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Referred: Local Government,
State Affairs and Finance

1 IN THE HOUSE

BY WHITTAKER

2 HOUSE BILL NO. 94

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Municipal Bond
7 Authority as a public corporation and instrumentality
8 of the state for purchase of municipal bonds, notes
9 and other evidences of debt, prescribing its powers
10 and duties, providing for issuance, terms, payment
11 and security of its bonds and notes, and otherwise
12 facilitating the borrowing of money by political
13 subdivisions of the state; and providing for an
14 effective date."

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

16 * Section 1. AS 44 is amended by adding a new chapter to read:

17 CHAPTER 55. ALASKA MUNICIPAL BOND AUTHORITY.

18 ARTICLE 1. ESTABLISHMENT AND ORGANIZATION.

19 Sec. 44.55.010. LEGISLATIVE POLICY. (a) It is the policy of the
20 state

21 (1) to foster and promote by all reasonable means the pro-
22 vision of adequate capital markets and facilities for the borrowing of
23 money by political subdivisions of the state to finance public improve-
24 ments or purposes, to assist political subdivisions in fulfilling their
25 capital needs and requirements by use of borrowed money within statutory
26 interest rate or cost of borrowing limitations, to the greatest extent
27 possible to reduce costs of borrowed money to taxpayers and residents
28 of the state, and equally to encourage continued investor interest
29 in the purchase of bonds or notes of political subdivisions as scund

1 and preferred securities for capital investment;

2 (2) to encourage political subdivisions to continue their
3 independent undertakings and financing of public improvements and
4 purposes and assist them by making capital funds available at reduced
5 interest costs for orderly financing of public improvements and purposes
6 during periods of restricted credit or money supply, particularly
7 for those political subdivisions not otherwise able to borrow for
8 capital needs during those periods.

9 (b) It is further declared by the legislature that current credit
10 and municipal bond market conditions require the exercise of the powers
11 of the state in the interest of its political subdivisions to further
12 and implement the policies declared in (a) of this section by authoriz-
13 ing a state authority to be created as a body corporate and politic
14 to have full powers to borrow money and to issue its bonds and notes
15 to make capital funds available for borrowing by political subdivisions
16 and by granting broad powers to the authority to carry out the declared
17 policies which are in the public interest of the state and its tax-
18 payers and residents.

19 Sec. 44.55.020. ALASKA MUNICIPAL BOND AUTHORITY. (a) There is
20 created the Alaska Municipal Bond Authority. The authority is a public
21 corporation of the state. The corporation is an instrumentality of
22 the state within the Local Affairs Agency but has a legal existence
23 independent of and separate from the state and has continuing succession
24 until its existence is terminated by law. The exercise by the authority
25 of the powers conferred by this chapter are deemed to be an essential
governmental function of the state.

27 (b) The authority consists of the following five directors: the
28 director of the Local Affairs Agency, one director appointed by the
29 board of directors of the Alaska Municipal League or its successor, and

1 one director appointed by each of the following persons: the governor,
2 the president of the senate and the speaker of the house of representa-
3 tives. The appointment of each director other than the director of the
4 Local Affairs Agency shall be subject to confirmation by the legisla-
5 ture. Directors appointed shall have terms of four years, except that
6 the directors first appointed shall have terms of one, two, three and
7 four years respectively. The initial appointment of directors shall
8 be made within 10 days after the effective date of this Act.

9 (c) Each director shall hold office for the term of his appoint-
10 ment and until his successor has been appointed and qualified. A direc-
11 tor shall be eligible for reappointment. A vacancy in the director-
12 ship occurring other than by expiration of term shall be filled in
13 the same manner as the original appointment but for the unexpired
14 term only.

15 (d) The director of the Local Affairs Agency is the chief execu-
16 tive officer of the authority. At their first meeting, the directors
17 shall elect one of their members as chairman. The directors may elect
18 one of their members as vice chairman. The authority may elect a
19 secretary and a treasurer who need not be directors, and the same person
20 may be elected to serve both as secretary and treasurer.

21 (e) The powers of the authority are vested in the directors in
22 office. Three directors shall constitute a quorum for organizing the
23 authority, conducting its business and exercising its powers. Action
24 may be taken and motions and resolutions adopted by the authority by
25 the affirmative vote of at least three directors. No vacancy in the
26 directorship of the authority may impair the right of the quorum of the
27 directors to exercise the powers and perform the duties of the authority.

28 (f) The directors of the authority shall serve without compensa-
29 tion, but the authority shall reimburse its directors for actual ex-

1 penses necessarily incurred in the discharge of their duties.

2 (g) The authority shall appoint an independent financial con-
3 sultant and an attorney with experience in municipal bonds, both of
4 which shall have their principal offices in the state and shall be
5 compensated on an independent contract basis at an hourly rate for
6 specific services rendered. No financial consultant may be compensated
7 on a per bond basis or by retainer fee. In addition to these person-
8 nel, the authority may appoint and employ an executive director and
9 other professional advisors, counsel, technical experts, agents and
10 employees as it may require and shall prescribe the manner of their
11 compensation.

12 (h) No officer, employee or agent of the authority may have any
13 interest, direct or indirect, in any contract or proposed contract
14 for services or materials to be furnished to or used by the authority,
15 other than for his contract of appointment or employment.. Neither
16 the holding of an office or employment in the government of the state
17 or of a political subdivision nor employment or interest in a private
18 banking or financial business or enterprise is a disqualifying interest
19 per se. No director appointed may be deemed by reason of his employ-
20 ment or interest in a private banking or financial business or enter-
21 prise to have a disqualifying interest per se. This subsection is
22 not applicable to personnel whose services are purchased by the
23 authority on an independent contract basis.

