

SENATE BILL

No. 12

Introduced by Senator Johannessen

May 17, 2001

An act to add Chapter 11 (commencing with Section 6475) to Part 1 of Division 3 of the Water Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 12, as introduced, Johannessen. Water Storage Facilities: Revenue Bonds.

Existing law authorizes the Department of Water Resources to construct and maintain the state water project, which includes hydroelectric facilities.

This bill would do all of the following:

(1) Require the department to plan, construct and operate water storage facilities, gas pipelines, electric transmission lines, and to loan money to private entities to construct generating facilities. The water storage facilities would provide water storage and hydroelectric power.

(2) Create the California Natural Gas Pipeline and Electric Transmission Board.

(3) Require the California Water Commission and board to approve any plans before the department commences construction, as specified.

(4) Provide for the issuance of up to \$8,000,000,000 in revenue bonds to fund water storage facilities and loans, and up to \$2,000,000,000 to fund gas pipelines and electric transmission lines.

(5) Require all hydroelectric power produced by the water storage facilities to be sold for use in California unless a specified operating reserve capacity is achieved within the state.

(6) Require the Director of Water Resources to submit all resolutions of issuance for revenue bonds to the California Water Commission or to the California Natural Gas Pipeline and Electrical Transmission Board, as specified, for approval.

(7) Establish in the State Treasury the Hydroelectric Water Storage Development Bond Fund.

(8) Provide for the conditions and procedures for the issuance of the revenue bonds.

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

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

SECTION 1. Chapter 11 (commencing with Section 6475) is added to Part 1 of Division 3 of the Water Code, to read:

CHAPTER 11. WATER STORAGE AND HYDROELECTRIC POWER
PRODUCTION

Article 1. Projects

6475. As used in this chapter the following terms have the following meanings:

(a) “Board” means the California Natural Gas Pipeline and Electric Transmission Board.

(b) “Commission” means the California Water Commission.

(c) “Fund” means the Hydroelectric Water Storage Development Bond Fund established by Section 6476.

(d) “Water storage facilities” means all of the following facilities:

(1) ____

(2) ____

(3) ____

(4) ____

(5) ____

(e) “Pipeline facilities” means ____.

(f) “Electric transmission lines” means ____.

6476. There is hereby established in the State Treasury the Hydroelectric Water Storage Development Bond Fund to fund all of the following pursuant to this chapter:

(a) The acquisition, construction, completion and operation of water storage facilities.

(b) The construction and operation of natural gas pipelines.

(c) The construction and operation of electric transmission lines.

(d) Loans for private entities to construct electrical generation facilities.

6477. (a) The department shall plan, construct, and operate all of the following:

(1) The water storage facilities specified in subdivision (d) of Section 6475.

(2) The pipeline facilities specified in subdivision (e) of Section 6475.

(3) Notwithstanding any other provision of law, the electric transmission lines specified in subdivision (f) of Section 6476.

(b) The department is authorized to acquire and dispose of property as needed for the purposes authorized by this chapter. Article 2.5 (commencing with Section 250) of Chapter 2.5 of Division 1 is applicable to the acquisition and disposal of property pursuant to this chapter.

(c) The department, at a rate equal to the state's interest costs plus a reasonable administrative fee, shall provide loans to private entities to construct electric generation facilities.

6478. (a) The commission shall approve any plans for water storage facilities before the department commences construction.

(b) The board shall approve any plans before the department commences construction of a pipeline facility or electrical transmission line, and any loans.

6479. A water storage facility constructed pursuant to this chapter shall provide hydroelectric power. No storage facility shall be constructed unless the commission determines that during the terms of the revenue bonds that will be issued to construct the water storage facility, the revenues derived from the distribution of water and electric power from the water storage facility will meet the yearly requirements of subdivision (d) of Section 6485.

