

Offered: 1/24/75
Referred: Community &
Regional Affairs and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

CS HOUSE BILL NO. 72 *am*

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act creating the Alaska Municipal Bond Bank

7

Authority and prescribing its organization, powers and

8

duties; and providing for an effective date."

9

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

10

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

11

CHAPTER 58. ALASKA MUNICIPAL BOND BANK AUTHORITY.

12

Sec. 44.58.005. LEGISLATIVE FINDINGS. The legislature finds

13

that

14

(1) the rapid growth of municipalities in the state and the incorporation of new municipalities has created a demand for capital improvements which can only be met by these municipalities' borrowing money through the issuance of bonds or notes;

15

16

17

18

(2) many of these municipalities, although creditworthy, either have not issued bonds or notes or have little outstanding debt;

19

20

21

(3) the cost of borrowed money to these municipalities is or may be unnecessarily high due to lack of investor familiarity with the municipalities;

22

23

24

25

26

27

(4) other municipalities in the state pay unnecessarily high borrowing costs because of the distance of the state from capital markets or may find borrowing difficult or impossible because of temporary economic dislocation due to loss of employment or prospective loss of employment.

28

29

Sec. 44.58.010. LEGISLATIVE POLICY. (a) It is the policy of the state

1 (1) to foster and promote by all reasonable means the
2 provision of adequate capital markets and facilities for borrowing
3 money by municipalities in the state to finance capital improvements
4 or for other authorized purposes, to assist these municipalities in
5 fulfilling their capital needs and requirements by use of borrowed
6 money within statutory interest rate or cost of borrowing limitations,
7 to the greatest extent possible to reduce costs of borrowed money to
8 taxpayers and residents of the state, and equally to encourage continued
9 investor interest in the purchase of bonds or notes of municipalities
10 as sound and preferred securities for investment;

11 (2) to encourage municipalities to continue their independent
12 undertakings and financing of capital improvements and other authorized
13 purposes and to assist them by making capital funds available at
14 reduced interest costs for orderly financing of capital improvements
15 and other purposes especially during periods of restricted credit or
16 money supply, particularly for those municipalities not otherwise able
17 to borrow for capital needs.

18 (b) The legislature further declares that

19 (1) the exercise of the powers of the state in the interest
20 of its municipalities is required to further and implement the policies
21 declared in (a) of this section by authorizing the creation of a state
22 bond bank authority as a body corporate and politic that will have
23 full powers to borrow money and to issue its bonds and notes to make
24 capital funds available for borrowing by municipalities and by granting
25 broad powers to the bond bank authority to carry out the declared
26 policies which are in the public interest of the state and its taxpayers
27 and residents;

28 (2) state funds should be applied or authorized to be paid
29 to a state bond bank authority only to provide adequate assurance and

1 security to the holders of the bonds or notes of the bond bank authority;

2 (3) the bond bank authority should conduct its operations
3 to provide the lowest rates in terms of borrowing to municipalities as
4 is consistent with a self-supporting operation with no expectation of
5 subsidization with state funds.

6 Sec. 44.58.020. MUNICIPAL BOND BANK AUTHORITY. There is created
7 the Alaska Municipal Bond Bank Authority. The authority is a public
8 corporation of the state. The corporation is an instrumentality of
9 the state within the Department of Revenue but has a legal existence
10 independent of and separate from the state and has continuing succession
11 until its existence is terminated by law. The exercise by the authority
12 of the powers conferred by this chapter is considered an essential
13 governmental function of the state.

14 Sec. 44.58.030. MEMBERSHIP AND VACANCIES. The bond bank authority
15 consists of the following five directors: the commissioner of revenue,
16 the commissioner of community and regional affairs, who shall each be
17 a director ex officio with voting privileges, and three directors
18 appointed by the governor. The appointment of each director other
19 than the commissioner of revenue and the commissioner of community and
20 regional affairs is subject to confirmation by the legislature. The
21 three directors appointed by the governor serve at his pleasure for
22 four-year terms. They must be residents of the state and qualified
23 voters at the time of appointment. The directors first appointed
24 shall have terms of two, three and four years respectively. Each
25 director shall hold office for the term of his appointment and until
26 his successor has been appointed and qualified. A director is eligible
27 for reappointment. A vacancy in a directorship occurring other than by
28 expiration of term shall be filled in the same manner as the original
29 appointment but for the unexpired term only. Each director before

1 entering upon his duties shall take and subscribe to an oath to perform
2 the duties of his office faithfully, impartially, and justly to the
3 best of his ability. A record of the oath shall be filed in the
4 office of the governor.

5 Sec. 44.58.040. OFFICERS AND QUORUM. The directors shall elect
6 one of their number as chairman. The directors shall elect a secretary
7 and a treasurer who need not be directors, and the same person may be
8 elected to serve both as secretary and treasurer. The powers of the
9 bond bank authority are vested in the directors, and three directors
10 of the bond bank authority constitute a quorum. Action may be taken
11 and motions and resolutions adopted by the bond bank authority at any
12 meeting by the affirmative vote of at least three directors. A vacancy
13 in the directorship of the bond bank authority does not impair the
14 right of a quorum to exercise all the powers and perform all the
15 duties of the bond bank authority.