24 ARTICLE 2. POWERS, DUTIES, FINANCIAL PROVISIONS.

25 Sec. 44.55.030. POWERS OF AUTHORITY. The authority may, subject
26 to the provisions of this chapter,

27 (1) sue and be sued;

28 (2) adopt and have an official seal and alter the seal at
29 pleasure;

1 (3) make and enforce bylaws, rules and regulations for the
2 conduct of its affairs and business and for use of its services and
3 facilities;

4 (4) maintain offices at a place or places within the
5 state as it may determine;

6 (5) acquire, hold, use and dispose of its income, revenues,
7 funds and money;

8 (6) acquire, rent, lease, hold, use and dispose of other
9 personal property for its purposes;

10 (7) borrow money and issue its negotiable bonds or notes,
11 provide for and secure their payment, provide for the rights of their
12 holders, and purchase, hold and dispose of any of its bonds or notes;

13 (8) fix, revise from time to time, and charge and collect
14 fees and charges for the use of its services or facilities;

15 (9) accept gifts or grants of property, funds, money,
16 materials, labor, supplies or services from the United States, the
17 state or another state, its agencies or departments, or any political
18 subdivision or person, carry out the terms or provisions or make
19 agreements with respect to the gifts or grants, and do any and all
20 things necessary, useful, desirable or convenient in connection with
21 procuring, accepting or disposing of the gifts or grants;

22 (10) do and perform any acts authorized by this chapter
23 under, through or by means of its officers, agents or employees or by
24 contracts with a person;

25 (11) make, enter into and enforce all contracts or agree-
26 ments necessary, convenient or desirable for the purposes of the
27 authority or pertaining to a loan to a political subdivision, a purchase
28 or sale of municipal bonds or other investments, or the performance
29 of its duties and execution of its powers under this chapter;

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(12) purchase or hold municipal bonds at prices, whether or not below the then current market value, and in a manner as the authority deems advisable and sell municipal bonds acquired or held by it at prices without relation to cost, whether or not below the then current market value, and in a manner as the authority deems advisable;

(13) invest funds or money of the authority, not required at the time of investment for loan to political subdivisions or the purchase of municipal bonds, in direct obligations of, or obligations guaranteed by the United States, its agencies, or the state, or in certificates of deposit fully secured by the obligations;

(14) fix and prescribe the form of application or procedure to be required of a political subdivision for the purpose of a loan or the purchase of its municipal bonds, fix the terms and conditions of the loan or purchase, and enter into agreements with political subdivisions with respect to the loan or purchase;

(15) render services to a political subdivision in connection with a public or private sale of its municipal bonds, including advisory and other services, and charge for services rendered;

(16) charge for its costs and services in review or consideration of a proposed loan to a political subdivision or purchase by the authority of municipal bonds of the political subdivision, whether or not the loan shall have been made or the municipal bonds shall have been purchase;

(17) fix and establish terms and provisions with respect to a purchase of municipal bonds by the authority, including date and maturities of such bonds, provisions as to redemption or payment before maturity, and any other matters which in connection with the purchase are necessary, desirable or advisable in the judgment of the authority;

1 (18) procure insurance against any losses in connection
2 with its property, operations or assets in amounts and from insurers
3 as it deems desirable;

4 (19) to the extent permitted under its contracts with the
5 holders of bonds or notes of the authority, consent to any modifica-
6 tion with respect to rate of interest, time and payment of any install-
7 ment of principal or interest, security or any other term of any bond
8 or note or contract or agreement to which the authority is a party;

9 (20) do all acts and things necessary, convenient or desir-
10 able to carry out the powers expressly granted or necessarily implied
11 in this chapter.

12 Sec. 44.55.040. LIMITATIONS. Nothing in this chapter may be
13 construed to authorize the authority

14 (1) to make loans of money to a person other than a
15 political subdivision, or to purchase securities issued by a person
16 other than a political subdivision or for investment except as provided
17 in this chapter;

18 (2) to emit bills of credit, accept deposits of money for
19 time or demand deposit, administer trusts, engage in any form or manner
20 in, or in the conduct of, a private or commercial banking business,
21 or to act as a savings bank or savings and loan association;

22 (3) to be or constitute a bank or trust company within the
23 jurisdiction or under the control of a regulatory or supervisory board
24 or department of the state, the Comptroller of the Currency of the
25 United States, or the Department of the Treasury or Federal Reserve
26 Board of the United States;

27 (4) to be or to constitute a bank, banker or dealer in
28 securities within the meaning of or subject to the provisions of
29 securities, securities exchange, or securities dealers law, of the

1 United States, the state or another state, it being an intended pur-
2 pose of this chapter to provide a state agency empowered to issue its
3 bonds and notes for the purpose of securing funds for direct loan to
4 political subdivisions of the state through purchase of the bonds or
5 notes of the political subdivisions so as to effect lower financing
6 costs for public improvements and purposes than might otherwise be
7 secured by, or result from, independent financings by the political
8 subdivisions.

9 Sec. 44.55.050. BONDS AND EXPENSES. (a) The authority, in order
10 to effectuate the legislative policies declared in sec. 10 of this chap-
11 ter, is authorized to lend money to political subdivisions through the
12 purchase by the authority of municipal bonds in fully marketable form,
13 for this purpose to authorize and issue its bonds and notes payable
14 solely from the revenues or funds available to the authority for such
15 payment, and to otherwise assist political subdivisions as provided
16 in this chapter. Notwithstanding other provisions of this chapter,
17 no money may be loaned to a political subdivision through the purchase
18 by the authority of its municipal bonds unless the bonds before purchase
19 by the authority have been offered by the political subdivision for
20 public or private sale to municipal bond investors other than the
21 authority.

