

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1377

S.P. 516

In Senate, April 1, 1991

Reference to the Committee on State and Local Government suggested and ordered printed.

A handwritten signature in cursive script, reading "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

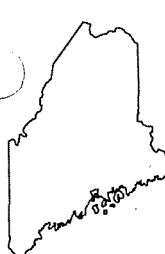
Presented by President PRAY of Penobscot

Cosponsored by Representative GWADOSKY of Fairfield, Senator BUSTIN of Kennebec
and Representative GOODRIDGE of Pittsfield.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

An Act to Create a State Municipalities Investment Pool.



Be it enacted by the People of the State of Maine as follows:

Sec. 1. 30-A MRSA §5902, sub-§2, ¶¶A and B, as amended by PL 1989, c. 104, Pt. C, §§8 and 10, are further amended to read:

A. Authorizing a state instrumentality to be created as a body corporate and politic to have full powers to borrow money and to issue its bonds and notes to make funds available through the facilities of the instrumentality at reduced rates and on more favorable terms for borrowing by such governmental units through the instrumentality's purchase of the bonds or notes of the governmental units in fully marketable form; and

B. Granting broad powers to the instrumentality to accomplish and to carry out these policies of the State which are in the public interest of the State and of its taxpayers and residents; and

Sec. 2. 30-A MRSA §5902, sub-§2, ¶C is enacted to read:

C. Authorizing the instrumentality to create and operate a municipal investment pool to assist governmental units by providing a pool of investments that meets federal and state statutory requirements for investments by governmental units and provides a competitive rate of return to governmental units for funds that the governmental units must hold. The funds may be invested until required for final expenditure. Such a municipal investment pool must allow governmental units to retain control over their assets while receiving competitive rates of return.

Sec. 3. 30-A MRSA §5903, sub-§7-A, as enacted by PL 1989, c. 48, §§15 and 31, is amended to read:

7-A. Municipality. "Municipality" means any governmental unit, city, town, special district, county, plantation or municipal village corporation within the State.

Sec. 4. 30-A MRSA §5953, sub-§1, ¶¶B and C, as amended by PL 1989, c. 104, Pt. C, §§8 and 10, are further amended to read:

B. Authorize and issue its bonds and notes payable solely from the revenues or funds available to the bank for that purpose; and

C. Otherwise assist governmental units as provided in this chapter; and

2 Sec. 5. 30-A MRSA §5953, sub-§1, ¶D is enacted to read:

4 D. Borrow money and make the proceeds of such borrowings
6 available to a municipality on the terms and conditions
8 agreed to by the bank and the municipality.

10 Sec. 6. 30-A MRSA §5953-A, sub-§2, ¶A, as enacted by PL 1989,
12 c. 48, §§19 and 31, is amended to read:

14 A. The bank may make loans from the revolving loan fund to
16 a municipality for one or more of the purposes set forth in
18 subsection 1. Each of the loans shall must be made subject
20 to the following conditions.

22 (1) The total amount of loans outstanding at any one
24 time from the revolving loan fund may not exceed the
26 balance of the fund, provided that the proceeds of
28 bonds or notes of the bank deposited in the fund and
30 binding financial commitments of the United States to
32 deposit money in the fund are included in determining
34 the fund balance.

36 (2) The loan shall must be evidenced by a municipal
38 bond, ~~payable by the municipality over a term not to~~
40 ~~exceed 20 years with annual principal and interest~~
42 ~~payments commencing not later than one year after the~~
44 ~~project being financed is completed or such other~~
46 agreement or instrument as the bank determines
48 necessary or advisable.

50 (3) The rate of interest charged for the loans shall
 must be at or below market interest rates.

 (4) Subject to the limitations of subparagraph (3),
the rate of interest charged for the loans made to
municipalities under this section or the manner of
determining the rate of interest shall must be
established from time to time by direction of the bank,
taking into consideration the current average rate on
outstanding marketable obligations, as well as the
policies of the Department of Environmental Protection.

 Sec. 7. 30-A MRSA §5954-A is enacted to read:

§5954-A. Municipalities combined investment fund

1. Establishment of combined investment funds.
Notwithstanding any provision of law to the contrary, the bank
may establish one or more combined investment funds for the
purpose of investing funds of the bank, trust funds and funds

2 under the custody of agencies, authorities, commissions, boards,
3 political subdivisions and other municipalities or public units
4 within the State, provided that the bank adopts appropriate
5 accounting procedures from which the exact interest and charges
6 of the funds combined for investment may be determined. The bank
7 shall adopt rules and regulations necessary to administer this
8 section.

9
10 2. Participation units. The bank is authorized to sell to
11 agencies, authorities, commissions, boards, political
12 subdivisions, municipalities and other public units within the
13 State participation units in a combined investment fund. The
14 participation units are legal investments for all funds under the
15 custody of the agencies, authorities, commissions, boards,
16 political subdivisions, municipalities and other public units
17 within the State.

18 3. Investment of combined investment funds. The bank may
19 invest funds of the combined investment fund in direct and agency
20 Federal Government obligations, repurchase agreements secured by
21 the Federal Government obligations, prime commercial paper,
22 tax-exempt obligations rated A or better by a nationally
23 recognized rating agency, bankers' acceptances, certificates of
24 deposit and similar financial instruments or any instrument
25 permitted by law for the investment of funds belonging to the
26 State or held in the State Treasury. The bank may retain
27 qualified 3rd parties to advise it in the selection and
28 administration of investments and any other 3rd parties it
29 considers appropriate for the effective administration of the
30 fund.

31
32 4. Eligible investments. Investments made, directed or
33 supervised by the bank as part of the municipal investment pool
34 program or with its own funds may be made directly in eligible
35 investments or in registered pools, funds or money market shares
36 whose investments are in eligible investments. The purchase of
37 evidence of participation in any such pool, fund or money market
38 by the bank is deemed to be identical to the direct purchase of
39 eligible investments by the bank.

40
41 5. Direct deposits. Notwithstanding any provision of law
42 to the contrary, the Treasurer of State is authorized to deposit
43 directly to the account of any governmental entity participating
44 in the municipal investment pool program any part or all of any
45 state payment to the governmental entity as the governmental
46 entity may direct.

STATEMENT OF FACT

2

4 This bill authorizes the Maine Municipal Bond Bank to create
6 a combined investment fund for use by municipalities within the
8 State. This fund allows municipalities to obtain short-term
10 investments, provide enhanced ease of access to investments that
12 meet all state statutory requirements for municipal investments
 and, simultaneously, provide a competitive rate of return. The
 fund facilitates proper record keeping for compliance with
 federal tax code requirements on arbitrage and rebate standards.
 Similar combined investment funds are operating in more than 20
 other states.

14

16 The bill clarifies the definition of municipality. In
18 addition, the bill enhances the efficiency of the bank's already
20 existing power to borrow for short-term and long-term municipal
22 capital needs by authorizing the bank to borrow, on behalf of
 municipalities, using security instruments other than a formal
 municipal bond. This makes it possible for municipalities
 approved for long-term financing through the bank to obtain more
 readily any short-term bond anticipation financing that
 municipalities may require.

24

26 The bill also clarifies that the goals of the pool may be
28 achieved by creating a separate, registered pool of funds or that
 funds may be pooled and then invested in other already existing
 registered funds. Finally, the bill allows a municipality to
 have any payments to it from the State deposited directly in its
 account in the pool.