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GOVERNMENT CODE - GOV

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

DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 55821] (Division 2 added by Stats. 1949, Ch. 81.)

PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 54999.7] (Part 1 added by Stats. 1949, Ch. 81.)

CHAPTER 6. Revenue Bond Law of 1941 [54300 - 54700] (Heading of Chapter 6 amended by Stats. 1959, Ch. 597.)

ARTICLE 6. Duties of Local Agencies [54510 - 54524] (Article 6 added by Stats. 1949, Ch. 81.)

54510. The duties prescribed by this article shall be performed by the local agency or its proper officers, agents, or employees.
(Added by Stats. 1949, Ch. 81.)

54511. Such performance is of the essence of the local agency's contract with the bondholders.
(Added by Stats. 1949, Ch. 81.)

54512. 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 coupons and in accordance with the resolution authorizing their issuance.
(Added by Stats. 1949, Ch. 81.)

54513. Subject to the provisions of Section 54516.1, the local agency shall operate the enterprise in an efficient and economical manner.
(Amended by Stats. 1953, Ch. 526.)

54514. Subject to the provisions of Section 54516.1, the local agency shall prescribe, revise, and collect such charges that the services, facilities or water of the enterprise are furnished at the lowest possible cost consistent with sound economy, and prudent management, and the security and payment of the principal and interest of the bonds.
(Amended by Stats. 1970, Ch. 1174.)

54515. After making allowances for contingencies and error in the estimates, the charges, together with any other funds which under this chapter can legally be, and which are, pledged or otherwise made available for the respective purposes hereinafter set forth, shall be at least sufficient to pay the following amounts in the order set forth:

- (a) The interest on and principal of the bonds as they become due and payable.
- (b) All payments required for compliance with the resolution authorizing the issuance of the bonds or any other contract with the bondholders, including the creation of sinking and reserve funds.
- (c) All payments to meet any other obligations of the local agency which are charges, liens, or encumbrances upon, or payable from, the revenues of the enterprise.
- (d) All current expenses of maintenance and operation of the enterprise, except that if the legislative body provides in the resolution calling the election that maintenance and operation costs of the enterprise shall be paid from the revenues prior to the principal, interest and sums for other security funds, then the current expenses of such maintenance and operation shall precede any other payments provided in this section.

(Amended by Stats. 1955, Ch. 395.)

54516. Subject to the provisions of Section 54516.1, the local agency shall operate, maintain and preserve the enterprise in good repair and working order.

(Amended by Stats. 1953, Ch. 811.)

54516.1. Subject to the provisions and limitations of any resolution authorizing the issuance of bonds and to the conditions specified in Section 54516.2 of this code, the local agency may contract, upon such terms and conditions as it may determine, with any person, firm or corporation, for the operation or management of an enterprise. Each such contract shall provide that all consideration to be paid thereunder shall be payable solely from the revenues of the enterprise, and all consideration under any such contract payable by the local agency shall be paid only from such revenues. A local agency shall not by any such contract transfer or attempt to transfer to any person, firm or corporation, or in any way restrict the exercise of the local agency's legal powers and duties concerning:

- (a) The issuance and sale of bonds to provide funds for the acquisition, construction, improving or financing of the enterprise;
- (b) The payment of the principal of and interest on such bonds;
- (c) The receipt, handling and disbursement of and accounting for the proceeds of sale of the bonds;
- (d) The fixing of fees, tolls, rates, rentals and other charges for the services, facilities or water furnished by the enterprise;
- (e) The accounting for the revenues, receipts and other funds of the enterprise; and
- (f) The making and enforcing of ordinances and regulations to protect and promote public health and safety in connection with the enterprise and its operation.

(Added by Stats. 1953, Ch. 811.)

54516.2. The local agency shall let contracts made by it pursuant to Section 54516.1 to the lowest qualified responsible bidder after the publication of a notice inviting bids two or more times, not less than five days apart, in a newspaper of general circulation printed and published in the city. If there is no newspaper of general circulation printed or published in the city, copies of the notice shall be posted in at least three public places in the city. Publication shall be commenced or notice posted not less than 15 days prior to the date set in the notice for the opening of bids.

The notice inviting bids shall distinctly and specifically describe the enterprise involved and the period of time for which the enterprise is to be operated or managed.

If no bid which the local agency finds to be reasonable and valid is received upon the original advertising, the local agency need not readvertise.

(Amended by Stats. 1957, Ch. 364.)

54516.3. If the enterprise is a hospital, the local agency may provide for the administration, operation and maintenance of the whole or any part of the enterprise and for such purpose may enter into any lease agreement or contract which it believes will best serve the interest of the local agency by publication of notice inviting bids pursuant to Section 54516.2. Before entering into any such lease or contract, the local agency must first hold a public hearing on the question after publication or posting of notice thereof given in the same manner and for the same time as a notice inviting bids is required to be given by Section 54516.2.

(Added by Stats. 1959, Ch. 1556.)

54517. The local agency shall preserve and protect the security of the bonds and the rights of the bondholders and warrant and defend their rights against all claims and demands of all persons.

(Added by Stats. 1949, Ch. 81.)

54518. 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. 1949, Ch. 81.)

54519. The local agency shall hold in trust the revenues and other funds 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. 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 cities may legally invest funds subject to their control. No such investment shall be made in contravention of any covenant or agreement in any resolution authorizing the issuance of any outstanding bonds.

(Amended by Stats. 1953, Ch. 526.)

54520. The local agency shall keep proper books of record and accounts of the enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the enterprise.

(Added by Stats. 1949, Ch. 81.)

54521. 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. 1949, Ch. 81.)

54522. The local agency shall cause to be published a summary statement showing the amount of gross revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of the principal of and interest on the bonds, the disbursements from such revenues and other funds in reasonable detail, and a general statement of the financial and physical condition of the enterprise. 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.

(Amended by Stats. 1953, Ch. 526.)

54523. 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 or public accountant and shall be in the form and contain the detail specified in the resolution.

(Amended by Stats. 1959, Ch. 1936.)

54524. The duties set forth in this article do not require the local agency to expend any funds other than revenues received or receivable from the enterprise and such other funds from any source as are legally available and as are made available for the enterprise or to secure payment of the principal of or interest on bonds as provided in this chapter.

(Amended by Stats. 1953, Ch. 526.)