of perfecting a pledge of utility project property
 3 by the company securing the payment of financing costs under
 4 any agreement of the company in connection with the issuance of
 5 rate reduction bonds. Reference to the authority in this section and
 6 in all related defined terms shall mean or include the company as
 7 necessary to implement this subdivision.

8 ~~SEC. 4.~~

9 *SEC. 3.* Section 6590 of the Government Code is amended to
 10 read:

11 6590. The authority may, from time to time, issue its bonds in
 12 the principal amount as the authority determines necessary to
 13 provide sufficient funds for its purposes, which may include, but
 14 shall not be limited to, providing funds for bond purchase
 15 agreements, payment of the purchase price of VLF receivables,
 16 payment of the purchase price of Proposition 1A receivables,
 17 financing utility projects, payment of interest on bonds of the
 18 authority, establishment of reserves to secure the bonds, and other
 19 expenditures of the authority incident to issuance of the bonds.
 20 The authority may also issue bonds for the purpose of making
 21 loans to local agencies, to the extent those local agencies are
 22 authorized by law to borrow moneys, or to purchase VLF
 23 receivables from local agencies as provided in Section 6588.5, or
 24 to purchase Proposition 1A receivables as provided in Section
 25 6588.6, and the loan or sale proceeds shall be used by the local
 26 agencies to pay for public capital improvements, working capital,
 27 or insurance programs. The aggregate principal amount of all bonds
 28 issued pursuant to this section that are backed by Proposition 1A
 29 receivables shall not exceed two billion two hundred fifty million
 30 dollars (\$2,250,000,000), and that issuance shall be approved by
 31 the Department of Finance and the Treasurer.

32 In the case of any authority in existence on January 1, 1988, no
 33 loans shall be made to local agencies for working capital or
 34 insurance, unless that purpose is first approved by resolution of
 35 the governing body of the authority by unanimous vote of all
 36 members of the governing body.

37 ~~SEC. 5.~~

38 *SEC. 4.* Section 6591 of the Government Code is amended to
 39 read:

1 6591. (a) The authority is authorized from time to time to issue
2 bonds to provide funds to achieve its purposes.

3 (b) Bonds may be authorized to finance any of the following:

4 (1) A single public capital improvement, utility projects, working
5 capital, purchase of VLF receivables, purchase of Proposition 1A
6 receivables, or insurance program for a single local agency.

7 (2) A series of public capital improvements, utility projects,
8 working capital, purchases of VLF receivables, purchase of
9 Proposition 1A receivables, or insurance program for a single local
10 agency.

11 (3) A single public capital improvement, utility projects, working
12 capital, purchases of Proposition 1A receivables, or purchases of
13 VLF receivables or insurance program for two or more local
14 agencies.

15 (4) A series of public capital improvements, utility projects,
16 working capital, purchases of VLF receivables or purchases of
17 Proposition 1A receivables or insurance programs for two or more
18 local agencies.

19 (c) Bonds issued for the purpose of financing working capital
20 shall be used to make loans to local agencies for any of the
21 purposes for which a local agency may borrow money pursuant
22 to Section 53852. The loans shall be repaid in accordance with the
23 terms of Section 53854.

24 (d) Except as otherwise expressly provided by the authority,
25 every issue of its bonds shall be general obligations of the authority
26 payable from any revenues or moneys of the authority available
27 therefor and not otherwise pledged. These revenues or moneys
28 may include the proceeds of additional bonds, subject only to any
29 agreements with the holders of particular bonds pledging any
30 particular revenues or moneys. Notwithstanding that the bonds
31 may be payable from a special fund, these bonds shall be deemed
32 to be negotiable instruments for all purposes, subject only to the
33 bond registration provisions.

34 (e) (1) The bonds may be issued as serial bonds or as term
35 bonds, or the authority may issue bonds of both types. The bonds
36 shall be authorized by resolution of the authority and shall, as
37 provided by the resolution or indenture pursuant to which the bonds
38 are issued, meet all of the following conditions:

39 (A) Bear the date of issuance.

- 1 (B) Bear the time of maturity, not exceeding 50 years from their
2 date of issuance.
- 3 (C) Bear the rate of interest, either fixed or variable, and, if
4 variable, not in excess of the maximum rate of interest specified
5 therein.
- 6 (D) Be payable as to principal and interest at the time or times
7 provided.
- 8 (E) Be in the denominations and in the form provided.
- 9 (F) Carry the registration privileges provided.
- 10 (G) Be executed in the manner provided.
- 11 (H) Be payable in lawful money of the United States at the place
12 or places provided within or without the state.
- 13 (I) Be subject to the terms of redemption provided.
- 14 (2) Notwithstanding paragraph (1), the bonds backed by
15 Proposition 1A receivables shall have a maturity date no later than
16 August 1, 2013.
- 17 (3) For bonds backed by Proposition 1A receivables, both of
18 the following shall apply:
- 19 (A) The option to call shall be exercised upon receipt by the
20 authority of a timely written notification from the Director of
21 Finance, but no earlier than 30 days after delivery by the director
22 of a written notice of the intent to do so to the Joint Legislative
23 Budget Committee.
- 24 (B) The bonds may bear interest payable on periodic interest
25 payment dates or may accrue interest to their maturity date or any
26 combination thereof, subject to the approval of the Department of
27 Finance and the State Treasurer pursuant to subdivision (x) of
28 Section 6588.
- 29 (f) The bonds shall be sold by the authority at the time and in
30 the manner set out in the authority's resolution. The sale may be
31 a public or private sale, and for price or prices, and on terms and
32 conditions as the authority determines proper, after giving due
33 consideration to the recommendations of any local agency to be
34 assisted from the proceeds of the bonds. Pending preparation of
35 the definitive bonds, the authority may issue interim receipts,
36 certificates, or temporary bonds which shall be exchanged for
37 definitive bonds. For bonds backed by Proposition 1A receivables,
38 the authority shall use its best efforts to obtain the lowest overall
39 cost of the bonds, and shall certify that it so used its best efforts.
40 The authority shall, in consultation with the Treasurer and

1 Department of Finance, structure the sale of the bonds backed by
2 Proposition 1A receivables and shall include those terms and
3 conditions approved by the Treasurer and the Department of
4 Finance.