16 Sec. 44.58.050. BONDING OF MEMBERS. Before the issuance of
17 bonds or notes under this chapter, each director shall execute a
18 surety bond in the penal sum of \$25,000 and the treasurer shall execute
19 a surety bond in the penal sum of \$50,000. Each surety bond shall be
20 conditioned upon the faithful performance of the duties of the office
21 of the director or treasurer, to be executed by a surety company
22 authorized to transact business in the state as surety and filed in
23 the office of the lieutenant governor. After issuance of bonds or
24 notes by the bond bank authority each director shall maintain his
25 surety bond in force. All costs of the surety bonds shall be borne by
26 the bond bank authority.

27 Sec. 44.58.060. COMPENSATION AND EXPENSES. The directors of the
28 bond bank authority shall serve without compensation, but the bond
29 bank authority shall reimburse its directors for actual expenses

1 necessarily incurred in the discharge of their duties. Notwithstanding
2 any other law, an officer or employee of the state shall forfeit his
3 office or employment and any benefits by reason of his acceptance of
4 appointment to the office of director of the bond bank authority.

5 Sec. 44.58.070. STAFF. The bond bank authority shall employ an
6 executive secretary who may with the approval of the bond bank authority
7 select and employ additional staff as necessary. Employees and agents
8 of the bond bank authority other than legal counsel and the executive
9 secretary are in the classified service under AS 39.25. In addition
10 to its staff of regular employees, the bond bank authority may contract
11 for and engage the services of the bond counsel, consultants, experts,
12 and financial advisors the bond bank authority considers necessary for
13 the purpose of developing information, or conducting studies, investi-
14 gations, hearings or other proceedings.

15 Sec. 44.58.080. CONFLICT OF INTEREST. No officer, employee or
16 agent of the bond bank authority may have an interest, direct or
17 indirect, in any contract or proposed contract for services or materials
18 to be furnished to or used by the bond bank authority, other than for
19 his contract of appointment or employment. Neither the holding of an
20 office or employment in the government of the state or of a political
21 subdivision nor employment or interest in a private banking or financial
22 business or enterprise is a disqualifying interest per se. No director
23 appointed may be considered by reason of his employment or interest in
24 a private banking or financial business or enterprise to have a disquali-
25 fying interest per se. This section is not applicable to personnel
26 whose services are purchased by the bond bank authority on an independent
27 contract basis.

28 Sec. 44.58.090. POWERS OF BOND BANK AUTHORITY. The bond bank
29 authority may

- 1 (1) sue and be sued;
- 2 (2) adopt and alter an official seal;
- 3 (3) make and enforce bylaws and rules for the conduct of
4 its business and for the use of its services and facilities;
- 5 (4) maintain an office at any place in the state;
- 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 and provide for and secure their payment, provide for the rights of
12 their holders and purchase, hold and dispose of any of its bonds or
13 notes;
- 14 (8) fix and revise from time to time and charge and collect
15 fees and charges for the use of its services or facilities;
- 16 (9) accept gifts or grants from the United States, or from
17 any governmental unit or person, firm or corporation, carry out the
18 terms or provisions or make agreements with respect to the gifts or
19 grants, and do all things necessary, useful, desirable, or convenient
20 in connection with procuring, accepting or disposing of the gifts or
21 grants;
- 22 (10) do anything authorized by this chapter, through its
23 officers, agents or employees or by contracts with a person;
- 24 (11) make, enter into and enforce all contracts necessary,
25 convenient or desirable for the purposes of the bond bank authority or
26 pertaining to a loan to a political subdivision, a purchase or sale of
27 municipal bonds or other investments, or the performance of its duties
28 and execution of any of its powers under this chapter;
- 29 (12) purchase or hold municipal bonds at prices and in a

1 manner the bond bank authority considers advisable, and sell municipal
2 bonds acquired or held by it at prices without relation to cost and in
3 a manner the bond bank authority considers advisable;

4 (13) invest funds or money of the bond bank authority not
5 required at the time of investment for loan to political subdivisions
6 for the purchase of municipal bonds, in the same manner as permitted
7 for investment of funds belonging to the state, except as otherwise
8 provided in this chapter;

9 (14) prescribe the form of application or procedure required
10 of a political subdivision for a loan or purchase of its municipal
11 bonds, fix the terms and conditions of the loan or purchase, and enter
12 into agreements with political subdivisions with respect to loans or
13 purchases;

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

17 (16) charge for its costs and services in review or consid-
18 eration of a proposed loan to a political subdivision or purchase by
19 the bond bank authority of municipal bonds of the political subdivision,
20 whether or not the loan is made or the municipal bonds purchased;

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

27 (18) procure insurance against any losses in connection with
28 its property, operations or assets in amounts and from insurers as it
29 considers desirable;

1 (19) to the extent permitted under its contracts with the
2 holders of bonds or notes of the bond bank authority, consent to
3 modification of the rate of interest, time and payment of installment
4 of principal or interest, security or any other term of a bond or
5 note, contract or agreement of any kind to which the bond bank authority
6 is a party; and

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

10 Sec. 44.58.100. LIMITATIONS. Under this chapter the bond bank
11 authority may not

12 (1) make loans of money to a person, firm or corporation
13 other than a municipality or purchase securities issued by a person,
14 other than a municipality except for investment as provided in this
15 chapter;

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

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

25 (4) be or constitute a bank, banker or dealer in securities
26 within the meaning of or subject to the provisions of securities,
27 securities exchange, or securities dealers law, of the United States
28 or of this state or of another state.

