§ 708. Assumption of debt. 1. Except as may be provided in an agreement among any of the affected local governments as authorized by subdivision two of this section concerning the apportionment of any indebtedness and any contract or other liabilities, and interest thereon, any such indebtedness or liabilities, or interest, in the event of such annexation, shall be a charge upon and shall be paid by a local government to which the territory is annexed, as the same shall become due and payable, to the other affected local government in the same proportion to the whole of any such indebtedness or any such liability as the full valuation of the taxable real property of the territory to be annexed bears to the full valuation of the taxable real property of the local government in which the territory was situated prior to the annexation. Any such proportions shall be computed as of the date of the annexation. In the case of an annexation of territory of a town by a village located in the same town, any such apportionment of town indebtedness and contract or other liabilities shall not include any indebtedness or contract or other liabilities of the town in relation to which the debt service or payments thereon would, in the first instance, be required to be raised in some manner other than by taxes, special ad valorem levies, or assessments, on real property located in whole or in part inside such territory to be annexed. Full valuation of taxable real property shall mean the valuation derived by dividing the assessed valuation of the real property concerned, as shown by the last completed assessment roll of, or utilized by, the local government in which it is situated prior to such annexation by the equalization rate established by the authorized state officer or agency for such roll.

2. At any time prior to the making of their final determinations as provided by section seven hundred eleven of this article, the governing boards of the affected local governments, or their designated representatives, shall have power to agree as to the proportions, if any, of the various types of indebtedness and contract or other liabilities, and interest thereon, if any, which the local government to which territory is proposed to be annexed will assume and agree to pay in the event of such annexation. Such proportions may be based on the full valuations of taxable real property, or on the basis of services which will continue to be rendered or will cease to be rendered, or on

the basis of benefits to be received or conferred or will cease to be received or conferred, or on any other equitable basis, and may provide how such costs shall be raised, levied and collected. Such agreement shall be followed in the local law to be adopted pursuant to section seven hundred fourteen of this article.

3. Notwithstanding the foregoing provisions of this section, a local government to which territory is annexed shall not be required to pay any portion of any indebtedness or contract or other liabilities, and of any interest thereon, which it has agreed to assume or will be required to assume pursuant to the provisions of this section, if the indebtedness or such liabilities have been contracted or incurred in relation to a revenue-producing public improvement or service which is not located in such territory and such revenues, after providing for all costs of operation, maintenance and repairs thereof, required in any fiscal year are not used, or credited as between such local governments, to pay the interest on and amortization of, or payment of such indebtedness or liabilities contracted for such public improvement or service, but to the extent that any such revenues are so used or credited, and are not sufficient to provide in full for any such debt service, then the local government to which the territory is annexed shall pay its proportionate amount of such deficiency.

4. The provisions of any agreement made and executed pursuant to subdivision two of this section shall not affect the contract liability of the area of any affected local government under any obligation or contract entered into prior to the effective date of the annexation, but any such agreement may provide that as to any such contract liability, the local government annexing such territory shall not be compelled to pay any portion of the debt service thereon except in the event of default in the payment thereof, or interest thereon, by the local government in which such territory was located prior to such annexation.

5. The terms "indebtedness" and "contract or other liabilities", as used in this section, shall not include any indebtedness (a) evidenced by tax anticipation notes, revenue anticipation notes or budget notes, or (b) evidenced by serial bonds or capital notes having a maximum

maturity of less than three years which were issued or are to be issued to finance an object or purpose other than a capital improvement, or other than the acquisition of equipment, for which a period of probable usefulness is provided in paragraph a of section 11.00 of the local finance law.