

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 873
Finance Committee Substitute Adopted 7/14/98

Short Title: Local Government Debt Changes.

(Public)

Sponsors:

Referred to:

April 15, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE THAT CERTAIN TAX-EXEMPT AND TAXABLE DEBT
3 ISSUED BY OR ON BEHALF OF A LOCAL GOVERNMENT IS SUBJECT TO
4 APPROVAL BY THE LOCAL GOVERNMENT COMMISSION.

5 The General Assembly of North Carolina enacts:

6 Section 1. The title of Article 8 of Chapter 159 of the General Statutes reads as
7 rewritten:

8 "ARTICLE 8.

9 "~~FINANCING AGREEMENTS.~~ AGREEMENTS AND OTHER
10 FINANCING ARRANGEMENTS."

11 Section 2. Article 8 of Chapter 159 of the General Statutes is amended by
12 adding a new section to read:

13 "§ 159-153. Approval of other financing arrangements.

14 (a) Commission Approval Required. – Except as provided in subsection (b) of this
15 section, approval by the Commission in accordance with this section is required before a
16 unit of local government, or any public body, agency, or similar entity created by any
17 action of a unit of local government, may do any of the following:

18 (1) Incur indebtedness.

19 (2) Enter into any similar type of financing arrangement.

1 (3) Approve or otherwise participate in the incurrence of indebtedness or
2 the entering into of a similar type of financing arrangement by another
3 party on its behalf.

4 (b) Exceptions. – Approval by the Commission in accordance with this section is
5 not required in any of the following cases:

6 (1) Another law of this State already specifically requires Commission
7 approval of the indebtedness or financing arrangement and the required
8 approval is obtained in accordance with that law.

9 (2) The indebtedness or financing arrangement is a contract entered into by
10 a unit of local government pursuant to G.S. 160A-20 and is not subject
11 to review by the Commission pursuant to G.S. 160A-20(a).

12 (3) The indebtedness or financing arrangement is excepted from the review
13 requirements of this Article because it does not meet the conditions of
14 G.S. 159-148(a)(1) or (3) or because it is excluded pursuant to G.S. 159-
15 148(b).

16 (c) Effect of Special Act. – No special, local, or private act shall be construed to
17 create an exception from the review of the Commission required by this section unless
18 the act explicitly excludes the review and approval of the Commission.

19 (d) Factors Considered. – The Commission may consider all of the following
20 factors in determining whether to approve the incurrence of, entering into, approval of, or
21 participation in any indebtedness or financing arrangement subject to approval pursuant
22 to this section:

23 (1) Whether the undertaking is necessary or expedient.

24 (2) The nature and amount of the outstanding debt of the entity proposing to
25 incur the indebtedness or enter the financing arrangement.

26 (3) Whether the entity proposing to operate the facilities financed by the
27 indebtedness or financing arrangement and the entity obligating itself
28 under the indebtedness or financing arrangement have demonstrated or
29 can demonstrate the financial responsibility and capability to fulfill their
30 obligations with respect to the indebtedness or financing arrangement.
31 In making this determination, the Commission may consider the
32 operating entity's experience and financial position, the nature of the
33 undertaking being financed, and any additional security such as
34 insurance, guaranties, or property to be pledged to secure the
35 indebtedness or financing arrangement.

36 (4) Whether the proposed date and manner of sale of obligations will have
37 an adverse effect upon any scheduled or anticipated sale of obligations
38 by the State or any political subdivision or by any agency of either of
39 them.

40 (5) The local government unit's debt management procedures and policies.

41 (6) The local government unit's compliance with the Local Government
42 Budget and Fiscal Control Act.

1 (7) Whether the local government unit is in default in any of its debt service
2 obligations.

3 (e) Documentation. – To facilitate the review of the proposed indebtedness or
4 financing arrangement by the Commission, the Secretary may require the unit or other
5 entity to obtain and submit any financial data and information about the proposed
6 indebtedness or financing arrangement and security for it, including any proposed
7 prospectus or offering circular, the proposed financing arrangement and security
8 document, and annual and other financial reports and statements of the obligated entity.
9 Applications and other documents required by the Commission must be in the form
10 prescribed by the Commission.

11 (f) Conditions for Approval. – If the Commission determines that all of the
12 following conditions are met, the Commission shall approve the incurrence of the
13 indebtedness, entering of the financing arrangement, or approval or other participation in
14 the indebtedness or financing arrangement, by the unit of local government or the other
15 entity referred to in subsection (a) of this section:

16 (1) The amount of the indebtedness to be incurred or financed is not
17 excessive for the purpose contemplated.

18 (2) The entity that will operate the facilities financed by the indebtedness or
19 financing arrangement and the entity obligating itself under the
20 indebtedness or financing arrangement have demonstrated or can
21 demonstrate the financial responsibility and capability to fulfill their
22 obligations with respect to the indebtedness or financing arrangement.

23 (3) The proposed date and manner of sale of obligations will not have an
24 adverse effect upon any scheduled or anticipated sale of obligations by
25 the State or any political subdivision or any agency of either of them."

26 Section 3. This act is effective when it becomes law and applies to debt and
27 financing arrangements incurred, entered into, approved, or participated in on or after that
28 date.