29 Sec. 44.58.110. ANNUAL REPORT AND AUDIT. Before October 1 of

1 each year the bond bank authority shall make a report of its activities
2 for the preceding fiscal year to the governor and to the legislature.
3 The report shall set out a complete operating and financial statement
4 covering its operations during the year. The bond bank authority
5 shall have an audit of its books and accounts made at least once in
6 each year by certified public accountants and the cost of the audit
7 shall be considered an expense of the bond bank authority and a copy
8 of the audit shall be filed with the commissioner of revenue.

9 Sec. 44.58.120. ANNUAL BUDGET. (a) Not later than January 1 of
10 each year the bond bank authority shall adopt an annual budget for the
11 succeeding fiscal year. The budget shall set out the general categories
12 of expected expenditures and the amount on account for each and shall
13 include a provision or reserve for contingencies and overexpenditures
14 as well as any additional material that the bond bank authority may
15 determine. Copies of the annual budget certified by the chairman of
16 the bond bank authority shall be promptly filed with the commissioner
17 of revenue and the director of the division of budget and management
18 in the Department of Administration. The annual budget is not effective
19 until filed.

20 (b) The bond bank authority may at any time adopt an amended
21 annual budget for the current fiscal year, but the amended annual budget
22 may not supersede any prior budget until the amended budget is approved
23 by the commissioner of revenue as reasonable and necessary and is
24 filed as required in the case of the annual budget.

25 Sec. 44.58.130. CARE AND CUSTODY OF BONDS. The bond bank authority
26 may enter into agreements or contracts with a bank, trust company,
27 banking or financial institution inside or outside the state as may be
28 necessary, desirable or convenient, in the opinion of the bond bank
29 authority, for rendering services in connection with the care, custody

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

13 Sec. 44.58.140. EFFECT OF OBLIGATIONS. (a) Bonds and notes
14 issued under this chapter are not a debt or liability of the state and
15 do not create or constitute an indebtedness, liability or obligation
16 of the state, nor do they constitute a pledge of the faith and credit
17 of the state. All bonds and notes issued under this chapter, unless
18 funded or refunded by bonds or notes of the bond bank authority, are
19 general obligations of the authority to which the full faith and
20 credit of the authority are pledged to the payments of them, except to
21 the extent provided by the resolution authorizing the issuance of
22 them. Each bond and note must contain on its face a statement to the
23 effect that the bond bank authority is obligated to pay the principal
24 and interest on the instrument only from revenues or funds of the bond
25 bank authority and that the state is not obligated to pay the principal
26 or interest and that neither the faith and credit nor the taxing power
27 of the state is pledged to the payment of the principal of or the
28 interest on the bond or note.

29 (b) The state pledges to and agrees with the holders of the

1 bonds or notes issued under this chapter that the state will not limit
2 or restrict the rights vested in the bond bank authority to purchase,
3 acquire, hold, sell or dispose of municipal bonds or other investments
4 or to make loans to political subdivisions or to establish and collect
5 fees or other charges convenient or necessary to produce sufficient
6 revenues to meet the expenses of operation of the bond bank authority
7 and to fulfill the terms of any agreement made with the holders of its
8 bonds or notes or in any way impair the rights or remedies of the
9 holders of the bonds or notes until the bonds or notes, together with
10 the interest on the bonds or notes, and interest on unpaid install-
11 ments of interest, and all costs and expenses in connection with an
12 action or proceeding by or on behalf of the holders, are fully met,
13 paid and discharged.

14 Sec. 44.58.150. NEGOTIABILITY OF BONDS OR NOTES. Notwithstanding
15 other provisions of law, a bond or note issued under this chapter is
16 fully negotiable for all purposes of the Uniform Commercial Code
17 (AS 45.05), and a holder or owner of a bond or note, or of a coupon
18 appurtenant to it, by accepting the bond, note or coupon is conclusively
19 considered to have agreed that the bond, note or coupon is fully
20 negotiable for all purposes of the Uniform Commercial Code.

21 Sec. 44.58.160. BONDS OR NOTES AS LEGAL INVESTMENTS. Notwith-
22 standing the restrictions of any other law, all banks, trust companies,
23 savings banks and institutions, building and loan associations, savings
24 and loan associations, investment companies, and other persons carrying
25 on a banking business, all insurance companies, insurance associations,
26 and other persons carrying on an insurance business, and all executors,
27 administrators, guardians, trustees and other fiduciaries, may legally
28 invest sinking funds, money or other funds belonging to them or within
29 their control in bonds or notes issued under this chapter.