6480. All electric power generated by the water storage facilities constructed pursuant to this chapter shall only be sold

intrastate for use in California unless the operating reserve capacity from all generating sources of electricity within the state is 10 percent or greater. If electricity is sold interstate, any contract shall include a provision that the terms of the contract are not operable during the term of the contract when the operating reserve capacity from all generating sources of electricity within the state drops below 10 percent.

Article 2. California Natural Gas Pipeline and Electric
Transmission Board

6482. (a) There is hereby established in state government the California Natural Gas Pipeline and Electric Transmission Board. The Board shall have five members, including the chairperson.

(b) The Governor shall appoint three members. The Senate Rules Committee shall appoint one member. The Speaker of the Assembly shall appoint one member.

(c) Three members constitute a quorum.

(d) A majority of the members of the board shall select from among the members the chairperson of the board.

(e) Members of the board shall serve four-year terms beginning on the effective date of this section. A member shall serve until his or her successor is appointed. A vacancy or vacancies shall not impair the right of the remaining members to exercise all of the powers of the board unless there are insufficient members to constitute a quorum.

(f) (1) Each member shall receive a per diem of one hundred dollars (\$100) for each day actually spent in the discharge of official duties. A member shall be reimbursed for traveling and other expenses necessarily incurred in the performance of his or her official duties.

(2) Notwithstanding any other provision of law, a member may not receive per diem compensation when the member also receives compensation for his or her regular public employment.

6483. (a) The board may do all of the following:

(1) Adopt, amend, and rescind rules and regulations to carry out its duties under this chapter. The rules and regulations shall be adopted in accordance with the Administrative Procedure Act as defined in Section 11370 of the Government Code.

(2) Employ in accordance with state law up to five staff including an executive director.

(b) The offices of the board shall be in the department's Sacramento office building.

(c) Meetings of the board shall be in Sacramento and shall be open to the public in accordance with the provisions of the Bagley-Keene Open Meeting Act as defined in Section 11120 of the Government Code.

(d) The board shall do all of the following:

(1) Approve plans of the department before the department commences constructions of a pipeline facility or electrical transmission line.

(2) Establish by regulation the conditions for the department to loan revenue bond funds to private entities for the construction of electrical generation facilities.

(3) Establish a subaccount in the fund to be known as the fund loan revolving subaccount for the purpose of loaning funds under subdivision (d) of Section 6476 and for receiving repayment of those funds.

(4) Approve or disapprove department resolutions for issuance of revenue bonds for purposes of subdivisions (e) and (f) of Section 6475 and subdivision (d) of Section 6476.

Article 3. Fiscal Provisions

6485. (a) Revenue bonds may be issued by the department at those times and in those amounts that do not exceed ten billion dollars (\$10,000,000,000) for the purposes of this chapter.

(b) Proceeds of the sale of revenue bonds issued for purposes of this chapter shall be deposited in the fund. Upon appropriation, money may be withdrawn from the fund upon requisition of the department for the purpose of carrying out this chapter. Up to two billion dollars (\$2,000,000,000) shall be expended for the purposes of subdivisions (e) and (f) of Section 6475. Up to eight billion dollars (\$8,000,000,000) shall be expended for the purposes of subdivision (d) of Section 6475 and subdivision (d) of Section 6476.

(c) The revenues from the sale of water and power from the water storage facilities constructed pursuant to this chapter and from the charges for use of the pipeline facilities and electric

1 transmission lines constructed pursuant to this chapter shall be
2 pledged first to the payment of the principal of and interest on the
3 revenue bonds and to all funds created for the further security of
4 those revenue bonds, including reserve fund, sinking fund, and all
5 other payments required to be made in connection with the revenue
6 bonds.

7 (d) During the time that revenue bonds are outstanding, the
8 department shall establish, fix, and collect payments on all sales
9 of water and power, and charges for the use of pipeline facilities
10 and electric transmission facilities. The payments shall produce an
11 amount which, together with income derived from investments,
12 will yield revenues which, in the aggregate, will be sufficient with
13 respect to the then immediately ensuing fiscal year to pay and
14 provide for all of the following:

15 (1) Interest to become due and payable in that ensuing fiscal
16 year on all revenue bonds.