22 (b) The authority may at any time purchase municipal bonds of
23 a political subdivision previously issued and outstanding from any person
24 owning the bonds if, in the opinion of the authority and in its ab-
25 solute discretion, the purchase is in the interest of the political
26 subdivision or of assistance to it in the financing of its public
27 improvements and purposes, is in the interest of achieving stability
28 in connection with any marketing or financing of municipal bonds by
29 such or any other political subdivision, or is for the purpose of

1 improving the orderly financing of public improvements and purposes
2 of political subdivisions in general or of encouraging investment
3 interest in the municipal bonds of political subdivisions as sound and
4 preferred securities for capital investment or for the purpose of
5 maintaining an orderly market with respect to the municipal bonds.

6 (c) The authority may purchase bonds or notes of the authority
7 from any authority money or funds available for that purpose. The
8 authority may hold, cancel or resell such bonds or notes subject to
9 and in accordance with agreements with holders of its bonds or notes.

10 (d) Bonds and notes of the authority issued under the provisions
11 of this chapter are not a debt or liability of the state or political
12 subdivision of the state and shall not create or constitute an
13 indebtedness, liability or obligation of the state or political sub-
14 division of the state or be or constitute a pledge of the faith and
15 credit or taxing power of the state or political subdivision of the
16 state. All such bonds and notes, unless funded or refunded by bonds
17 or notes of the authority, shall be payable solely from revenues or
18 funds pledged or available for their payment as authorized in this
19 chapter. Each bond and note shall contain on its face a statement
20 to the effect that the authority is obligated to pay the principal or
21 interest on the instrument only from revenues or funds of the authority,
22 that neither the state nor a political subdivision of the state is
23 obligated to pay such principal or interest, and that neither the faith
24 and credit nor the taxing power of the state or a political subdivision
25 of the state is pledged to the payment of the principal of or interest
26 on the bond or note.

27 (e) Expenses incurred in carrying out the provisions of this
28 chapter shall be payable from revenues or funds provided or to be
29 provided under the provisions of this chapter, and nothing in this

1 chapter may be construed to authorize the authority to incur any in-
2 debtedness, liability or obligation on behalf of or payable by the
3 state or a political subdivision of the state.

4 Sec. 44.55.060. ISSUANCE OF AUTHORITY BONDS AND NOTES. (a)

5 The authority may issue its bonds or notes in such principal amounts
6 as in the opinion of the authority shall be necessary to provide
7 sufficient funds for any of its corporate purposes, including the
8 making of loans; the payment, funding or refunding of the principal of,
9 or interest or redemption premiums on, bonds or notes issued by it,
10 whether the bonds or notes or interest to be funded or refunded have
11 or have not become due; the establishment or increase of reserves to
12 secure or to pay such bonds or notes or interest, and all other costs
13 or expenses of the authority incident to and necessary or convenient
14 to carry out its corporate purposes and powers.

15 (b) Except as may be otherwise expressly provided in this chapter
16 or by the authority, every issue of bonds or notes shall be general ob-
17 ligations payable out of any revenues or funds of the authority,
18 subject only to agreements with the holders of particular bonds or
19 notes pledging any particular revenues or funds. The authority may
20 issue types of bonds or notes as it may determine, including bonds or
21 notes on which the principal and interest are payable (1) exclusively
22 from the revenues of the authority resulting from municipal bonds
23 purchased or investments made with the proceeds of the bonds or notes;
24 (2) exclusively from the revenues of the authority resulting from
25 certain municipal bonds purchased or investments made, whether or not in
26 whole or in part with the proceeds of the bonds or notes; or (3) from
27 its revenues generally. Bonds or notes of the authority may be
28 additionally secured by a pledge of a grant or contributions from the
29 United States, the state or a political subdivision, or a person,

1 or by a pledge of income, revenues, funds or money of the authority
2 from any source.

3 (c) Notwithstanding the provisions of other law, a bond or note
4 issued under this chapter shall be fully negotiable within the meaning
5 and for all purposes of the Uniform Commercial Code, (AS 45.05) and a
6 holder or owner of such a bond or note, or of any coupon appurtenant to
7 it, by accepting the bond, note or coupon shall be conclusively deemed
8 to have agreed that the bond, note or coupon is and shall be fully
9 negotiable within the meaning and for all purposes of the Uniform
10 Commercial Code.

11 (d) Bonds or notes of the authority shall be authorized by
12 resolution of the authority and shall be secured by a resolution,
13 trust indenture or trust agreement. They may be issued in one or more
14 series and shall bear the date, mature at the time, bear interest at
15 the rate per annum or within such maximum rate, be in the denomination,
16 be in the form, either coupon or registered, carry the conversion or
17 registration privileges, have the rank or priority, be executed in the
18 manner, be payable from the sources in the medium of payment at the
19 place within or outside the state, and be subject to the terms of
20 redemption (with or without premium), as the resolution of the authority
21 may provide.

22 (e) Bonds or notes of the authority may be sold at public sale at
23 a price the authority shall determine. Every bond shall mature and
24 be paid not later than 50 years from its date, and every note shall
25 mature and be paid not later than five years from its date.