1 Sec. 44.58.170. TAX EXEMPTION. All property of the bond bank
2 authority is public property devoted to an essential public and govern-
3 mental function and purpose and is exempt from all taxes and special
4 assessments of the state or a political subdivision of the state. All
5 bonds or notes issued under this chapter are issued by a body corporate
6 and public of this state and for an essential public and governmental
7 purpose and the bonds and notes, and the interest and income on and
8 from the bonds and notes, and all fees, charges, funds, revenues,
9 income and other money pledged or available to pay or secure the
10 payment of the bonds or notes, or interest on the bonds or notes, are
11 exempt from taxation except for transfer, inheritance and estate
12 taxes.

13 Sec. 44.58.180. LOANS TO POLITICAL SUBDIVISIONS. (a) The bond
14 bank authority, to carry out the purposes and policies of this chapter,
15 may lend money to municipalities through the purchase by the bond bank
16 authority of municipal bonds of municipalities. The bond bank authority,
17 for this purpose, may issue its bonds and notes payable solely from
18 the revenues or funds available to the bond bank authority for such
19 payment and may otherwise assist municipalities as provided in this
20 chapter.

21 (b) To the extent that the commissioner of revenue is the custodian
22 of money payable to a municipality, at any time after written notice
23 to him from the bond bank authority that the municipality is in default
24 on the payment of principal or interest on municipal bonds of the
25 municipality then held or owned by the bond bank authority, the com-
26 missioner of revenue shall withhold the payment of that money from
27 that municipality until the amount of the principal or interest then
28 due and unpaid has been paid to the bond bank authority, or until the
29 commissioner of revenue has been advised that arrangements, satisfactory

1 to the bond bank authority, have been made for the payment of the
2 principal and interest.

3 Sec. 44.58.190. ISSUANCE OF BONDS AND NOTES. (a) The bond bank
4 authority may issue its bonds or notes in principal amounts that it
5 considers necessary to provide funds for any purposes under this
6 chapter, including

7 (1) the purchase of municipal bonds;

8 (2) the making of loans through the purchase of municipal
9 bonds;

10 (3) the payment, funding or refunding of the principal of,
11 or interest or redemption premiums on, bonds or notes issued by it
12 whether the bonds or notes or interest to be funded or refunded have
13 or have not become due;

14 (4) the establishment or increase of reserves to secure or
15 to pay bonds or notes or interest on bonds or notes and all other
16 costs or expenses of the bond bank authority incident to and necessary
17 or convenient to carry out its corporate purposes and powers.

18 (b) Except as otherwise provided in this chapter or by the bond
19 bank authority, every issue of bonds or notes shall be general obli-
20 gations payable out of the revenues or funds of the bond bank authority,
21 subject only to agreements with the holders of particular bonds or
22 notes pledging a particular revenue or fund. Bonds or notes may be
23 additionally secured by a pledge of a grant or contributions from the
24 United States or the state or a political subdivision or a person,
25 firm or corporation, or a pledge of income or revenues, funds or money
26 of the bond bank authority from any source whatsoever.

27 (c) Notwithstanding the provisions of (a) and (b) of this section,
28 the total amount of bond bank authority bonds and notes outstanding at
29 any one time, except bonds or notes issued to fund or refund bonds or

1 notes, may not exceed \$150,000,000.

2 (d) In deciding to purchase municipal bonds of a municipality, the
3 bond bank authority shall give preference to municipal bonds of munici-
4 palities actually experiencing, or with the prospect of experiencing,
5 reduced economic growth by reason of the loss or prospective loss, in
6 whole or in part, of a major employer, and to the municipalities
7 referred to in sec. 5 of this chapter. In addition, the following,
8 listed in order of preference, are preferred purposes of the municipal
9 bonds that may be considered by the bond bank authority for purchase:-
10 schools, waste water treatment facilities, fire protection and public
11 safety facilities, public health facilities and public transportation
12 facilities.

13 Sec. 44.58.200. FORM OF ISSUANCE. Bonds or notes of the bond
14 bank authority shall be authorized by resolution of the bond bank
15 authority and may be issued in one or more series and shall bear the
16 date, mature at the time, bear interest at the rate of interest each
17 year or within a maximum rate, be in the denomination, be in the form,
18 either coupon or registered, carry the conversion or registration
19 privileges, have the rank or priority, be executed in the manner, be
20 payable from the sources in the medium of payment at the place inside
21 or outside the state, and be subject to the terms of redemption, with
22 or without premium, as the resolution of the bond bank authority
23 provides.

24 Sec. 44.58.210. SALE PRICE. Bonds or notes of the bond bank
25 authority may be sold at public or private sale at the price the bond
26 bank authority determines.

27 Sec. 44.58.220. PAYMENT OR REFUNDING OF NOTES. The bond bank
28 authority may from time to time issue its notes under this chapter and
29 pay and retire or fund or refund the notes from proceeds of bonds or

1 of other notes, or from other funds or money of the bond bank authority
2 available for that purpose in accordance with a contract between the
3 bond bank authority and the holders of the notes.

