

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 884

S.P. 298

In Senate, March 15, 1993

An Act to Create a State Municipalities Investment Pool.

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

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator CLEVELAND of Androscoggin.
Cosponsored by Senator: BEGLEY of Lincoln, Representatives: KILKELLY of Wiscasset,
MITCHELL of Vassalboro, MORRISON of Bangor.

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

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4 **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:

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

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

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

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

30 **Sec. 3. 30-A MRSA §5903, sub-§7-A**, as enacted by PL 1989, c.
32 48, §§15 and 31, is amended to read:

34 **7-A. Municipality.** "Municipality" means any governmental
36 unit, city, town, special district, county, plantation or
38 municipal village corporation within the State.

40 **Sec. 4. 30-A MRSA §5953, sub-§1, ¶D**, as amended by PL 1991, c.
42 775, §2, is repealed and the following enacted in its place:

44 D. Borrow money and make the proceeds of such borrowings
46 available to a municipality on the terms and conditions
48 agreed to by the bank and the municipality.

48 **Sec. 5. 30-A MRSA §5954-A** is enacted to read:

2 **§5954-A. Municipalities combined investment fund**

4 **1. Establishment of combined investment funds.**

6 Notwithstanding any provision of law to the contrary, the bank
8 may establish one or more combined investment funds for the
10 purpose of investing funds of the bank, trust funds and funds
12 under the custody of agencies, authorities, commissions, boards,
political subdivisions and other municipalities or public units
within the State, as long as the bank adopts appropriate
accounting procedures from which the exact interest and charges
of the funds combined for investment may be determined. The bank
shall adopt rules necessary to administer this section.

14 **2. Participation units.** The bank may sell participation

16 units in a combined investment fund to agencies, authorities,
commissions, boards, political subdivisions, municipalities and
18 other public units within the State. The participation units are
legal investments for all funds under the custody of the
20 agencies, authorities, commissions, boards, political
subdivisions, municipalities and other public units within the
22 State.

24 **3. Investment of combined investment funds.** The bank may

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

38 **4. Eligible investments.** Investments made, directed or

40 supervised by the bank as part of the municipal investment pool
program or with its own funds may be made directly in eligible
42 investments or in registered pools, funds or money market shares
whose investments are in eligible investments. The purchase of
44 evidence of participation in any such pool, fund or money market
by the bank is considered identical to the direct purchase of
eligible investments by the bank.

46 **5. Direct deposits.** Notwithstanding any provision of law

48 to the contrary, the Treasurer of State may deposit directly to
the account of any governmental entity participating in the
50 municipal investment pool program any part or all of any state
payment to the governmental entity as the governmental entity may
direct.

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STATEMENT OF FACT

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This bill authorizes the Maine Municipal Bond Bank to create a combined investment fund for use by municipalities within the State. This fund allows municipalities to obtain short-term investments, provide enhanced ease of access to investments that 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.

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The bill clarifies the definition of municipality. In addition, the bill enhances the efficiency of the bank's power to borrow for short-term and long-term municipal 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.

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The bill also clarifies that the goals of the pool may be 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.

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