26 (f) The authority may issue its notes as provided under this
27 chapter and may pay and retire, or fund or refund, the notes from
28 proceeds of bonds or of other notes, or from any other funds or money
29 of the authority available or to be made available for the purpose in

1 accordance with a contract between the authority and holders of the
2 notes. Unless provided otherwise in a contract between the authority
3 and holders of notes, and unless such notes shall have been otherwise
4 paid, funded or refunded, the proceeds of bonds of the authority
5 issued, among other things, to fund the outstanding notes, shall be
6 held, used and applied by the authority to the payment and retirement
7 of the principal of the notes and the interest due and payable on
8 the notes.

9 Sec. 44.55.070. CONTENTS OF BOND RESOLUTION, TRUST AGREEMENT OR
10 TRUST INDENTURE. In addition to its other powers, in a resolution of
11 the authority authorizing or relating to the issuance of bonds or
12 notes, and in the resolution, trust agreement or trust indenture secur-
13 ing the bonds or notes, the authority shall have power by provisions
14 in the resolution, trust agreement or trust indenture which shall
15 constitute covenants by the authority and contracts with the holders
16 of the bonds or notes

17 (1) to pledge to any payment or purpose all or any part of
18 its revenues to which its right then exists or may thereafter come
19 into existence, and the money derived from the revenues, and the pro-
20 ceeds of any bonds or notes;

21 (2) to covenant against pledging all or any part of its
22 revenues, or against permitting or suffering a lien on the revenues
23 or its property;

24 (3) to covenant as to the use and disposition of any and
25 all payments of principal or interest received by the authority on
26 municipal bonds or other investments held by the authority;

27 (4) to covenant as to establishment of reserves or sinking
28 funds and the making of provision for and the regulation and disposition
29 of the reserves or sinking funds;

1 (5) to covenant with respect to or against limitations on
2 a right to sell or otherwise dispose of property of any kind;

3 (6) to covenant as to bonds and notes to be issued, and
4 their limitations, terms and conditions, and as to the custody,
5 application and disposition of the proceeds of the bonds and notes;

6 (7) to covenant as to the issuance of additional bonds or
7 notes, or as to limitations on the issuance of additional bonds or
8 notes and the incurring of other debts by it;

9 (8) to covenant as to the payment of the principal of or
10 interest on the bonds or notes, as to the sources and methods of the
11 payment, as to the rank or priority of the bonds or notes with respect
12 to a lien or security, or as to the acceleration of the maturity of the
13 bonds or notes;

14 (9) to provide for the replacement of lost, stolen, destroyed
15 or mutilated bonds or notes;

16 (10) to covenant against extending the time for the payment
17 of bonds or notes or interest on the bonds or notes;

18 (11) to covenant as to the redemption of bonds or notes and
19 privileges of their exchange for other bonds or notes of the authority;

20 (12) to covenant as to any charges to be established and
21 charged, the amount to be raised each year or other period of time by
22 charges or other revenues, and as to the use and disposition to be
23 made of the charges or other revenues;

24 (13) to covenant to create or authorize the creation of
25 special funds or money to be held in pledge or otherwise for operating
26 expenses, payment or redemption of bonds or notes, reserves or other
27 purposes, and as to the use and disposition of the money held in the
28 funds;

29 (14) to establish the procedure, if any, by which the terms

1 of any contract or covenant with or for the benefit of the holders of
2 bonds or notes may be amended or abrogated, the amount of bonds or
3 notes the holders of which must consent to amendment or abrogation,
4 and the manner in which the consent may be given;

5 (15) to covenant as to the custody of any of its properties
6 or investments, their safekeeping and insurance, and the use and dis-
7 position of insurance money;

8 (16) to covenant as to the time or manner of enforcement or
9 restraint from enforcement of any rights of the authority arising by
10 reason of or with respect to nonpayment of any principal or interest
11 of any municipal bonds;

12 (17) to provide for the rights and liabilities, powers and
13 duties arising upon the breach of any covenant, condition or obligation,
14 and to prescribe the events of default and the terms and conditions
15 upon which any or all the bonds, notes or other obligations of the
16 authority shall become or may be declared due and payable before
17 maturity and the terms and conditions upon which any such declaration
18 and its consequences may be waived;

19 (18) to vest in a trustee or trustees within or outside the
20 state such property, rights, powers and duties in trust as the authority
21 may determine, which may include any or all of the rights, powers and
22 duties of any trustee appointed by the holders of any bonds or notes,
23 and to limit or abrogate the right of the holders of any bonds or notes
24 of the authority to appoint a trustee under this chapter or limit the
25 rights, powers and duties of the trustee;

26 (19) to pay the costs or expenses incident to the enforce-
27 ment of the bonds or notes or of the provisions of the resolution or
28 of any covenant or agreement of the authority with the holders of its
29 bonds or notes;

1 (20) to agree with any corporate trustee which may be any
2 trust company or bank having the powers of a trust company within or
3 without the state as to the pledging or assigning of revenues or
4 funds to which or in which the authority has any rights or interest;
5 the agreement may further provide for such other rights and remedies
6 exercisable by the trustee as may be proper for the protection of the
7 holders of any bonds or notes of the authority and not otherwise in
8 violation of law and may provide for the restriction of the rights of
9 an individual holder of bonds or notes of the authority;

10 (21) to appoint and provide for the duties and obligations
11 of a paying agent or paying agents, or such other fiduciaries as the
12 resolution may provide within or outside the state;

13 (22) to limit the rights of the holders of any bonds or
14 notes to enforce any pledge or covenant securing bonds or notes;

15 (23) to make covenants other than and in addition to the
16 covenants expressly authorized in this section, of like or different
17 character, and to make such covenants to do or refrain from doing
18 such acts and things as may be necessary, or convenient and desirable,
19 in order to better secure bonds or notes or which, in the absolute
20 discretion of the authority, will tend to make bonds or notes more
21 marketable, notwithstanding that the covenants, acts or things may not
22 be enumerated in this section.