4 Sec. 44.58.230. TERMS OF AGREEMENT WITH THE BOND- OR NOTEHOLDER.

5 In a resolution of the bond bank authority authorizing or relating to
6 the issuance of bonds or notes, the bond bank authority, in order to
7 secure the payment of the bonds or notes and in addition to its other
8 powers, may covenant and contract with the holders of the bonds or
9 notes

10 (1) to pledge to a payment or purpose all or a part of its
11 revenues to which its right then exists or may thereafter come into
12 existence, and the money derived from the revenues, and the proceeds
13 of any bonds or notes;

14 (2) to covenant against pledging all or a part of its
15 revenues, or against permitting or suffering a lien on those revenues
16 or its property;

17 (3) to covenant as to the use and disposition of payments
18 of principal or interest received by the bond bank authority on municipal
19 bonds or other investments held by the bond bank authority;

20 (4) to covenant as to establishment of reserves or sinking
21 funds, the making of provision for them, and the regulation and dis-
22 position of the reserves or sinking funds;

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

25 (6) to covenant as to bonds or notes to be issued, and
26 their limitations, terms and conditions, and as to their custody, and
27 as to the application and disposition of the proceeds of the bonds and
28 notes;

29 (7) to covenant as to the issuance of additional bonds or

1 notes or as to limitations on the issuance of additional bonds or
2 notes and on the incurring of other debts by it;

3 (8) to covenant as to the payment of the principal of or
4 interest on the bonds or notes, as to the sources and methods of
5 payment, as to the rank or priority of bonds or notes with respect to
6 a lien or security or as to the acceleration of the maturity of any
7 bonds or notes;

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

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

12 (11) to covenant as to the redemption of bonds or notes and
13 privileges of their exchange for other bonds or notes of the bond bank
14 authority;

15 (12) to covenant as to charges to be established and charged,
16 the amount to be raised each year or other period of time by charges
17 or other revenues, and as to the use and disposition to be made of the
18 charges or other revenues;

19 (13) to covenant to create or authorize the creation of
20 special funds or money to be held in pledge or otherwise for operating
21 expenses, payment or redemption of bonds or notes, reserves or other
22 purposes and as to the use and disposition of the money held in those
23 funds;

24 (14) to establish the procedure, if any, by which the terms
25 of a contract or covenant with or for the benefit of the holders of
26 bonds or notes may be amended or abrogated, the amount of bonds or
27 notes the holders of which must consent to amendment or abrogation,
28 and the manner in which the consent may be given;

29 (15) to covenant as to the custody of any of its property or

1 investments, their safekeeping and insurance, and the use and dis-
2 position of insurance money;

3 (16) to covenant as to the time or manner of enforcement or
4 restraint from enforcement of any rights of the bond bank authority
5 arising by reason of or with respect to nonpayment of the principal or
6 interest of a municipal bond;

7 (17) to provide for the rights and liabilities, powers and
8 duties arising upon the breach of any covenant, condition or obligation
9 and to prescribe the events of default and the terms and conditions
10 upon which any or all of the bonds, notes or other obligation of the
11 bond bank authority become or may be declared due and payable before
12 maturity and the terms and conditions upon which the declaration and
13 its consequences may be waived;

14 (18) to vest in a trustee inside or outside the state such
15 property, rights, powers and duties in trust as the bond authority may
16 determine, which may include any of the rights, powers and duties of a
17 trustee appointed by the holders of the bonds or notes, and to limit
18 or abrogate the right of the holders of the bonds or notes of the bond
19 bank authority to appoint a trustee under this chapter or limit the
20 rights, powers and duties of the trustee;

21 (19) to pay the costs or expenses incident to the enforcement
22 of the bonds or notes or of the resolution or of a covenant or agree-
23 ment of the bond bank authority with the holders of its bonds or
24 notes;

25 (20) to agree with a corporate trustee which may be a trust
26 company or bank having the powers of a trust company inside or outside
27 the state, as to the pledging or assigning of revenues or funds in
28 which the bond bank authority has a right or interest, and may further
29 provide for such other rights and remedies exercisable by the trustee

1 as may be proper for the protection of the holders of bonds or notes
2 of the bond bank authority and not otherwise in violation of law, and
3 the agreement may also provide for the restriction of the rights of an
4 individual holder of bonds or notes of the bond bank authority;

5 (21) to appoint and to provide for the duties and obligations
6 of a paying agent or paying agents, or other fiduciaries as the resolu-
7 tion may provide inside or outside the state;

8 (22) to limit the rights of the holders of bonds or notes to
9 enforce a pledge or covenant securing bonds or notes; and

10 (23) to make covenants other than and in addition to the
11 covenants expressly authorized in this section, of like or different
12 character, and to make covenants to do or refrain from doing acts and
13 things as may be necessary, or convenient and desirable, in order to
14 better secure bonds or notes or which, in the absolute discretion of
15 the bond bank authority, will tend to make bonds or notes more market-
16 able, notwithstanding that the covenants, acts or things may not be
17 enumerated in this section.

18 Sec. 44.58.240. PURCHASE AND DISPOSITION OF OWN OBLIGATIONS.

19 The bond bank authority may purchase bonds or notes of the bond bank
20 authority out of its funds or money available for the purchase of its
21 own bonds and notes. The bond bank authority may hold, cancel or
22 resell the bonds or notes subject to and in accordance with agreements
23 with holders of its bonds or notes.