17 (2) The principal amount of all serial revenue bonds maturing
18 by their terms during that fiscal year.

19 (3) The aggregate minimum sinking fund payments, if any,
20 required to be made for that fiscal year on account of revenue
21 bonds then outstanding.

22 (4) Sums as may be required as reserve fund or funds payments
23 due in that fiscal year.

24 (5) The estimated expenses of maintenance, operation, and
25 administration of the water storage facilities as provided in the
26 budget of the department for that fiscal year.

27 (e) The revenue bond principal and interest payments and any
28 premium payable upon revenue bonds called for redemption, and
29 all payments required for reserve funds, sinking funds and all other
30 funds and accounts created as further security for the revenue
31 bonds constitute a first, direct, and exclusive charge and lien on all
32 revenues from the sale of water and power from the water storage
33 facilities constructed pursuant to this chapter and the interest or
34 other income derived therefrom. Those revenues, together with
35 any interest or other income earned thereon, and the funds and the
36 interest and income earned thereon, constitute a trust fund for the
37 security and payment of the revenue bonds and shall not be used
38 or pledged for any other purpose or transferred to any other fund
39 as long as any of the revenue bonds are outstanding and unpaid.

1 (f) Revenue bonds authorized under any resolution of issuance
2 approved by the commission or the board shall be sold by the
3 Treasurer upon the request of the department at public or private
4 sale and at the times and in the amounts as the department deems
5 necessary to provide sufficient funds for the purposes for which
6 the revenue bonds are then authorized. However, the revenue
7 bonds shall not be sold at less than 95 percent of their par value and
8 accrued interest thereon to the date of delivery. No revenue bonds
9 authorized under any resolution of issuance may be sold at private
10 sale unless the sale and the terms thereof have been approved in
11 writing by the commission or board, as appropriate. Successive
12 issues of the revenue bonds within the limits of the authorization
13 for the issuance of revenue bonds, in the event any limitations are
14 included in the proceedings for the issuance of the revenue bonds,
15 shall be equally and regularly secured without preference, priority,
16 or distinction as to security or otherwise by reason of time of issue,
17 or sale. All purchase contracts shall be deemed to constitute a pool
18 for all bonds of any issue or series, except as revenue bonds of
19 various series may differ with respect to dates, numbers, interest
20 rates, maturity, redemption provisions, sinking fund provisions, or
21 otherwise as expressly authorized or provided in any resolution of
22 issuance.

23 (g) In the event the Treasurer shall proceed with the sale of
24 revenue bonds, all costs and expenses of publication of notice of
25 sale shall be a charge against the department and shall be paid by
26 the department. The department shall pay the cost of printing,
27 lithographing, or otherwise preparing the revenue bonds, the
28 charges of any duly authorized agent of the Treasurer appointed for
29 the payment of principal and interest of the revenue bonds in any
30 place other than the office of the Treasurer, any expenses incurred
31 in connection with delivery of the revenue bonds including the fees
32 and expenses of municipal bond attorneys whose opinion on the
33 validity of the revenue bonds is to be provided by the department
34 without charge to the successful purchaser of the revenue bonds.
35 The department is authorized to employ any nationally known
36 municipal bond attorneys and the Attorney General for the
37 purpose of rendering legal opinions as to the validity of the
38 revenue bonds to be furnished to the purchaser of the revenue
39 bonds without cost. The department is also authorized to employ
40 or appoint independent financial consultants, attorneys, certified

1 public accountants, public accountants, engineers, or other
2 independent consultants whose services or opinions are necessary
3 or advisable in connection with the issuance and sale of revenue
4 bonds. Payment for those services shall be made from the proceeds
5 of the sale of the revenue bonds or from any other funds available
6 to the department on a warrant duly drawn by the Controller for
7 that purpose. Those expenses may also include the cost of
8 delivering revenue bonds at any place other than the office of the
9 Treasurer, including transportation and insurance costs and the
10 costs of using uniform identification numbers as specified by the
11 Committee on Uniform Security Identification Procedure on the
12 bonds including filing fees, printing, and related costs.

