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GOVERNMENT CODE - GOV

TITLE 5. LOCAL AGENCIES [50001 - 57607] (Title 5 added by Stats. 1949, Ch. 81.)

DIVISION 1. CITIES AND COUNTIES [50001 - 52203] (Division 1 added by Stats. 1949, Ch. 81.)

PART 1. POWERS AND DUTIES COMMON TO CITIES AND COUNTIES [50001 - 51298.5] (Part 1 added by Stats. 1949, Ch. 81.)

CHAPTER 3. Bonds [50630 - 50670.4] (Chapter 3 added by Stats. 1949, Ch. 81.)

ARTICLE 4. Limited Obligation Bonds [50665.1 - 50670.4] (Article 4 added by Stats. 1985, Ch. 320, Sec. 2.)

50665.1. As used in this article:

- (a) "Local agency" means any county, city, or city and county, including a chartered city, or special district, including a school district.
- (b) "Legislative body" means the city council in the case of a city, and the board of supervisors in the case of a county.
- (c) "Revenues" means the funds received by a local agency from any source or combination of sources, which a local agency is not precluded by any other provision of law from using for the purposes of this article. "Revenues" include the proceeds of ad valorem taxes on real property levied by, or allocated to, the local agency, and the proceeds of sales and use taxes.
- (d) "Pledged revenue" means a specified annual dollar amount from a specified source or combination of sources of revenue, which the legislative body of a local agency, in a resolution providing for the issuance of limited obligation bonds, has designated and pledged as security for the bonds in accordance with Section 50665.7.
- (e) "Limited obligation bonds" are bonds issued by a local agency which are to be paid solely from pledged revenue.
- (f) "Initiating resolution" means a resolution by which a legislative body determines that public interest or necessity demands the issuance of bonds.
- (g) "Resolution" means a resolution by which a legislative body authorizes the issuance, sale, and delivery of bonds.

(Amended by Stats. 1987, Ch. 1388, Sec. 1.)

50665.2. Limited obligation bonds may be issued for the acquisition, installation, construction, or improving of any or all public works or improvements which the local agency is otherwise authorized to acquire, install, construct, or improve, and for the acquisition of lands and easements therefor.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.3. In determining the amount of bonds to be issued, the legislative body may include:

- (a) All costs and estimated costs incidental to or connected with the acquisition, construction, improving, or financing of the public works or improvements.
- (b) All engineering, inspection, legal, and fiscal agent's fees, all costs of the bond election and of the issuance of limited obligation bonds, all bond reserve funds, and all bond interest estimated to accrue during the construction period and for a period determined by the legislative body after completion of construction.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.4. Proceedings are initiated when the legislative body passes an initiating resolution by a majority vote of all its members.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.5. For all local agencies, the initiating resolution shall recite each of the following:

- (a) That the initiating resolution is being adopted pursuant to the powers granted by this article.

(b) The object and purpose of incurring the indebtedness.

(c) The estimated cost of the public improvements.

(d) The maximum amount of the indebtedness.

(e) A maximum rate of interest on the indebtedness.

(f) (1) A pledge by the local agency that any bonds issued pursuant to the initiating resolution shall be secured by all or part of the revenues received by the local agency.

(2) The local agency may restrict the pledge to the revenues received by the local agency from a specified geographical area that is within the local agency's exterior boundaries. The legal description of the boundaries of the geographical area shall be contained in the resolution.

(g) The date of the election.

(h) The manner of holding the election and the procedure for voting for or against the proposition.

(Amended by Stats. 2007, Ch. 25, Sec. 1. Effective January 1, 2008.)

50665.6. The initiating resolution shall be published once in a newspaper of general circulation in the local agency. If there is no such newspaper, it shall be posted in a public place within the jurisdiction of the local agency.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.7. The bonds and the resolution providing for their issuance shall state that the bonds are limited obligation bonds payable solely from revenues of the local agency pledged for that purpose.

In addition, the resolution of the legislative body providing for the issuance of limited obligation bonds shall specify the amount and source of revenue pledged therefor. The pledged revenue shall be sufficient to pay the following amounts annually, as they become due and payable:

(a) The interest on and the principal on the bonds.

(b) All payments required for compliance with the resolution authorizing issuance of the bonds or any other contract with the bondholders, including the creation of a sinking fund and reserve funds.

(c) All payments to meet any other obligations of the local agency which are charges, liens, or encumbrances on the pledged revenue.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.8. The proposition for incurring a bonded debt shall be submitted to the qualified voters of the local agency at an election held for that purpose. The election may be consolidated with any other election of the local agency.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.9. A proposition to be submitted to the voters of a local agency for approval of the issuance of limited obligation bonds shall state that the bonds are limited obligation bonds to be paid solely from pledged revenue, and shall specify the source and amount of the pledged revenue.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.10. Except as otherwise provided in the initiating resolution, any election required under this article shall be conducted as other elections of the local agency.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.11. When two or more propositions for incurring indebtedness are submitted at the same election, the votes cast for and against each proposition shall be counted separately.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.12. If two-thirds of the voters voting on a proposition initiated pursuant to this article vote for it, the legislative body may, by majority vote, adopt a resolution approving the issuance, sale, and delivery of the bonds.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.13. The bonds shall bear interest at a rate or rates not exceeding the maximum rate authorized by Section 53531, may be payable at the time or times, may be in one or more series, may bear a date or dates, may mature at a time or times not exceeding