23 Sec. 44.55.080. PLEDGE OF REVENUES OR OTHER MONEY. A pledge of
24 revenues or other money made by the authority shall be valid and
25 binding from the time when the pledge is made; the revenues or other
26 money so pledged and thereafter received by the authority shall im-
27 mediately be subject to the lien of the pledge without any physical
28 delivery of the revenues or money, or further act, and the lien of the
29 pledge shall be valid and binding as against all parties having claims

1 of any kind in tort, contract or otherwise against the authority, ir-
2 respective of whether the parties have notice of the lien. Neither
3 the resolution nor any other instrument by which a pledge is created
4 need be filed or recorded except in the records of the authority.

5 Sec. 44.55.090. ALASKA MUNICIPAL BOND AUTHORITY RESERVE FUND.

6 (a) The authority shall maintain a special fund called the "Alaska
7 Municipal Bond Authority Reserve Fund" in which there shall be de-
8 posited (1) all money appropriated by the legislature for the purpose
9 of the fund, (2) all proceeds of bonds required to be deposited in
10 the fund by terms of any contract between the authority and its bond-
11 holders or any resolution of the authority with respect to the proceeds,
12 and (3) any other money or funds of the authority which it determines to
13 deposit in the fund. Money in the reserve fund shall be held and
14 applied solely to the payment of the interest on and principal of bonds
15 of the authority as the interest and principal become due and payable
16 and for the retirement of bonds. Money shall not be withdrawn from
17 the fund if a withdrawal would reduce the amount in the fund to
18 an amount equal to less than the "maximum debt service reserve" (as
19 defined in this section), except for payment of interest then due and
20 payable on bonds and the principal of bonds then maturing and payable
21 and for the retirement of bonds in accordance with the terms of a con-
22 tract between the authority and its bondholders and for the payments
23 on account of which interest or principal or retirement of bonds other
24 money of the authority are not then available in accordance with the
25 terms of the contract. In this subsection "maximum debt service reserve"
26 means, as of any date of computation, the largest amount of money
27 required by the terms of all contracts between the authority and its
28 bondholders to be raised in any succeeding calendar year for the
29 payment of interest on and maturing principal of outstanding bonds and

1 payments required by the terms of the contracts to sinking funds es-
2 tablished for the payment or redemption of the bonds, all calculated on
3 the assumption that bonds will cease to be outstanding after the date
4 of the computation by reason of the payment of bonds at their respective
5 maturities and the payments of the required money to sinking funds and
6 the application of the money in accordance with the terms of the
7 contracts to the retirement of bonds.

8 (b) Money in the reserve fund at any time in excess of the maxi-
9 mum debt service reserve, whether by reason of investment or otherwise,
10 may be withdrawn at any time by the authority and transferred to any
11 other fund or account of the authority.

12 (c) Money at any time in the reserve fund may be invested in any
13 direct obligation of, or obligations as to which principal and interest
14 is guaranteed by, the United States, the state or a political subdivi-
15 sion.

16 (d) For purposes of valuation, investments in the reserve fund
17 shall be valued at the lowest of the par value, cost to the authority,
18 or market value of the investments. Valuation on any particular date
19 shall include the amount of interest then earned or accrued to that
20 date on any money or investments in the reserve fund.

21 (e) Notwithstanding other provisions of this chapter, no bonds
22 may be issued by the authority unless there is in the reserve fund the
23 maximum debt service reserve for all bonds then issued and outstanding
24 and the bonds about to be issued, provided that nothing prevents or
25 precludes the authority from satisfying the foregoing requirement by
26 depositing so much of the proceeds of the bonds about to be issued,
27 upon their issuance, as is needed to achieve the maximum debt service
28 reserve. The authority may at any time issue its bonds or notes for
29 the purpose of providing any amount necessary to increase the amount

1 in the reserve fund to the maximum debt service reserve, or to meet
2 such higher or additional reserve as may be fixed by the authority
3 with respect to the fund.

4 (f) In order to assure the maintenance of the maximum debt service
5 reserve in the reserve fund, there is authorized to be appropriated
6 annually and paid to the authority for deposit in the fund, such sum,
7 if any, as shall be certified by the chairman of the authority to the
8 governor as necessary to restore the fund to an amount equal to the
9 maximum debt service reserve. The chairman shall annually, on or
10 before December 1, deliver to the governor his certificate stating the
11 sum, if any, required to restore the fund to that amount, and the sum
12 so certified is authorized to be appropriated and paid to the authority
13 during the then current state fiscal year.

14 Sec. 44.55.100. AUTHORITY GENERAL FUND. (a) The authority
15 shall maintain a fund called the "General Fund" in which there shall
16 be deposited (1) fees or charges made by the authority for use of
17 its services or facilities; (2) any money which the authority transfers
18 to the fund from the reserve fund under sec. 90(b) of this chapter;
19 (3) money received by the authority as payments of principal of or
20 interest on municipal bonds purchased by the authority, received as
21 proceeds of sale of municipal bonds or investment obligations of the
22 authority, or received as proceeds of sale of bonds or notes of the
23 authority and required under the terms of any resolution, trust agree-
24 ment, trust indenture or other contract with the holders of its bonds
25 or notes to be deposited in the fund; (4) any money required under
26 the terms of any resolution, trust agreement or trust indenture of the
27 authority or other contract with the holders of its bonds or notes to
28 be deposited in the fund; and (5) any money transferred to the fund
29 from another fund, appropriated by the legislature for the purpose of

1 the fund, or made available for the operating expenses of the authority.

