

FILED JAN 28 1992

SENATE FILE 2064  
BY COMMITTEE ON STATE  
GOVERNMENT  
*Approved (147)*

(SUCCESSOR TO SSB 2055.2)

Passed Senate, Date 1/30/92 (p. 172) Passed House, Date 1/30/92 (p. 107)  
Vote: Ayes 47 Nays 0 Vote: Ayes 98 Nays 0  
Approved Feb 7, 1992

A BILL FOR

1 An Act establishing a municipal investment recovery program and  
2 authorizing an appropriation to the department of management  
3 and providing an effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22

SF 2064

1 Section 1. NEW SECTION. 220.171 LEGISLATIVE FINDINGS.

2 The general assembly finds and declares that:

3 1. Certain Iowa municipalities and other public bodies  
4 within the state have experienced the temporary or permanent  
5 loss of public funds invested or held for investment for  
6 public purposes or projects, including those held in a common  
7 investment pool organized under chapter 28E.

8 2. The loss of such funds and the resulting cashflow  
9 difficulties have placed severe financial burdens on such  
10 municipalities and other public bodies.

11 3. There currently exists a shortage of means by which  
12 such municipalities and other public bodies can borrow or  
13 otherwise acquire replacement funds until the lost funds are  
14 recovered or replaced.

15 4. The availability of loan funds from the authority will  
16 reduce the short-term operating difficulties faced by such  
17 municipalities and other public bodies and permit them to  
18 continue operations and projects currently in progress.

19 5. All of the purposes stated in this section are public  
20 purposes and uses for which public moneys may be borrowed,  
21 expended, advanced, loaned, or granted.

22 Sec. 2. NEW SECTION. 220.172 ESTABLISHMENT OF MUNICIPAL  
23 INVESTMENT RECOVERY PROGRAM -- DEFINITIONS.

24 1. The authority shall establish a municipal investment  
25 recovery program to make loans to municipalities in  
26 anticipation of their recovery of lost, stolen, or converted  
27 funds invested or held for investment in a common investment  
28 pool organized under chapter 28E or separately. The authority  
29 may issue its bonds or notes, or series of bonds or notes, for  
30 the purpose of funding such loans and may make secured loans  
31 to municipalities for such purposes on terms the authority  
32 determines.

33 2. For purposes of section 220.171, this section, and  
34 sections 220.173 through 220.176:

35 a. "Investment loss" means any funds of a municipality

1 invested or held for investment by others, including funds  
2 held in a common investment pool organized under chapter 28E  
3 or held separately by a municipality, the recovery of which  
4 has been delayed, suspended, or impaired, and which are not  
5 returned to the municipality within ten days after demand,  
6 including any accrued interest or interest that would have  
7 accrued on such funds. The amount of any funds of a  
8 municipality held in a common investment pool or held  
9 separately by the municipality in another investment vehicle  
10 that are not returned to the municipality upon its request  
11 shall represent the amount of the investment loss of the  
12 municipality.

13 b. "Municipality" means any public body that has invested  
14 public funds in a common investment pool organized under  
15 chapter 28E or otherwise, and includes, but is not limited to,  
16 cities, counties, school corporations, entities created under  
17 chapter 28E, municipal utility boards, and judicial district  
18 departments of correctional services of this state.

19 c. "Program" means the municipal investment recovery  
20 program established by the authority pursuant to this section.

21 Sec. 3. NEW SECTION. 220.173 LOAN AGREEMENTS -- BONDS  
22 AND NOTES.

23 1. The authority may enter into loan agreements with a  
24 municipality to enable the municipality to recover investment  
25 losses. The principal amount of the loan agreement may  
26 include the amount of the investment loss incurred by the  
27 municipality as of the date of approval of the loan agreement,  
28 plus such amounts as the municipality shall deem necessary or  
29 desirable for capitalized interest, costs of issuance,  
30 financing costs, credit enhancements, and reserves. The  
31 repayment obligation of the municipality may be secured by a  
32 pledge of debt service taxes, enterprise revenues or income,  
33 or revenues of the municipality from any source, or secured by  
34 such other security as the authority deems advisable. Without  
35 limiting the foregoing, a judicial district department of

1 correctional services may pledge any appropriation or other  
2 grant in aid made by the general assembly as security for its  
3 repayment obligation. However, the appropriation or other  
4 grant in aid is only subject to the pledge upon receipt of the  
5 appropriation or grant in aid by the judicial district  
6 department of correctional services. The repayment obligation  
7 may be evidenced by one or more notes of the municipality.  
8 The loan agreements may contain other terms and conditions the  
9 authority deems advisable.

10 2. The authority may issue its bonds and notes for the  
11 purpose of establishing a loan fund for the program and making  
12 loans from the fund to municipalities under the program. The  
13 authority may enter into one or more lending agreements or  
14 purchase agreements with one or more bondholders or  
15 noteholders containing the terms and conditions of the  
16 repayment of and the security for the bonds or notes. The  
17 authority and the bondholders or noteholders or a trustee  
18 agent designated by the authority may enter into agreements to  
19 provide for any of the following:

20 a. That the proceeds of the bonds and notes and the  
21 investments of the proceeds may be received, held, and  
22 disbursed by the authority or by a trustee or agent designated  
23 by the authority.

24 b. That the bondholders or noteholders or a trustee or  
25 agent designated by the authority may collect, invest, and  
26 apply the amount payable under the loan agreements or any  
27 other instruments securing the debt obligations under the loan  
28 agreements.

29 c. That the bondholders or noteholders may enforce the  
30 remedies provided in the loan agreements or other instruments  
31 on their own behalf. If there is a default in the principal  
32 of or interest on the bonds or notes or in the performance of  
33 any agreement contained in the loan agreements or other  
34 instruments, the payment or performance may be enforced in  
35 accordance with the loan agreements or other instruments.

