

## **16.105 Security for bonds reserve funds validity of pledge nonliability irrevocable contracts.**

1. The authority may provide in the resolution authorizing the issuance of its bonds or notes for the Iowa economic development bond bank program that the principal of, premium, if any, and interest on the bonds or notes are payable exclusively from any of the following:
    - a. The income and receipts or other money derived from the projects financed with the proceeds of the bonds or notes.
    - b. The income and receipts or other money derived from designated projects whether or not the projects are financed in whole or in part with the proceeds of the bonds or notes.
    - c. The authority's income and receipts of other assets generally, or a designated part or parts of them.
  2. For the purpose of securing one or more issues of its bonds or notes, the authority may establish one or more special funds, called "*capital reserve funds*". The authority may pay into the capital reserve funds the proceeds of the sale of its bonds or notes and other money which may be made available to the authority from other sources for the purposes of the capital reserve funds. Except as provided in this section, money in a capital reserve fund shall be used only as required for any of the following:
    - a. The payment of the principal of and interest on bonds or notes or of the sinking fund payments with respect to those bonds or notes.
    - b. The purchase or redemption of the bonds or notes.
    - c. The payment of a redemption premium required to be paid when the bonds or notes are redeemed before maturity.
- However, money in a capital reserve fund shall not be withdrawn if the withdrawal would reduce the amount in the capital reserve fund to less than the capital reserve fund requirement, except for the purpose of making payment, when due, of principal, interest, redemption premiums on the bonds or notes, and making sinking fund payments when other money pledged to the payment of the bonds or notes is not available for the payments. Income or interest earned by, or increment to, a capital reserve fund from the investment of all or part of the fund may be transferred by the authority to other funds or accounts of the authority if the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.
3. If the authority decides to issue bonds or notes secured by a capital reserve fund, the bonds or notes shall not be issued if the amount in the capital reserve fund is less than the capital reserve fund requirement, unless at the time of issuance of the bonds or notes the authority deposits in the capital reserve fund from the proceeds of the bonds or notes to be issued or from other sources, an amount which, together with the amount then in the fund, is not less than the capital reserve fund requirement.
  4. In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the fund is invested shall be valued by a reasonable method established by the authority by resolution. Valuation shall include the amount of interest earned or accrued as of the date of valuation.
  5. In this section, "*capital reserve fund requirement*" means the amount required to be on deposit in the capital reserve fund as of the date of computation as determined by resolution of the authority.
  6. To assure maintenance of the capital reserve funds, the chairperson of the authority shall, on or before July 1 of each calendar year, make and deliver to the governor the chairperson's certificate stating the sum, if any, required to restore each capital reserve fund to the capital reserve fund requirement for that fund. Within thirty days after the beginning of the session of the general assembly next following the delivery of the

certificate, the governor may submit to both houses printed copies of a budget including the sum, if any, required to restore each capital reserve fund to the capital reserve fund requirement for that fund. Any sums appropriated by the general assembly and paid to the authority pursuant to this section shall be deposited by the authority in the applicable capital reserve fund.

7. All amounts paid to the authority by the state pursuant to this section shall be considered advances by the state to the authority and, subject to the rights of the holders of any bonds or notes of the authority that have previously been issued or will be issued, shall be repaid to the state without interest from all available operating revenues of the authority in excess of amounts required for the payment of bonds, notes, or obligations of the authority, the capital reserve fund, and operating expenses.

8. If any amount deposited in a capital reserve fund is withdrawn for payment of principal, premium, or interest on the bonds or notes or sinking fund payments with respect to bonds or notes thus reducing the amount of that fund to less than the capital reserve fund requirement, the authority shall immediately notify the general assembly of this event and shall take steps to restore the capital reserve fund to the capital reserve fund requirement for that fund from any amounts designated as being available for such purpose.

9. The authority may establish reserve funds, other than capital reserve funds, to secure one or more issues of its bonds or notes. The authority may deposit in a reserve fund established under this subsection the proceeds of the sale of its bonds or notes and other money which is made available from any other source. The authority may allow a reserve fund established under this subsection to be depleted without complying with subsection 6 or subsection 8.

10. It is the intention of the general assembly that a pledge made in respect of bonds or notes shall be valid and binding from the time the pledge is made, that the money or property so pledged and received after the pledge by the authority shall immediately be subject to the lien of the pledge without physical delivery or further act, and that the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the authority whether or not the parties have notice of the lien. Neither the resolution, trust agreement, nor any other instrument by which a pledge is created needs to be recorded or filed under the Iowa uniform commercial code, chapter 554, to be valid, binding, or effective against the parties.

11. Neither the members of the authority nor a person executing the bonds or notes are liable personally on the bonds or notes or are subject to personal liability or accountability by reason of the issuance of the bonds or notes.

12. The bonds or notes issued by the authority are not an indebtedness or other liability of the state or of a political subdivision of the state, except the authority, and are payable solely from the income and receipts or other funds or property of the authority which are designated in the resolution of the authority authorizing the issuance of the bonds or notes as being available as security for bonds or notes. The authority shall not pledge the faith or credit of the state or of a political subdivision of the state, except the authority, to the payment of a bond or note. The issuance of a bond or note by the authority does not directly, indirectly, or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond or note.

13. The state pledges to and agrees with the holders of bonds or notes issued under the Iowa economic development bond bank program, that the state will not limit or alter the rights and powers vested in the authority to fulfill the terms of a contract made by the authority with respect to the bonds or notes, or in any way impair the rights and remedies of the holders until the bonds and notes, together with the interest on them including interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state, as it refers to holders of bonds or notes of the authority, in a contract with the holders.

86 Acts, ch 1212, § 6

C87, § 220.105

C93, § 16.105

2005 Acts, ch 3, §13