2 (b) Money in the general fund may, subject to any contracts
3 between the authority and its bondholders or noteholders, be transferred
4 to the reserve fund, or if not so transferred, shall be used for the
5 payment of the principal of or interest on bonds or notes of the author-
6 ity when the principal or interest shall become due and payable,
7 whether at maturity or upon redemption, including but not limited to
8 payment of any premium upon redemption prior to maturity. In addition,
9 money in the general fund may be used for the purchase of municipal
10 bonds and for all other purposes of the authority including but not
11 limited to payment of its operating expenses.

12 Sec. 44.55.110. ALASKA MUNICIPAL BOND GUARANTEE FUND. (a) The
13 authority shall maintain a special fund called the "Alaska Municipal
14 Bond Guarantee Fund" in which there shall be deposited all money ap-
15 propriated by the legislature for the purpose of the fund and any
16 other money of the authority which it determines to deposit in the
17 fund. Money in the fund shall be held and applied solely to further
18 guarantee and provide an additional pledge of payment of all bonds and
19 notes of political subdivisions issued before or on or after the effec-
20 tive date of this Act.

21 (b) Upon being informed by the chief executive of a political
22 subdivision that a municipal bond debt service payment may not be met,
23 the authority shall make payment directly to the pertinent paying agent
24 in the name of the political subdivision if such payment is necessary
25 to avoid a default. The payment shall be considered, to the extent of
26 the payment, a transfer of indebtedness from the holder of the debt
27 instrument in respect of which payment was made to the authority and
28 shall be reimbursed to the authority as provided in (c) of this section.

29 (c) Upon making a payment under (b) of this section, the authority

1 shall notify the Departments of Administration and Revenue that a debt
2 of a political subdivision has been paid by the authority. The authority
3 shall be reimbursed by the state from funds appropriated for allocation,
4 but not yet paid, to the political subdivision, notwithstanding any
5 other provision of law. However, a tax which is dedicated on the
6 effective date of this Act and is allocated to political subdivisions
7 in accordance with the dedication shall not be applied to reimburse-
8 ment of the authority under this subsection. Other appropriations for
9 allocation to political subdivisions shall recite the condition
10 of this subsection that funds allocated may be used to reimburse the
11 authority for payments it is required to make under (b) of this section.

12 (d) Upon making a payment under (b) of this section, the
13 authority may require that the bond covenants of the debt instrument in
14 respect of which payment was made be fully implemented to cure the condi-
15 tion of default which would have existed except for the authority's
16 making payment for the political subdivision. To enforce compliance
17 with this requirement, the authority may institute appropriate legal
18 and administrative proceedings and assess costs of enforcing compliance
19 against the political subdivision.

20 (e) Money in the guarantee fund which exceeds at any time five
21 per cent of the total bonded debt of all political subdivisions, as
22 of the prior calendar year, whether by reason of investment or other-
23 wise, may be withdrawn by the authority and transferred to another
24 fund or account of the authority.

25 (f) Money in the guarantee fund may be invested at any time in
26 direct obligations of, or obligations on which the principal and
27 interest is guaranteed by, the United States, the state, or a political
28 subdivision.

29 (g) For the purpose of valuation, investments of the guarantee

1 fund shall be valued at the lowest of (1) the par value, (2) cost to
2 the authority, or (3) market value of the investments. Valuation on a
3 particular date shall include the amount of interest earned or accrued
4 to that date on any amount or investment of the guarantee fund.

5 (h) In order to assure the maintenance of the guarantee fund,
6 there is authorized to be appropriated annually and paid to the author-
7 ity for deposit in the fund, such sum, if any, as shall be certified
8 by the chairman of the authority to the governor as necessary to restore
9 the fund to an amount equal to five per cent of the total of bonded
10 debt of all political subdivisions outstanding as of the prior calendar
11 year. The chairman shall annually, on or before December 1, make and
12 deliver to the governor his certificate stating the sum, if any, re-
13 quired to restore the fund to that amount, and the sum or sums so
14 certified are authorized to be appropriated and paid to the authority
15 during the then current state fiscal year.

16 Sec. 44.55.120. PERMANENT CAPITAL FUND. (a) There is established
17 in the authority a special fund called the "Permanent Capital Fund",
18 in which there shall be deposited appropriations by the legislature
19 for the purpose of the fund and any other money or funds of the
20 authority which it determines to deposit in the fund. There is autho-
21 rized as an initial appropriation to the fund the sum of \$50,000,000.

22 (b) An amount not to exceed five per cent of the total bonded
23 debt of all political subdivisions, as of the prior fiscal year, may
24 be advanced from the permanent capital fund to the guarantee fund if
25 funds sufficient to satisfy that amount are not appropriated to the
26 guarantee fund by the legislature. The advance shall be reimbursed
27 to the permanent capital fund from amounts which may be subsequently
28 appropriated by the legislature to the guarantee fund.

29 (c) Principal of the permanent capital fund shall be utilized

1 by the authority for the purchase of bonds offered for sale by a
2 political subdivision. At least one-third of amounts appropriated by
3 the legislature to the fund shall be utilized for purchase of such
4 bonds which are offered by political subdivisions having a population
5 in each case of 2,500 or less as determined by the latest figures of
6 the United States Bureau of the Census or other reliable data. Bids
7 for purchase shall be made by the authority at an interest rate of
8 six per cent a year or at a rate 25 basis points below that shown in
9 the Bond Buyer's Index for 20 bonds, whichever is the lower rate.
10 The authority may also utilize principal in the fund to negotiate
11 purchase of municipal bonds at the same rate of interest if such
12 negotiation will further the purposes of the authority.