24 Sec. 44.58.250. BOND ANTICIPATION NOTES. Notwithstanding any
25 law applicable to a municipality as to the period for temporary financing
26 of a public improvement or purpose by issuance of its notes in antici-
27 pation of the issuance of permanent bonds or as to the renewal of bond
28 anticipation notes, the bond bank authority may purchase and the
29 municipality may issue bond anticipation notes and may renew them from

1 time to time; however, the bond anticipation notes, including renewals,
2 shall mature in such amounts and in such years not exceeding five
3 years from the date of the original issuance as is agreed between the
4 bond bank authority and the municipality. In connection with the
5 transaction and purchase of bond anticipation notes, the bond bank
6 authority may by agreement with the municipality impose any terms,
7 conditions and limitations as in its opinion are proper for the purposes
8 and security of the bond bank authority and the holders of its bonds
9 or notes. The failure of a municipality to comply with the agreement
10 constitutes a failure of the municipality to pay principal of and
11 interest on the bonds or notes, and the bond bank authority shall
12 enforce all rights, remedies, and provisions of law as it has under
13 this chapter or are elsewhere provided.

14 Sec. 44.58.260. DOCUMENTATION. All municipal bonds purchased,
15 held or owned by the bond bank authority, upon delivery to the bond
16 bank authority, must be accompanied by all documentation required by
17 the authority.

18 Sec. 44.58.270. PRESUMPTION OF VALIDITY. After issuance, all
19 bonds or notes of the bond bank authority shall be conclusively presumed
20 to be fully authorized and issued under the laws of the state, and a
21 person or a municipality is estopped from questioning their authori-
22 zation, sale, issuance, execution or delivery by the bond bank authority

23 Sec. 44.58.280. RESERVE FUND. (a) The bond bank authority
24 shall establish and maintain a special fund called the "Alaska municipal
25 bond bank authority reserve fund" in which there shall be deposited or
26 transferred

27 (1) all money appropriated by the legislature for the
28 purpose of the fund in accordance with the provisions of (g) of this
29 section;

1 (2) all proceeds of bonds required to be deposited in the
2 fund by terms of a contract between the bond bank authority and its
3 bondholders or a resolution of the bond bank authority with respect to
4 the proceeds of bonds;

5 (3) all other money appropriated by the legislature to the
6 reserve fund; and

7 (4) any other money or funds of the bond bank authority
8 which it decides to deposit in the fund.

9 (b) Subject to the provisions of (h) of this section, money in
10 the reserve fund shall be held and applied solely to the payment of
11 the interest on and principal of bonds of the bond bank authority as
12 the interest and principal become due and payable and for the retirement
13 of bonds; and the money may not be withdrawn if a withdrawal would
14 reduce the amount in the reserve fund to an amount less than the
15 required debt service reserve except for payment of interest then due
16 and payable on bonds and the principal of bonds then maturing and
17 payable and for the retirement of bonds in accordance with the terms
18 of a contract between the bond bank authority and its bondholders and
19 for which payments of other money of the bond bank authority is not
20 then available. As used in this subsection, "required debt service
21 reserve" means, as of the date of computation, the amount required to
22 be on deposit in the reserve fund as provided by resolution of the
23 bond bank authority.

24 (c) Money in the reserve fund in excess of the required debt
25 service reserve as defined in (b) of this section, whether by reason
26 of investment or otherwise, may be withdrawn at any time by the bond
27 bank authority and transferred to another fund or account of the bond
28 bank authority subject to the provision of (h) of this section.

29 (d) Money in the reserve fund may be invested in the same manner

1 and on the same conditions as permitted for investment of funds belonging
2 to the state or held in the treasury under AS 37.10.070; however, the
3 authority may agree with the bondholders to further limit these invest-
4 ments.

5 (e) For purposes of valuation, investments in the reserve fund
6 shall be valued at par or if purchased at less than par, at cost
7 unless otherwise provided by resolution of the bond bank authority.
8 Valuation on a particular date shall include the amount of interest
9 then earned or accrued to that date on the money or investments in the
10 reserve fund.

11 (f) Notwithstanding any other provision of this chapter, no
12 bonds may be issued by the bond bank authority unless there is in the
13 reserve fund the required debt service reserve for all bonds then
14 issued and outstanding and for the bonds to be issued; however, the
15 bond bank authority may satisfy this requirement by depositing as much
16 of the proceeds of the bonds to be issued, upon their issuance, as is
17 needed to meet the required debt service reserve. The bond bank
18 authority may at any time issue its bonds or notes for the purpose of
19 increasing the amount in the reserve fund to the required debt service
20 reserve, or to meet whatever higher or additional reserve that may be
21 fixed by the bond bank authority with respect to the fund.

22 (g) In order to assure the maintenance of the required debt
23 service reserve in the reserve fund, the legislature shall appropriate
24 annually to the bond bank authority for deposit in the fund, the sum
25 certified by the chairman of the bond bank authority to the governor,
26 that is necessary to restore the fund to an amount equal to the required
27 debt service reserve. The chairman annually, before January 2, shall
28 make and deliver to the governor his certificate stating the sum
29 required to restore the fund to that amount, and the sum so certified

1 shall be appropriated and paid to the bond bank authority during the
2 then current state fiscal year. Nothing in this subsection creates a
3 debt or liability of the state.

