

§6006. Reserve fund

1. Reserve fund. The bank shall establish and maintain a reserve fund called the "Maine Municipal Bond Bank Reserve Fund" in which there shall be deposited all money appropriated by the State for the purpose of that fund, all proceeds of bonds required to be deposited in the fund by terms of any contract between the bank and its bondholders or any resolution of the bank with respect to the proceeds of bonds, any other money or funds of the bank which it determines to deposit in the fund and any other money made available to the bank only for the purposes of the fund from any other source or sources.

A. Money in the reserve fund shall be held and applied solely to the payment of the interest on and principal of bonds secured by the reserve fund and sinking fund payments mentioned in this chapter with respect to bonds secured by the reserve fund as the interest, principal and sinking fund payments become due and payable; and for the retirement of bonds, including the payment of any redemption premium required to be paid when any bonds are redeemed or retired before maturity. Money may not be withdrawn from the fund if the withdrawal would reduce the amount in the reserve fund to an amount less than the required debt service reserve, except for:

- (1) Payment of interest then due and payable on bonds;
- (2) Payment of the principal of bonds then maturing and payable;
- (3) Sinking fund payments mentioned in this chapter with respect to bonds;
- (4) The retirement of bonds in accordance with the terms of any contract between the bank and its bondholders; and
- (5) The payment for which other money of the bank is not then available for payment of interest, principal or sinking fund payments or the retirement of bonds in accordance with the terms of any such contract. [PL 1987, c. 737, Pt. A, §2 (NEW); PL 1987, c. 737, Pt. C, §106 (NEW); PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§24, 31 (AMD); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

B. As used in this chapter, "required debt service reserve" means, as of any date of computation, the amount or amounts required to be on deposit in the reserve fund as provided by resolution of the bank. The required debt service reserve shall be, as of any date of computation, an aggregate amount equal to at least the largest amount of money, required by the terms of all contracts between the bank and holders of bonds secured by the reserve fund, to be raised in the then current or any succeeding calendar year for:

- (1) The payment of interest on and maturing principal of that portion of outstanding bonds secured by the reserve fund, the proceeds of which were applied solely to the purchase of municipal securities; and
- (2) Sinking fund payments required by the terms of any such contracts to sinking funds established for the payment or redemption of those bonds. [PL 1987, c. 737, Pt. A, §2 (NEW); PL 1987, c. 737, Pt. C, §106 (NEW); PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§24, 31 (AMD); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

The required debt service reserve shall be calculated on the assumption that the bonds will cease to be outstanding after the date of the computation because of the payment of those bonds at their respective maturities and the payments of the required money to sinking funds and the application of those sinking funds in accordance with the terms of all such contracts to the retirement of the bonds.

[PL 1987, c. 737, Pt. A, §2 (NEW); PL 1987, c. 737, Pt. C, §106 (NEW); PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§24, 31 (AMD); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

1-A. Capital reserve fund. This subsection applies to capital reserve funds.

A. The bank may establish and maintain one or more special funds called "capital reserve funds" in which there shall be deposited:

- (1) All money appropriated by the State for the purpose of those funds;
- (2) All proceeds of bonds required to be deposited in those funds by the terms of any contract between the bank and its bondholders or any resolution of the bank with respect to the proceeds of bonds;
- (3) Any other money or funds of the bank which it determines to deposit in those funds; and
- (4) Any other money made available to the bank only for the purposes of the fund from any other source or sources. [PL 1989, c. 48, §§25, 31 (NEW).]

B. Money in any capital reserve fund shall be held and applied solely:

- (1) To pay the interest on and principal of bonds secured by the capital reserve fund and sinking fund payments mentioned in this chapter with respect to bonds secured by the capital reserve fund as the interest and principal becomes due and payable; and
- (2) To retire bonds secured by the capital reserve fund, including the payment of any redemption premium required to be paid when any such bonds are redeemed or retired before maturity. [PL 1989, c. 48, §§25, 31 (NEW).]

C. The minimum amount of any capital reserve fund must be equal to the amounts required under the resolutions pursuant to which the bonds secured by the capital reserve fund are issued. These amounts are referred to in this chapter as the "required minimum reserve." With respect to bonds secured by a capital reserve fund for which the resolution authorizing the issuance of those bonds states that the provisions of subsection 5 apply, the required minimum reserve must be, as of any date of computation, an aggregate amount equal to at least the largest amount of money required by the terms of all contracts between the bank and its bondholders of the bonds to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of that portion of the outstanding bonds, the proceeds of which were applied solely to the purchase of municipal securities or municipal bonds and sinking fund payments required by the terms of any such contracts to sinking funds established for the payment or redemption of the bonds, all calculated on the assumption that the bonds will cease to be outstanding after the date of the computation because of the payment of the bonds at their respective maturities and the payments of the required money to sinking funds and the application thereof in accordance with the terms of all such contracts to the retirement of the bonds. The required minimum reserve for bonds secured by a capital reserve to which the provisions of subsection 5 apply may be less than that required by this paragraph if the bank so determines and only when the reserve is applied to:

- (1) Any bond or note sold to fund a municipal lease pool whose term is 5 years or less;
- (2) Any bond for which no principal is paid to bondholders until final maturity; or
- (3) Any loan, bond, lease or evidence of participation that has a term of 5 years or less. [PL 1991, c. 605, §13 (AMD).]