31 years from their respective dates, may be payable in the medium of payment at a place or places, may carry the registration privileges, may be subject to the terms of redemption at the premiums, may be executed in a manner, may contain those terms, covenants and conditions, and may be in the form, either coupon or registered, as the resolution authorizing the bonds may provide. The bonds may be sold at public or private sale in the manner and upon the terms as may be provided in the resolution. Pending the preparation of definitive bonds, interim receipts or certificates, in the form and with those provisions as may be provided in the resolution, may be issued to the purchaser or purchasers of bonds sold pursuant to this article. The bonds and interim receipts or certificates shall be deemed to be securities and negotiable instruments within the meaning and for all purposes of the Uniform Commercial Code of this state, subject to the provisions for registration thereof contained in the resolution.

Prior to approving the sale of bonds at a private sale, the legislative body of the issuing entity shall retain an investment firm which has had no prior underwriting relationship with the issuing entity on a similar bond issue within the previous three years to analyze the terms and conditions of the proposed bond issue. The bonds shall be sold at private sale only if the investment firm determines and reports to the legislative body that it has found the following to be true:

(a) The underwriter's price differential is reasonable.

(b) The final negotiated offering is consistent with common practices in the industry and is comparable to other bond offerings of a comparable amount that have been offered within the previous six months.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50665.14. The bonds are special obligations of the local agency and shall be a charge against and are secured by a lien upon and shall be payable, as to the principal thereof and interest thereon, and any premiums upon the redemption thereof, from the revenues and such funds as are described in the resolution authorizing the issuance of the bonds. If funds and revenues described in the authorizing resolution are insufficient for the payment of interest and principal on the bonds, the local agency, at its discretion, may make such payments from any other funds or revenues that may be legally applied to their payment.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666. By resolution, the legislative body may pledge, place a charge upon, and assign all or any part of the revenues for the security of the bonds.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.1. The payment of interest on and principal of the bonds and any premiums upon the redemption of any thereof are secured by an exclusive pledge, charge, and lien upon all of the revenues.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.2. The revenues and any interest earned on the revenues constitute a trust fund for the security and payment of the interest on and principal of the bonds.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.3. So long as any bonds or interest thereon are unpaid following their maturity, the revenues and interest thereon shall not be used for any other purpose.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.4. If the interest and principal of the bonds and all charges to protect or secure them are paid when due, an amount or amounts for other purposes may be apportioned from the revenues.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.5. Bonds of the same issue shall be equally secured by a pledge, charge, and lien upon the revenues specified in the resolution authorizing the issuance of the bonds, without priority for number, date of bonds, of sale, of execution, or of delivery pursuant to this article and the resolution authorizing the issuance of the bonds; except that any local agency may authorize the issuance of bonds of different series and may provide that the bonds in any series shall, to the extent and in the manner prescribed in the resolution, be subordinated and be junior in standing, with respect to the payment of principal and interest and the security thereof, to such other bonds as may be specified in the resolution.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.6. The general fund of a local agency is not liable for the payment of the bonds or their interest.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.7. The general credit or taxing power of the local agency, other than the revenues pledged, is not liable for the payment of the bonds or their interest.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.8. The holder of the bonds shall not compel the exercise of the taxing power by the local agency, other than the revenues pledged, or the forfeiture of its property.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50666.9. The principal of, and interest on, the bonds and any premiums upon the redemption of any thereof are not a debt of the local agency, nor a legal or equitable pledge, charge, lien, or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the revenues that have been pledged to their payment.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667. Every bond shall recite in substance that the principal of, and interest on, the bond are payable solely from the revenues pledged to the payment of the principal and interest and that the local agency is not obligated to pay the principal or interest except from the pledged revenues.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.1. The bonds and, any interest on, or income from, the bonds are exempt from taxation in this state, except from bank and corporation franchise, gift, inheritance, and estate taxes.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.2. In the resolution authorizing the bonds, the legislative body may insert any of the provisions authorized by this article, which shall become a part of the contract with the bondholders.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.3. The legislative body may provide limitations on:

- (a) The purpose to which the proceeds of sale of any issue of bonds may be applied.
- (b) The issuance of additional bonds for the same purpose and on the lien of additional bonds.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.4. The legislative body may provide for events of default and terms upon which the bonds may be declared due before maturity and the terms upon which the declaration and its consequences may be waived.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.5. The legislative body may provide for the rights, liabilities, powers, and duties arising upon the local agency's breach of any covenants, conditions, or obligations.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.6. The legislative body may provide for the vesting in a trustee of the right to enforce covenants to secure payment of, or in relation to, the bonds and the trustee's powers and duties, and the limitation of his or her liabilities.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.7. The legislative body may provide for the terms upon which the bondholders or any percentage of the bondholders may enforce covenants or duties imposed by this article.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.8. The legislative body may provide in the resolution authorizing issuance of the bonds for a procedure for amending or abrogating the terms of the resolution with the consent of the holders of a specified number of the bonds.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50667.9. Any resolution containing a procedure specified in Section 50667.8 may also provide for meetings of bondholders or for their written assent without a meeting and the manner of consenting, with or without a meeting.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668. The resolution shall specifically state the effect of amendment upon the rights of the holders of all of the bonds and shall be binding upon the holders of all of the bonds issued pursuant to the resolution.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.1. The legislative body may provide for any other acts and things necessary, convenient, or desirable to secure the bonds or tending to make them more marketable.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.2. The local agency shall pay or cause to be paid the principal and interest of the bonds on the date, at the place, and in the manner mentioned in the bonds and in accordance with the resolution authorizing their issuance.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.3. A separate, distinct, and special fund shall be created at or before the issuance of the bonds, which shall be maintained continuously during the time that any of the bonds or the interest thereon are outstanding and unpaid.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.4. All pledged revenue shall be deposited in the special fund and payments shall be made therefrom in the order specified in subdivisions (a) to (c), inclusive, of Section 50665.7.

(Amended by Stats. 1985, Ch. 1199, Sec. 1.)

50668.5. The local agency shall preserve and protect the security of the bonds and the rights of the bondholders and shall warrant and defend the rights of the bondholders against all claims and demands of all persons.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.6. In order to fully preserve and protect the priority and security of the bonds the local agency shall pay and discharge all lawful claims for labor, materials, and supplies, which if unpaid may become a lien or charge upon the revenues prior or superior to the lien of the bonds or impair the security of the bonds.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.7. The local agency shall hold in trust the revenues pledged to the payment of the principal of and interest on the bonds for the benefit of the bondholders and shall apply the same pursuant to the resolution authorizing the issuance of the bonds or to the resolution as modified.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.8. The local agency may invest funds held in reserve, or in any sinking fund, or funds not required for immediate disbursement, in property or securities in which the local agency may legally invest funds subject to its control. No such investment shall be made in contravention of any covenant or agreement in any resolution authorizing the issuance of any outstanding bonds.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50668.9. The local agency shall keep proper books of record and accounts of the revenues, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the revenues.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669. At all times, the books shall be subject to the inspection of the holders of not less than 10 percent of the outstanding bonds or their representatives authorized in writing.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.1. The local agency shall cause to be published a summary statement showing the amount of revenues collected which are required as security for payment of the principal of and interest on the bonds, the disbursements from such revenues in reasonable detail, and a general financial statement.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.2. The statement shall be published annually, not more than 120 days after the close of each fiscal year. The local agency shall furnish a copy of the statement to any bondholder upon request.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.3. In the resolution authorizing the bonds, the local agency may agree that the statement shall be prepared or audited by an independent certified public accountant and shall be in the form and contain the detail specified in the resolution.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.4. The duties set forth in this article do not require the local agency to expend any funds other than revenues pledged to secure payment of the principal of or interest on bonds as provided in this article.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.5. A fiscal or paying agent may be appointed as now, or hereafter, provided in Article 7 (commencing with Section 54550) of Chapter 6 of Division 2 of Title 5.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.6. A validating proceeding may be conducted as now, or hereafter, provided in Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.7. Bondholders shall have the remedies as now, or hereafter, provided in Article 10 (commencing with Section 54640) of Chapter 6 of Division 2 of Title 5.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50669.8. The bonds may be refunded in the manner now, or hereafter, provided in Article 11 (commencing with Section 54660) of Chapter 6 of Division 2 of Title 5.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50670. All bonds issued in pursuance of the provisions of this article shall by their issuance be conclusive evidence of the regularity, validity, and legal sufficiency of all proceedings, acts, and determinations in any wise pertaining thereto, had or made hereunder.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50670.1. Any action, suit, or proceeding of any kind or nature in which the validity of any of the proceedings taken under the provisions of this article is questioned or attacked, shall be filed within 30 days after the day of the adoption of the resolution providing for the issuance of the bonds and in case such action is not brought raising such issue within that period, then thereafter all persons whatsoever shall be barred in any action, suit, or proceeding from pleading, asserting, or claiming that any of the proceedings or other actions herein specified, were defective, faulty, or invalid in any respect.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50670.3. This article provides an alternative authority and procedure for the subject to which it relates but does not affect any other law relating to the same or a similar subject. When proceeding under this article, its provisions only need be followed.

(Added by Stats. 1985, Ch. 320, Sec. 2.)

50670.4. This article and all of its provisions shall be liberally construed to the end that the purposes of this article may be effective. If any section, subdivision, sentence, clause, or phrase of this article is for any reason held to be unconstitutional, that decision shall not affect the validity of the remaining portion of this article. It is hereby declared that this article would have been passed irrespective of the fact that any one or more sections, subdivisions, sentences, clauses, or phrases be declared unconstitutional.

(Added by Stats. 1985, Ch. 320, Sec. 2.)