4 (h) All amounts received on account of money appropriated to the
5 reserve fund referred to in (a)(3) of this section shall be held and
6 applied in accordance with (b) of this section; however, at the end of
7 each fiscal year any amount representing earnings or income received
8 on account of money appropriated to the reserve fund shall be trans-
9 ferred to the general fund.

10 Sec. 44.58.290. ADDITIONAL FUNDS AND ACCOUNTS. The bond bank
11 authority may establish additional reserves or other funds or accounts
12 as may be, in its discretion, necessary, desirable, or convenient to
13 further the accomplishment of its purposes or to comply with the
14 provisions of any of its agreements or resolutions.

15 Sec. 44.58.300. APPLICATION OF FUNDS. Money or investments in a
16 fund or account of the bond bank authority established or held for
17 bonds, notes, indebtedness or liability to be paid, funded, or refunded
18 by issuance of bonds or notes, unless the resolution authorizing the
19 bonds or notes provides otherwise, shall be applied to the payment or
20 retirement of the bonds, notes, indebtedness or liability, and to no
21 other purpose.

22 Sec. 44.58.310. RIGHTS OF HOLDERS PARAMOUNT. In order to carry
23 out its purpose under this chapter of making loans to municipalities
24 by purchase of the municipal bonds of those municipalities and by
25 receipt of its income from service charges and from payments of interest
26 on the maturing principal of municipal bonds purchased and held by it,
27 and in order to produce revenues or income to the bond bank authority
28 sufficient at all times to meet its costs and expenses of operation

1 under this chapter and to pay the principal of and interest on its
2 outstanding bonds and notes when due, the bond bank authority must at
3 all times, and to the greatest extent possible, plan to issue its
4 bonds and notes and lend money to political subdivisions so that the
5 purpose is achieved without in any way jeopardizing any rights of the
6 holders of bonds or notes of the bond bank authority or affecting
7 other matters under this chapter.

8 Sec. 44.58.320. DEFAULT IN PAYMENT. If the bond bank authority
9 defaults in the payment of principal or interest on an issue of notes
10 or bonds after they become due, whether at maturity or upon call for
11 redemption, and the default continues for 30 days, or if the bond bank
12 authority fails or refuses to comply with this chapter or defaults in
13 an agreement made with the holders of an issue of notes or bonds, the
14 holders of 25 per cent in the aggregate principal amount of the out-
15 standing notes or bonds of that issue, by instrument filed in the
16 office of the clerk of the district court of the first judicial dis-
17 trict and executed in the same manner as a deed to be recorded, may
18 appoint a trustee to represent the holders of those notes or bonds for
19 the purposes provided in this chapter.

20 Sec. 44.58.330. POWERS AND DUTIES OF TRUSTEE ON DEFAULT. (a)
21 A trustee appointed under sec. 320 of this chapter may, and shall in
22 his or its name, upon written request of the holders of 25 per cent in
23 principal amount of the outstanding notes or bonds,

24 (1) by civil action enforce all rights of the noteholders
25 or bondholders, including the right to require the bond bank authority
26 to collect rates, charges and other fees and to collect interest and
27 amortization payments on municipal bonds and notes held by it adequate
28 to carry out an agreement as to, or pledge of, the rates, charges and
29 other fees and of the interest and amortization payments, and to

1 require the bond bank authority to carry out any other agreements with
2 the holders of the notes or bonds and to perform its duties under this
3 chapter;

4 (2) bring a civil action upon the notes or bonds;

5 (3) by civil action require the bond bank authority to
6 account as if it were the trustee of an express trust for the holders
7 of the notes or bonds;

8 (4) by civil action enjoin anything which may be unlawful
9 or in violation of the rights of the holders of the notes or bonds;

10 (5) declare all the notes or bonds due and payable, and if
11 all defaults are made good, then with the consent of the holders of 25
12 per cent of the principal amount of the outstanding notes or bonds,
13 annul the declaration and its consequences;

14 (6) the trustee, in addition to the foregoing, has all the
15 powers necessary for the exercise of functions specifically set out
16 or incident to the general representation of bondholders or note-
17 holders in the enforcement and protection of their rights.

18 (b) Before declaring the principal of notes or bonds due and
19 payable, the trustee must first give 30 days notice in writing to the
20 governor, the bond bank authority, the commissioner of community and
21 regional affairs, and the attorney general of the state.

22 Sec. 44.58.340. PERSONAL LIABILITY. Neither a member of the
23 bond bank authority nor a person executing bonds or notes issued under
24 this chapter is liable personally on the bonds or notes.

25 Sec. 44.58.350. EXEMPTION FROM EXECUTION AND SALE. All property
26 of the bond bank authority is exempt from levy and sale by virtue of
27 an execution and no execution or other judicial process may issue
28 against the property. A judgment against the bond bank authority may
29 not be a charge or lien upon its property; however, nothing in this

1 section applies to or limits the rights of the holder of bonds or
2 notes to pursue a remedy for the enforcement of a pledge or lien given
3 by the bond bank authority on its revenues or other money.