13 6486. Whenever the department determines that revenue
14 bonds should be issued for purposes of subdivision (d) of Section
15 6475, the director shall submit a resolution of issuance to the
16 commission, which shall consider and approve or disapprove any
17 resolution of issuance so submitted. Whenever the department
18 determines that revenue bonds should be issued for purposes of
19 subdivision (e) or (f) of Section 6476 or subdivision (d) of Section
20 6477, the director shall submit a resolution of issuance to the board
21 which shall consider and approve or disapprove any resolution of
22 issuance so submitted. Upon approval, by a resolution adopted by
23 a majority of the members of the commission or board, as
24 appropriate, the resolution of issuance shall become effective and
25 the Treasurer shall cause the revenue bonds authorized thereunder
26 to be prepared in accordance with the terms of the resolution of
27 issuance.

28 6487. Revenue bonds shall be issued in the name of the
29 department and as the obligation of the department, but neither the
30 principal of, nor the interest on, any revenue bonds shall be or
31 become a lien, charge or liability against the State of California,
32 the department, or against the property or funds of any of them,
33 except to the extent of the pledge of revenues as may be provided
34 by the resolution of issuance pursuant to which the revenue bonds
35 are issued. Every revenue bond shall contain a recital substantially
36 as follows:

37 “Neither the faith and credit nor the taxing power of the State
38 of California is pledged to the payment of the principal of or
39 interest on this bond.”



6488. All revenue bonds shall bear the facsimile signature of the director and shall be authenticated by the trustee. The interest coupons attached to any revenue bond shall bear a facsimile of the signature of the director.

In case any official whose signature or countersignature appears on the revenue bonds or coupons ceases to be that official before the revenue bonds so signed or countersigned have been actually executed or delivered, the signature or countersignature is nevertheless valid and sufficient for all purposes as if the person had remained in office until the delivery of the revenue bonds and the revenue bonds and coupons shall be issued and shall be as binding upon the department as though the person who signed the revenue bonds or coupons had been that official on the date borne by the revenue bonds or coupons and on the date of delivery. The revenue bonds may be signed and sealed on behalf of the department by that person as if, at the actual date of execution of the revenue bonds, the person was the director as the case may be, although, on the date borne by the revenue bonds, the person was not that official.

6489. The validity of the authorization and issuance of any revenue bonds shall not be dependent on or affected by the validity or regularity of any proceedings relating to the expenditure of the proceeds thereof or the validity of any contracts or payments received for water and power thereon pledged to pay revenue bonds.

6490. Reference on the face of any revenue bonds to a resolution of issuance by its date of adoption, or the apparent date on the face thereof, shall be sufficient to incorporate all of the provisions thereof and of this chapter into the body of the revenue bonds and their appurtenant coupons. Each taker and subsequent holder of the revenue bonds or coupons, whether the coupons are attached to, or detached from, the revenue bonds, shall have recourse to all of the provisions of the resolution of issuance and of this chapter and shall be bound thereby.

6491. (a) A resolution of issuance may provide for all of the following:

(1) The issuance of revenue bonds in one or more series and for the aggregate principal amount of any series thereof. Any series of revenue bonds may consist of serial revenue bonds or of term revenue bonds with sinking fund requirements or partially of serial

1 revenue bonds and partially of term revenue bonds with sinking
2 fund requirements.

3 (2) Supplemental resolutions of issuance as may from time to
4 time be required to fix and determine the terms and conditions of
5 each series of revenue bonds.