D. Money in any capital reserve fund shall not be withdrawn if the withdrawal would reduce the amount in the capital reserve fund to an amount less than the required minimum reserve for all such bonds issued and to be issued which will be secured by the capital reserve fund, except for payment of interest then due and payable on bonds secured by the capital reserve fund and the principal of bonds secured by the capital reserve fund then maturing and payable and sinking fund payments required by the terms of any such contracts to sinking funds established for the payment or redemption of the bonds, and for the retirement of bonds secured by the capital reserve fund in accordance with the terms of any contract between the bank and its bondholders and for the payments on account of which interest or principal or sinking fund payments or retirement of bonds

secured by the capital reserve fund other money of the bank is not then available in accordance with the terms of any such contract. [PL 1989, c. 48, §§25, 31 (NEW).]
[PL 1991, c. 605, §13 (AMD).]

2. Transfer. Money in the reserve fund at any time in excess of the required debt service reserve, whether by reason of investment or otherwise, may be withdrawn at any time by the bank and transferred to any other fund or account of the bank.

Money in any capital reserve fund at any time in excess of the required minimum reserve, whether by reason of investment or otherwise, may be withdrawn at any time by the bank and transferred to any other fund or account of the bank.

[PL 1987, c. 737, Pt. A, §2 (NEW); PL 1987, c. 737, Pt. C, §106 (NEW); PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§26, 31 (RPR); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

3. Investment. Money at any time in the reserve fund or any capital reserve fund may be invested in the same manner as permitted for investment of funds belonging to the State or held in the treasury. [PL 1987, c. 737, Pt. A, §2 (NEW); PL 1987, c. 737, Pt. C, §106 (NEW); PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§26, 31 (RPR); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

4. Reserve. Notwithstanding any other provision of this chapter, the bank may not issue any bonds to be secured by the reserve fund or by a capital reserve fund for which the resolution authorizing the issuance of those bonds states that subsection 5 applies unless:

A. If the bonds are to be secured by the reserve fund, there is in the reserve fund the required debt service reserve for all bonds then issued and outstanding which are secured by the reserve fund and the bonds to be issued which will be secured by the reserve fund; or [PL 1989, c. 48, §§26, 31 (NEW).]

B. If the bonds are to be secured by a capital reserve fund for which the resolution authorizing the issuance of the bonds states that subsection 5 applies, there is in the capital reserve fund the required minimum reserve for all bonds secured by the capital reserve fund then issued and outstanding and the bonds to be issued which will be secured by the capital reserve fund. [PL 1989, c. 48, §§26, 31 (NEW).]

Nothing in this chapter prevents the bank from satisfying this requirement by depositing so much of the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve the required debt service reserve or required minimum reserve, as applicable. The bank may at any time issue its bonds or notes for the purpose of providing any amount necessary to increase the amount in the reserve fund to the required debt service reserve, to increase the amount in any capital reserve fund to the required minimum reserve or to meet any higher or additional reserve as may be fixed by the bank with respect to such fund.

[PL 1987, c. 737, Pt. A, §2 (NEW); PL 1987, c. 737, Pt. C, §106 (NEW); PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§26, 31 (RPR); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

5. Restoration. In order to ensure the maintenance of the required debt service reserve in the reserve fund, there shall be annually appropriated and paid to the bank for deposit in the fund, the sum, if any, certified by the chair of the bank to the Governor. On or before December 1st of each year, the chair shall make and deliver to the Governor a certificate stating the sum, if any, required to restore the reserve fund to an amount equal to the required debt service reserve and the sum or sums so certified shall be appropriated and paid to the bank during the then current state fiscal year.

In order to ensure the maintenance of the required minimum reserve in any capital reserve fund to which, at the direction of the bank pursuant to the resolution establishing the capital reserve fund, this

provision applies, there shall be annually appropriated and paid to the bank for deposit in the fund, the sum, if any, certified by the chair of the bank to the Governor. On or before December 1st of each year, the chair shall make and deliver to the Governor a certificate stating the sum, if any, required to restore the fund to an amount equal to the required minimum reserve, and the sum or sums so certified shall be appropriated and paid to the bank during the then current state fiscal year.

A. [PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§26, 31 (RP); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

[PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§26, 31 (RPR); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

6. Valuation. In computing the amount of the required debt service reserve or the required minimum reserve, investments held as a part of those reserves shall be valued in the manner provided in the applicable bond resolution.

[PL 1989, c. 6 (AMD); PL 1989, c. 9, §2 (AMD); PL 1989, c. 48, §§26, 31 (RPR); PL 1989, c. 104, Pt. C, §§8, 10 (AMD).]

7. Exclusions. The bank may provide from time to time by resolution for the issuance of its bonds or notes which are not secured by the reserve fund or any capital reserve fund, as set forth in the resolution authorizing its bonds or notes. The bank may, pursuant to a resolution or other agreement, establish the security for any of its bonds, including, but not limited to, policies of insurance and letters of credit, as the bank in its discretion determines necessary, desirable or convenient to further the accomplishment of the purposes of the bank. The security may, if so provided by a resolution or other agreement of the bank, to the extent set forth in the resolution or agreement, satisfy the provisions of the resolution or agreement with respect to any required debt service reserve, required minimum reserve or other reserve.

[PL 1989, c. 48, §§26, 31 (NEW).]

SECTION HISTORY

PL 1987, c. 737, §§A2,C106 (NEW). PL 1989, c. 6 (AMD). PL 1989, c. 9, §2 (AMD). PL 1989, c. 48, §§24-26,31 (AMD). PL 1989, c. 104, §§C8,10 (AMD). PL 1991, c. 605, §13 (AMD).

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