4 Sec. 44.58.360. LIEN OF PLEDGE. A pledge of revenues or other
5 money made by the bond bank authority is binding from the time the
6 pledge is made. Revenues or other money so pledged and thereafter
7 received by the bond bank authority are immediately subject to the
8 lien of the pledge without any further act, and the lien of a pledge
9 is binding against all parties having claims of any kind in tort,
10 contract or otherwise against the bond bank authority, regardless of
11 whether the parties have notice of the lien. Neither the resolution
12 nor any other instrument by which a pledge is created needs to be
13 filed or recorded except in the records of the bond bank authority.

14 Sec. 44.58.370. INSURANCE OR GUARANTY. The bond bank authority
15 may obtain from a department or agency of the United States, or a non-
16 governmental insurer available insurance or guaranty for the payment
17 or repayment of interest or principal, or both, or any part of interest
18 or principal, on bonds or notes issued by the bond bank authority, or
19 on municipal bonds of municipalities purchased or held by the bond
20 bank authority.

21 Sec. 44.58.380. SURETY FOR DEPOSITS BY BANK. All banks, trust
22 companies, savings banks, investment companies and other persons
23 carrying on a banking business are authorized to give to the bond bank
24 authority a good and sufficient undertaking with such sureties as are
25 approved by the bank to the effect that the bank or banking institution
26 shall faithfully keep and pay over to the order of or upon the warrant
27 of the bond bank authority or its authorized agent all those funds
28 deposited with it by the bank and agreed interest under or by reason
29 of this chapter, at such times or upon such demands as may be agreed

1 with the bank or in lieu of these sureties, deposit with the bond bank
2 authority or its authorized agent or a trustee or for the holders of
3 bonds, as collateral, those securities as the bond bank authority may
4 approve. The deposits of the bond bank authority may be evidenced by
5 an agreement in the form and upon the terms and conditions that may be
6 agreed upon by the bond bank authority and the depository bank or
7 banking institution.

8 Sec. 44.58.390. EXPENSES OF ADMINISTRATION. All expenses incurred
9 in carrying out this chapter are payable solely from revenues or funds
10 provided under this chapter and nothing in this chapter authorizes the
11 bond bank authority to incur an indebtedness or liability on behalf of
12 or payable by the state.

13 Sec. 44.58.400. COOPERATION BY GOVERNMENT AGENCIES. All officers,
14 departments, boards, agencies, divisions and commissions of the state
15 shall render services to the bond bank authority that are within the
16 area of their respective governmental functions and that may be re-
17 quested by the bond bank authority and must comply promptly with any
18 reasonable request by the bond bank authority relating to making of a
19 study or review as to desirability, need, cost or expense, or financial
20 feasibility with respect to a public project, purpose or improvement,
21 or the financial or fiscal responsibility or ability of a political
22 subdivision making application for loan to the bond bank authority and
23 for the purchase by the bond bank authority of municipal bonds to be
24 issued by that municipality. The cost and expense of a service re-
25 quested by the bond bank authority, at the request of the officer,
26 department, board, agency, division or commission rendering the service,
27 shall be paid by the bond bank authority.

28 Sec. 44.58.410. DEFINITIONS. In this chapter, unless the context
29 requires otherwise,

1 (1) "bond bank authority" means the Alaska Municipal Bond
2 Bank Authority established by sec. 20 of this chapter;

3 (2) "bonds" means bonds of the bond bank authority issued
4 under this chapter;

5 (3) "municipal bond" means a bond or note or evidence of
6 debt which constitutes a direct and general obligation of a political
7 subdivision of the state, all the taxable property within which is
8 subject to taxation to pay the bond, note or evidence of debt, and the
9 interest without limitation, as to rate or amount generally or to
10 avoid a default as provided for second class cities under AS 29.53.410;

11 (4) "municipality" means a home rule or general law city or
12 borough including but not limited to a unified municipality organized
13 under AS 29.68;

14 (5) "notes" means notes of the bond bank authority issued
15 under this chapter;

16 (6) "public body" means a public body corporate and politic
17 or a political subdivision of the state established under any law of
18 the state which may issue municipal bonds;

19 (7) "reserve fund" means the Alaska municipal bond bank
20 reserve fund established under sec. 280 of this chapter;

21 (8) "revenues" means all fees, charges, money, profits,
22 payments of principal of or interest on municipal bonds and other
23 investments, gifts, grants, contributions, appropriations and all
24 other income derived or to be derived by the bond bank authority under
25 this chapter.

26 Sec. 44.58.420. SHORT TITLE. This chapter may be cited as the
27 Alaska Municipal Bond Bank Authority Act.

28 * Sec. 2. AS 39.25.110 is amended by adding a new paragraph to read:

29 (16) the members, executive secretary and legal counsel of

1 the Alaska Municipal Bond Bank Authority.

2 * Sec. 3. This Act takes effect immediately in accordance with the
3 provisions of AS 01.10.070(c).

4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29