6 (3) The dates to be borne by revenue bonds and by each series
7 issued thereunder and for the dates of maturity thereof.

8 (4) The payment of interest on revenue bonds annually or
9 semiannually or in part annually and in part semiannually, upon
10 dates and at rates as may be provided for by the director. The first
11 interest payment may be at any time on or before one year from the
12 date of the revenue bonds.

13 (5) The call and redemption of revenue bonds issued
14 thereunder, upon terms, conditions and notice, and upon the
15 payment of premium, as may be fixed in the resolution. No
16 revenue bond shall be subject to call or redemption prior to its
17 fixed maturity date unless the right to exercise the call is expressly
18 stated on the face of the revenue bond.

19 (6) The forms, denominations, registration, transfer, and
20 interchange of revenue bonds issued thereunder. Revenue bonds
21 may be issued as coupon revenue bonds or as registered revenue
22 bonds in any denomination or denominations authorized by the
23 resolution of issuance.

24 (7) The interchange of coupon revenue bonds and registered
25 revenue bonds, and for the registration of coupon revenue bonds
26 as to principal only or as to both principal and interest. Revenue
27 bonds of different denominations, in either coupon or registered
28 form, may be made exchangeable for revenue bonds of an equal
29 aggregate principal amount, but of different denominations upon
30 terms as may be provided in the resolution of issuance.

31 (8) The replacement of lost, destroyed, or mutilated revenue
32 bonds or coupons.

33 (9) The issuance of temporary or interim revenue bonds,
34 certificates, or receipts pending the preparation and delivery of
35 definitive revenue bonds. The temporary or interim revenue
36 bonds, certificates, or receipts may be of any denomination and
37 with or without coupons.

38 (10) The payment of the principal and interest of revenue bonds
39 at any place within or without the State of California and in
40 specified coin or currency of the United States and may include a



1 covenant to maintain, in each city in which any outstanding
2 revenue bonds shall be expressed to be payable, an office or agency
3 where revenue bonds and interest coupons thereon may be
4 presented for payment.

5 (11) The means by which payments of principal and interest of
6 revenue bonds shall be secured.

7 (12) A provision requiring the department to pay or cause to be
8 paid punctually the principal of all revenue bonds issued
9 thereunder and the interest thereon, on the dates, at the places and
10 in the manner provided in the revenue bonds and in the coupons
11 appertaining thereto.

12 (13) A provision requiring the department to preserve and
13 protect the security of the revenue bonds and the rights of the
14 holders thereof and to warrant and defend such rights.

15 (14) Provisions requiring, specifying, or limiting the kind,
16 amount, and character of insurance to be maintained by the
17 department on any property under the jurisdiction of the
18 department and the use and disposition of the proceeds of any
19 insurance thereafter collected.

20 (15) Provisions requiring the department to hold or cause to be
21 held in trust the revenues, or any part of the revenues, pledged to
22 the payment of revenue bonds and the interest thereon, and to
23 apply or cause to be applied revenues or such part of revenues, only
24 as provided in the resolution of issuance.

25 (16) A provision authorizing, or limiting the power of, the
26 department to issue additional revenue bonds and establishing the
27 terms and conditions upon which additional bonds may be issued.

28 (17) A clause providing the events of default and the terms and
29 conditions upon which any or all of the revenue bonds then or
30 thereafter issued may become or be declared due and payable prior
31 to maturity, and the terms and conditions upon which declaration
32 and its consequences may be waived.

33 (18) Provisions establishing the rights, powers and duties
34 arising upon breach by the department of any of the covenants,
35 conditions, or obligations contained therein.

36 (19) Provisions prescribing a procedure by which the terms and
37 conditions of the resolution may be subsequently amended or
38 modified with the consent of the commission and the vote or
39 written consent of the holders of a specified principal amount or
40 specified proportion of the revenue bonds issued and outstanding.