5 (g) In the case of bonds issued by an authority, on or after
6 January 1, 1995, for the purpose of purchasing bonds of a local
7 agency, all of the bonds of the local agency shall be purchased by
8 the authority from the proceeds of the authority bonds within 90
9 days of the date of issuance of the authority bonds. Nothing in this
10 subdivision shall be construed to preclude an authority from issuing
11 parity bonds at any time.

12 ~~SEC. 6.~~

13 *SEC. 5.* Section 6592 of the Government Code is amended to
14 read:

15 6592. Any resolution authorizing any bonds or any issue of
16 bonds may contain the following provisions, which shall be a part
17 of the contract with the holders of the bonds to be authorized:

18 (a) Provisions pledging the full faith and credit of the authority,
19 or pledging all or any part of the revenues of any public capital
20 improvements, or any revenue-producing contract or contracts
21 made by the authority with any local agency, any VLF receivables
22 purchased pursuant to Section 6588.5, any utility project property,
23 any Proposition 1A receivables purchased pursuant to Section
24 6588.6, or any other moneys of the authority, to secure the payment
25 of the bonds, and of any special account, subject to those
26 agreements with bondholders as may then exist.

27 (b) Provisions setting out the rentals, fees, purchase payments,
28 loan repayments, and other charges, and the amounts to be raised
29 in each year thereby, and the use and disposition of the revenues.

30 (c) Provisions setting aside reserves or sinking funds, and the
31 regulation and disposition thereof.

32 (d) Limitations on the right of the authority or its agent to restrict
33 and regulate the use of the public capital improvements to be
34 financed out of the proceeds of the bonds or any particular issue
35 of bonds.

36 (e) Limitations on the purpose to which the proceeds of sale of
37 any issue of bonds may be applied, and pledging the proceeds to
38 secure the payment of the bonds or any issue of the bonds.

1 (f) Limitations on the issuance of additional bonds, the terms
2 upon which additional bonds may be issued and secured, and the
3 refunding of outstanding bonds.

4 (g) The procedure, if any, by which the terms of any contract
5 with bondholders may be amended or abrogated, the amount of
6 bonds and the holders thereof that are required to give consent
7 thereto, and the manner in which the consent may be given.

8 (h) Limitations on expenditures for operating, administrative,
9 or other expenses of the authority.

10 (i) Definitions of acts or omissions to act which constitute a
11 default in the duties of the authority to holders of its obligations,
12 and providing the rights and remedies of the holders in the event
13 of a default.

14 (j) The mortgaging of any public capital improvements and the
15 site thereof for the purpose of securing the bondholders.

16 (k) The mortgaging of land, improvements, or other assets
17 owned by a local agency for the purpose of securing the
18 bondholders.

19 (l) Procedures for the selection of public capital improvements
20 to be financed with the proceeds of the bonds authorized by the
21 resolution, if the bonds are to be sold in advance of designating
22 the public capital improvements and the local agency to receive
23 the financing.

24 ~~SEC. 7.~~

25 *SEC. 6.* Section 6599.3 of the Government Code is amended
26 to read:

27 6599.3. Notwithstanding any other provision of law, an action
28 may be brought under Chapter 9 (commencing with Section 860)
29 of Title 10 of Part 2 of the Code of Civil Procedure, to determine
30 the validity of any bonds issued under this article to finance the
31 purchase of bonds for local agencies, the financing of public capital
32 improvements or utility projects, or the purchase of VLF
33 receivables pursuant to Section 6588.5 or Proposition 1A
34 receivables pursuant to Section 6588.6 and any contracts of sale
35 of VLF receivables or Proposition 1A receivables or utility project
36 property entered into by any local agency, and any related
37 documents. If an action is commenced, the action shall be brought
38 in the jurisdiction in which the authority maintains its principal
39 office and is not required to be brought in the jurisdiction or
40 jurisdictions of any of the local agencies. However, publication of

1 summons, as provided in Section 861 of the Code of Civil
2 Procedure, shall be made in the county in which the authority
3 maintains its principal office and in each county in which any local
4 agency that has sold bonds to the authority, for which a public
5 capital improvement is being financed or that has entered into a
6 sales agreement for a VLF receivable or a Proposition 1A
7 receivable where the authority is located.

8 ~~SEC. 8:~~

9 *SEC. 7.* This act and all grants of power and authority in this
10 act shall be liberally construed to effectuate their purposes, and
11 all incidental powers necessary to carry into effect the provisions
12 of this act are expressly granted to, and conferred upon, public
13 entities.

14 ~~SEC. 9:~~

15 *SEC. 8.* The provisions of this act are severable. If any
16 provision of this act or its application is held invalid, that invalidity
17 shall not affect other provisions or applications that can be given
18 effect without the invalid provision or application.

O