13 (d) Interest earnings from the permanent capital fund and from
14 bonds purchased from principal of the fund may be utilized to meet
15 operating expenses of the authority, costs of debt service of authority
16 bonds, reserve commitments, and increase of capital in the permanent
17 capital fund, in that order.

18 Sec. 44.55.130. ADDITIONAL FUNDS OR ACCOUNTS. The authority may
19 establish such additional and further reserves or such other funds or
20 accounts as may in its discretion be necessary or desirable to further
21 the accomplishment of the purposes of the authority or to comply with
22 the provisions of any agreement made by or resolution of the authority.

23 Sec. 44.55.140. NO LIABILITY ON BONDS OR NOTES. Neither the
24 members of the authority nor any person executing bonds or notes issued
25 under this chapter is liable personally on the bonds or notes by reason
26 of their issuance.

27 Sec. 44.55.150. PLEDGE OF STATE. The state pledges to and agrees
28 with the holders of the bonds or notes issued under the authority of
29 this chapter that the state will not limit or restrict the rights

1 vested in the authority to purchase, acquire, hold, sell or dispose
2 of municipal bonds or other investments, make loans to political
3 subdivisions, to establish and collect such fees or other charges as
4 may be convenient or necessary to produce sufficient revenues to meet
5 the expenses of operation of the authority, or fulfill the terms of any
6 agreements made with the holders of its bonds or notes authorized by
7 this chapter, or in any way impair the rights or remedies of the holders
8 of the bonds or notes until the bonds and notes, together with interest
9 on the bonds and notes, and interest on any unpaid installments of
10 interest, and all costs and expenses in connection with any action or
11 proceedings by or on behalf of such holders, are fully met, paid and
12 discharged.

13 Sec. 44.55.160. LEGAL INVESTMENTS. (a) Notwithstanding any
14 restriction of other law, the state and all public officers, political
15 subdivisions and agencies of the state, all banks, trust companies,
16 savings banks and institutions, building and loan associations, savings
17 and loan associations, investment companies, and other persons
18 carrying on a banking business, all insurance companies, insurance
19 associations and other persons carrying on an insurance business, and
20 all executors, administrators, guardians, trustees and other
21 fiduciaries, may legally invest any sinking funds, money or other
22 funds belonging to them or within their control in any bonds or notes
23 issued under this chapter and such bonds or notes shall be authorized
24 security for any and all public deposits.

25 (b) Notwithstanding any other provision of law, state funds
26 deposited in a bank may be secured by bonds or notes of the authority
27 and bonds or notes of a political subdivision deposited with the
28 Department of Revenue as collateral security, the aggregate market
29 value of which is at least equal to 50 per cent of the funds deposited.

1 Sec. 44.55.170. TAX EXEMPTION. All property of the authority is
2 hereby declared to be public property devoted to an essential public
3 and governmental function and purpose and shall be exempt from all
4 taxes and special assessments of the state or a political subdivision.
5 All bonds or notes issued under this chapter are hereby declared to
6 be issued by a body corporate and public of the state and for an
7 essential public and governmental purpose, and the bonds and notes,
8 and the interest and income on and from the bonds and notes, and all
9 fees, charges, funds, revenues, income and other money pledged or
10 available to pay or secure the payment of the bonds or notes, or
11 interest on the bonds or notes, shall be exempt from taxation except
12 for transfer, inheritance and estate taxes.

13 Sec. 44.55.180. EXEMPTION FROM LEVY. All property of the
14 authority shall be exempt from levy and sale by virtue of an execution,
15 and no execution or other judicial process may issue against the pro-
16 perty. A judgment against the authority may not be a charge or lien
17 upon its property; however, nothing in this section applies to or
18 limits the rights of the holder of bonds or notes to pursue a remedy
19 for the enforcement of a pledge or lien given by the authority on its
20 revenues or other money.

21 Sec. 44.55.190. FEDERAL INSURANCE OR GUARANTY. The authority may
22 obtain from a department or agency of the United States any insurance
23 or guaranty (to the extent available on or after the effective date of
24 this Act) as to, of, or for the payment or repayment of, interest or
25 principal, or both, or any part of principal and interest, on bonds or
26 notes issued by the authority, or municipal bonds purchased or held by
27 the authority and, notwithstanding other provisions of this chapter,
28 to enter into an agreement or contract with respect to such insurance
29 or guaranty except to the extent that the agreement or contract would

1 impair or interfere with the ability of the authority to perform and
2 fulfill the terms of an agreement made with the holders of the bonds or
3 notes of the authority.

4 Sec. 44.55.200. ACT TO CONTROL. It is the intent of the
5 legislature that if there is a conflict or inconsistency in the pro-
6 visions of this chapter with the provisions of other statutes, or in
7 any rules and regulations adopted under this chapter or under other
8 statutes, to the extent of the conflict or inconsistency the provisions
9 of this chapter shall be enforced and the provisions of the other
10 statutes, and rules and regulations adopted under them, shall be of no
11 force and effect.

12 Sec. 44.55.210. ANNUAL REPORT AND AUDIT. On or before the last
13 day of September of each year the authority shall make an annual
14 report of its activities for the preceding fiscal year to the
15 governor and to the legislature. The report shall set out a complete
16 operating and financial statement covering its operations during the
17 year. The authority shall cause an audit of its books and accounts
18 to be made at least once in each year by the legislative auditor or by
19 a certified public accountant approved by the legislative auditor.