1 The resolution may include provisions for meetings of revenue
2 bond holders and for the manner in which the consent of the
3 revenue bondholders may be given. A resolution of issuance may
4 provide that the revenue bonds held by the department shall not be
5 counted as outstanding revenue bonds or be entitled to vote or
6 consent, but shall nevertheless be subject to any modification or
7 amendment.

8 (20) That the revenue bonds issued thereunder and the interest
9 thereon shall be secured by all or part of the revenues or the
10 proceeds of sale of the revenue bonds, or both, and may establish
11 a lien upon the revenues or proceeds as the department, with the
12 approval of the commission, shall determine.

13 (21) A covenant that the department will duly pay and
14 discharge, or cause to be paid and discharged, any taxes,
15 assessments, or other governmental charges lawfully imposed
16 upon any properties owned by or under the jurisdiction of the
17 department, or upon the revenues, as well as any lawful claim for
18 labor, materials, or supplies which, if unpaid, might become a lien
19 or charge upon the revenues, or which might impair the security
20 of the revenue bonds.

21 (22) Provisions requiring the preparation, filing, and
22 publication of financial statements with respect to the revenues,
23 the funds securing the revenue bonds, and the expenses,
24 properties, and operations of the department, including provisions
25 for examinations and reports by independent certified public
26 accountants.

27 (23) A covenant that the department will at all times use its best
28 efforts to maintain the powers, functions, duties, and obligations
29 reposed in it pursuant to law at the time of adoption of the
30 resolution, and that it will not at any time voluntarily do, suffer, or
31 permit any act or thing, the effect of which would be to hinder,
32 delay, or imperil the payment of the indebtedness evidenced by any
33 of the revenue bonds or the performance or observance of any of
34 the covenants contained in the resolution.

35 (24) Provisions requiring, permitting, restricting, or governing
36 the deposit and investment of funds established for the security of
37 revenue bonds issued thereunder, and requiring that the deposits
38 be secured or specifying the type of security required for the
39 deposits irrespective of any law authorizing or permitting deposit
40 or investment of public funds generally.

(25) A covenant that the department or commission will make or adopt and execute, or cause to be made, adopted, and executed, any and all further resolutions, acts, deeds, conveyances, assignments, or assurances as may be reasonably required for effectuating the intention of the resolution of issuance and for better assuring and confirming unto the holders of the revenue bonds the rights and benefits provided in the resolution of issuance.

(26) Any and all covenants and agreements on the part of the department, and for other acts or matters which the department, subject to the approval of the commission, deems necessary or convenient or advisable for the better security of the revenue bonds issued thereunder or to make the revenue bonds more marketable.

(27) The creation of any other funds or accounts other than the fund which will be deemed necessary or desirable for the payment of or further security of revenue bonds. The resolution of issuance establishing the fund or accounts may provide for the manner and method of disbursement of those funds or accounts, the amounts to be deposited therewith and withdrawn therefrom, the application of any surplus moneys in any funds or accounts to the purchase or redemption of revenue bonds and for the investment of moneys in funds or accounts in particular bonds or obligations which are then made eligible for those investments by the terms of the resolution.

(b) The Treasurer shall act as trustee for the department and the holders of the revenue bonds, to receive and disburse all the revenues applicable to the payment of the principal of or interest on the revenue bonds, including any reserve fund, sinking fund, or other fund or account established for further securing the revenue bonds. The department and the commission or board may provide in any resolution of issuance for the appointment of a trustee other than the Treasurer to represent and enforce the rights of holders of the revenue bonds if, and in the manner and under conditions provided in the resolution authorizing the revenue bonds, that trustee is a bank or trust company duly qualified to do business in this state.

6492. (a) The department, subject to the approval of the commission or board, as appropriate, may provide for the issuance, sale, or exchange of refunding bonds for the purpose of redeeming or retiring any bonds issued under this chapter. All

1 provisions of this chapter applicable to the issuance of revenue
2 bonds are applicable to the funding or refunding bonds and to the
3 issuance, sale, or exchange thereof. The department, with the
4 approval of the commission, or board, as appropriate, may adopt
5 a resolution or resolutions of issuance or supplemental resolutions
6 authorizing the issuance of such refunding bonds and fixing the
7 terms and conditions thereof.

8 (b) Refunding bonds may be issued in a principal amount
9 sufficient to provide funds for the payment of all revenue bonds to
10 be refunded thereby and in addition to the payment of all expenses
11 incident to the calling, retiring, or paying of such outstanding
12 revenue bonds and the issuance of the refunding bonds. The
13 expenses include any amount necessary to be made available for
14 the payment of interest upon such refunding bonds from the date
15 of sale thereof to the date of payment of the revenue bonds to be
16 refunded, or to the date upon which the revenue bonds to be
17 refunded will be paid pursuant to the call thereof or agreement with
18 the holders thereof, and the premium, if any, necessary to be paid
19 in order to call or retire the outstanding revenue bonds and the
20 interest accruing thereon to the date of the call or retirement.

21 (c) Refunding revenue bonds shall not constitute a debt or
22 obligation of the State of California but shall be revenue bonds of
23 the department of the same character and payable from the same
24 funds as other revenue bonds authorized pursuant to this chapter.
25 Any and all reserve or other funds applicable to the payment of the
26 revenue bonds to be refunded may, if so directed by the
27 department, be transferred to any reserve or other funds provided
28 with respect to the refunding bonds.

29 (d) The department may from time to time or at any time sell
30 or exchange refunding bonds for the purpose of retiring, paying,
31 or refunding either all or part of the outstanding revenue bonds, or
32 of one or more series thereof, as it deems advisable. The refunding
33 bonds may be issued and delivered as outstanding revenue bonds
34 to be refunded thereby mature or are about to mature or are subject
35 to call or redemption, or if the retirement thereof has been assured
36 by consent of the holders thereof. Refunding bonds may be
37 delivered in whole or in part in exchange for outstanding revenue
38 bonds with the consent of the holders.

39 6493. (a) The department, subject to the approval of the
40 commission or board, as appropriate, may borrow money in

anticipation of the sale of revenue bonds, and for that purpose may provide for the issuance and sale of negotiable bond anticipation notes. Except as otherwise provided in this section, the notes and the resolution providing for their issuance may contain any provision, condition, or limitation which a revenue bond or any resolution of issuance may contain.

(b) The interest on bond anticipation notes shall be payable from the same funds from which the interest on revenue bonds is payable. The principal of the notes shall be payable from the proceeds of sale of revenue bonds. The department shall not be precluded from paying the principal from any other moneys lawfully available therefor.

6494. Any revenue bondholder may by mandamus or other appropriate proceedings compel the performance of any of the duties imposed upon any state official or employee or imposed upon the department or its officers, agents, or employees with respect to the collection of revenues from pledged contracts entered into by the department with veterans, and the investment and disbursement of the proceeds received from the sale of revenue bonds.

6495. The department may, in any resolution of issuance, define the events of default, including among other things, default in the payment of the principal or interest upon or premium due upon any revenue bonds or default by the department in the observance of any of the covenants, agreements, or conditions on its part to be performed under the resolution of issuance, and may provide that upon the happening of any event of default the holders of not less than the majority in aggregate principal amount of the revenue bonds at the time outstanding will be entitled to declare the principal of all of the revenue bonds then outstanding and the interest accrued thereon to be immediately due and payable.

6496. Whenever a bank or trust company is acting as trustee by reason of any default, or for the protection of the interests of the revenue bondholders, the bank or trust company as the trustee shall take the action that the holders or registered owners of 25 percent in principal amount of all the revenue bonds then outstanding shall request in writing; provided, that the bank or trust company as the trustee may request reasonable security before taking any action so requested.