20 Sec. 44.55.220. ANNUAL AUTHORITY BUDGET. (a) Not later than
21 May 1 of each year the authority shall prepare and file in the office
22 of the governor a preliminary budget of its operating expenses for the
23 following year. The preliminary budget and every annual budget shall
24 be prepared on the basis of monthly requirements so that it will be
25 possible to determine from the budget the operating expenses for each
26 month of the year. The preliminary budget shall set out the general
27 categories of expected expenditures and the amount on account of each,
28 and it shall include also provision or reserve for contingencies and
29 for overexpenditures. The preliminary budget and an annual budget may

1 set out additional material as the authority may determine.

2 (b) On or before June 1 of each year the authority shall finally
3 adopt the annual budget for the following year. The total expenditures
4 stated in a division of the annual budget shall not exceed the total
5 expenditures in the corresponding division of the preliminary budget.
6 Copies of the annual budget certified by the chairman of the authority
7 shall be promptly filed with the governor and the legislative auditor,
8 and the annual budget shall not be effective until so filed.

9 (c) If for any reason the authority has not adopted the annual
10 budget on or before June 1, the preliminary budget for the following
11 fiscal year, if it is approved by the governor, or otherwise the
12 budget for the preceding year, shall be considered to be in effect
13 for the year until the annual budget for the year is adopted.

14 (d) The authority may at any time adopt an amended annual budget
15 for the then current calendar year, but no amended annual budget may
16 supersede a prior budget until it is approved by the governor as
17 reasonable and necessary and filed as required in the case of the
18 annual budget.

19 Sec. 44.55.230. TECHNICAL SERVICES BY LOCAL AFFAIRS AGENCY. The
20 Local Affairs Agency may undertake at the request of the authority
21 to supply such investigatory services, appraisals and evaluations with
22 respect to a political subdivision as shall be requested by the
23 authority in connection with a loan to the political subdivision or
24 purchase of bonds or notes of the political subdivision. The cost
25 and expense of such services shall be met and provided for by the
26 authority.

27 Sec. 44.55.240. SECURITY FOR CONTRACTS. The authority may enter
28 into such agreements or contracts with any banks, trust companies,
29 banking or financial institutions within or outside the state as may

1 be necessary, desirable or convenient in the opinion of the authority
2 for rendering services to the authority in connection with the care,
3 custody or safekeeping of municipal bonds or other investments held
4 or owned by the authority, the payment or collection of amounts due
5 and payable as to principal or interest, and the delivery to the
6 authority of municipal bonds or other investments purchased by it or
7 sold by it, and to pay the cost of such services. The authority may,
8 in connection with any service to be rendered as to the custody and
9 safekeeping of any of its municipal bonds or investments, require
10 security in the way of collateral bonds, surety agreements or security
11 agreements in the form and in the amount as in the opinion of the
12 authority is necessary or desirable for the purpose of the authority.

13 Sec. 44.55.250. ESTOPPEL AS TO BONDS OR NOTES. After issuance,
14 all bonds or notes of the authority shall be conclusively presumed
15 to be fully authorized and issued by all the laws of the state, and a
16 person or political subdivision shall be estopped from questioning
17 their authorization, sale, issuance, execution or delivery by the
18 authority.

19 Sec. 44.55.260. AUTHORITY FINANCIAL ADVISORY SERVICES. The
20 authority may render financial advisory services to a political sub-
21 division in connection with a public or private sale of its municipal
22 bonds and charge for the services on the basis of the amount of
23 municipal bonds to be sold or issued or on the basis of the time or
24 effort required in connection with the services. Such services may
25 include but are not limited to any matter of securing or improving
26 credit ratings provided by a public or private credit rating agency or
27 service, advice as to desirable methods of offering municipal bonds for
28 sale, the time and holding of the sale, advice in the preparation of
29 an official statement, offering circular or advertisement with respect

1 to the municipal bonds, and may include other matters desirable in
2 connection with the sale. The services by the authority shall not
3 include rendering of accounting, architectural, engineering, legal or
4 other professional services or advice not authorized in this section.

5 ARTICLE 3. GENERAL PROVISIONS.

6 Sec. 44.55.270. DEFINITIONS. In this chapter, unless the context
7 requires otherwise

8 (1) "authority" means the Alaska Municipal Bond Authority;

9 (2) "bonds" means bonds of the authority issued under this
10 chapter;

11 (3) "general fund" means the fund established as provided in
12 sec. 100 of this chapter;

13 (4) "guarantee fund" means the Alaska Municipal Bond
14 Guarantee Fund established as provided in sec. 110 of this chapter;

15 (5) "municipal bond" means a bond or note or evidence of
16 indebtedness which a political subdivision is empowered to issue,
17 including but not limited to general obligation and revenue bonds;

18 (6) "notes" means any notes of the authority issued under
19 this chapter;

20 (7) "political subdivision" means a city or organized borough
21 of any class, whether home rule or otherwise, and includes but is not
22 limited to a unified municipality organized under AS 29.85;

23 (8) "public body" means a public body corporate and politic,
24 established before or after the effective date of this Act, under any
25 law of the state;

26 (9) "reserve fund" means the Alaska Municipal Bond Authority
27 Reserve Fund established as provided in sec. 90 of this chapter;

28 (10) "revenues" means all fees, charges, money, profits,
29 payments of principal of or interest on municipal bonds and other

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investments, gifts, contributions, appropriations and all other income derived or to be derived by the authority under this chapter.

Sec. 44.55.280. SHORT TITLE. This chapter may be cited as the Alaska Municipal Bond Authority Act.

* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.