1 6497. No remedy conferred upon or reserved to the holders of
2 revenue bonds is intended to be exclusive of any other remedy or
3 remedies now or hereafter provided by law and each and every
4 such remedy shall be cumulative and shall be in addition to every
5 other remedy given under this chapter or now or hereafter existing
6 at law or in equity or by statute or otherwise.

7 6498. While any of the revenue bonds remain outstanding the
8 powers, duties, or existence of the department and of every other
9 official or agency of the State of California shall not be diminished
10 or impaired in any manner that will adversely affect the interests
11 and rights of the holders of the revenue bonds.

12 6499. (a) All revenue bonds and the income therefrom are at
13 all times exempt from taxation in the State of California.

14 (b) All revenue bonds shall be legal investments for all trust
15 funds, for the funds of all insurance companies, banks (both
16 commercial and savings), trust companies, state school funds, and
17 any pension funds, public or private.

18 (c) Any money or funds which may by law be invested in bonds
19 of the State of California may be invested in revenue bonds
20 authorized under this chapter.

21 (d) Whenever any bonds of the State of California may by law
22 be used as security for the performance of any act or the deposit
23 of any public money, revenue bonds authorized under this chapter
24 may be so used.

25 (e) All revenue bonds, subject to the provisions for registration
26 contained therein, are negotiable instruments.

27 (f) The department may include in the proceedings authorizing
28 the issuance of revenue bonds any provisions not inconsistent with
29 this chapter that limit, restrict, or regulate the holding, deposit,
30 investment, and application of money consisting of the proceeds
31 from the sale of the revenue bonds or the revenues or other income
32 received from the sale of water or power by the department, and
33 the provisions shall constitute a contract with the holders of the
34 revenue bonds and shall be binding upon the department and all
35 other officers, officials, and agencies of the State of California and
36 upon the state so long as any of the revenue bonds are outstanding.

37 (g) Warrants for the payments to be made on account of the
38 revenue bonds either as to principal, interest, premium, or
39 otherwise shall be duly drawn by the Controller, upon the request

of the Treasurer, whenever the drawing of the warrants is required in order to make the payments.

(h) Notwithstanding anything contained in this chapter, the proceeds received from the sale of revenue bonds and any revenues received by the department from the contracts for water and power entered into by the department may, upon appropriation, be used to defray any expenses incurred by the department or the Treasurer in connection with, and incidental to, the issuance and sale of revenue bonds, including expenses for preparation, inspections and examinations, surveys, and reports which may be required by the purchasers of, and any legal opinions deemed necessary or advisable by the department in connection with the issuance of revenue bonds, except that the proceedings authorizing the issuance of such revenue bonds may contain appropriate provisions governing the use and application of the proceeds from the sale of the revenue bonds or other revenues received by the department for the purposes specified in this chapter.

(i) If any article, section, subdivision, sentence, clause, or phrase of this chapter is for any reason held to be unconstitutional or invalid or unenforceable, the decision shall not affect the validity or enforceability of the remaining portions of the chapter. The Legislature hereby declares that it would have passed this chapter and each article, section, subdivision, sentence, clause, and phrase hereof irrespective of the fact that any one or more articles, sections, subdivisions, sentences, clauses, and phrases may be declared unconstitutional, invalid, or unenforceable.

(j) All money in any of the funds or accounts created or authorized to be created in any resolution of issuance under the provisions of this chapter is hereby appropriated for expenditure in carrying out the purposes herein and therein provided.

(k) For the purposes of meeting the necessary expenses of initial organization and operation until the date the department derives revenues or proceeds from bonds or notes as provided under this chapter, the department may, with the approval of the Department of Finance, borrow money as needed from the General Fund in the State Treasury. The borrowed moneys shall be repaid with interest from the first proceeds from the sale of bonds or notes as provided under this chapter.

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