1 d. Other terms and conditions as deemed necessary or  
2 appropriate by the authority.

3 3. The powers granted the authority under this section are  
4 in addition to other powers contained in this chapter. All  
5 other provisions of this chapter, except section 220.28,  
6 subsection 4, apply to bonds or notes issued and powers  
7 granted to the authority under this section except to the  
8 extent they are inconsistent with this section.

9 4. All bonds or notes issued by the authority in  
10 connection with the program are exempt from taxation by this  
11 state and the interest on the bonds or notes is exempt from  
12 state income tax.

13 Sec. 4. NEW SECTION. 220.174 SECURITY -- RESERVE FUNDS -  
14 - PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

15 1. The authority may provide in the resolution, trust  
16 agreement, or other instrument authorizing the issuance of its  
17 bonds or notes pursuant to section 220.173 that the principal  
18 of, premium, and interest on the bonds or notes are payable  
19 solely out of the pledged receipts as designated in the  
20 resolution, trust agreement, or other instrument authorizing  
21 the issuance of the bonds or notes.

22 For purposes of this section, unless the context otherwise  
23 requires, "pledged receipts" means the revenues and receipts  
24 received or to be received by the authority from grants,  
25 appropriations, gifts, or payments on guarantees made to the  
26 authority by any person; from accrued interest received from  
27 the sale of obligations; from income accruing from the  
28 investment of special funds of the authority, including the  
29 loan fund established by the authority for purposes of the  
30 program; from the revenues and receipts deposited in the loan  
31 fund; from the amounts payable to the authority by  
32 municipalities pursuant to loan agreements with  
33 municipalities; and from any other moneys which are available  
34 for the payment of principal, premium, if any, or interest on  
35 the bonds or notes.

1 2. The authority may establish reserve funds to secure one  
2 or more issues of its bonds or notes. The authority may  
3 deposit in a reserve fund established under this section the  
4 proceeds of the sale of its bonds or notes and other moneys  
5 which are made available from any other source.

6 3. It is the intention of the general assembly that a  
7 pledge made in respect of bonds or notes shall be valid and  
8 binding from the time the pledge is made, that the money or  
9 property so pledged and received after the pledge by the  
10 authority shall immediately be subject to the lien of the  
11 pledge without physical delivery or further act, and that the  
12 lien of the pledge shall be valid and binding as against all  
13 parties having claims of any kind in tort, contract, or  
14 otherwise against the authority whether or not the parties  
15 have notice of the lien. The resolution, trust agreement, or  
16 any other instrument by which a pledge is created need not be  
17 recorded or filed under the Iowa uniform commercial code to be  
18 valid, binding, or effective against the parties.

19 4. The members of the authority and a person executing the  
20 bonds or notes are not liable personally on the bonds or notes  
21 and are not subject to personal liability or accountability by  
22 reason of the issuance of the bonds or notes.

23 5. The bonds or notes issued by the authority are not an  
24 indebtedness or other liability of the state or of a political  
25 subdivision of the state within the meaning of any  
26 constitutional or statutory debt limitations but are special  
27 obligations of the authority, and are payable solely out of  
28 the pledged receipts to the extent that the pledged receipts  
29 are designated in the resolution, trust agreement, or other  
30 instrument of the authority authorizing the issuance of the  
31 bonds or notes as being available as security for such bonds  
32 or notes. The authority shall not pledge the faith or credit  
33 of the state to the payment of any bonds or notes. The  
34 authority shall not pledge the faith or credit of a  
35 municipality to the payment of any bonds or notes except as

1 agreed to by the municipality in the loan agreement referred  
2 to in section 220.173, subsection 1. The issuance of any  
3 bonds or notes by the authority does not directly, indirectly,  
4 or contingently obligate the state to apply moneys from, or  
5 levy or pledge any form of taxation whatever to the payment of  
6 the bonds or notes. The issuance of any bonds or notes by the  
7 authority does not directly, indirectly, or contingently  
8 obligate a municipality to apply moneys from, or levy or  
9 pledge any form of taxation whatever to the payment of the  
10 bonds or notes, except as agreed to by the municipality in the  
11 loan agreement referred to in section 220.173, subsection 1.

12 6. The state pledges to and agrees with the holders of  
13 bonds or notes issued under the program, that the state will  
14 not limit or alter the rights and powers vested in the  
15 authority to fulfill the terms of a contract made by the  
16 authority with respect to the bonds or notes, or in any way  
17 impair the rights and remedies of the holders until the bonds  
18 and notes, together with the interest on them including  
19 interest on unpaid installments of interest, and all costs and  
20 expenses in connection with an action or proceeding by or on  
21 behalf of the holders, are fully met and discharged. The  
22 authority may include this pledge and agreement of the state,  
23 as it refers to holders of bonds or notes of the authority, in  
24 a contract with the holders.

25 Sec. 5. NEW SECTION. 220.175 POWERS OF MUNICIPALITIES.

26 1. A municipality may enter into loan agreements and issue  
27 any type of obligations payable from any security which it is  
28 authorized by law to issue for any purpose for the restoration  
29 or replacement on a permanent or temporary basis of its  
30 investment loss. For the purpose of this program, the  
31 restoration or replacement on a permanent or temporary basis  
32 of an investment loss through the program is an essential  
33 purpose under chapter 331 or 384.

34 2. To approve a loan agreement under section 220.173 for  
35 this purpose, a municipality shall follow the authorization

1 procedures required for the issuance of general obligation  
2 bonds by cities as set out in section 384.25. Chapter 75 is  
3 not applicable.

4 Sec. 6. NEW SECTION. 220.176 OTHER LAWS NOT APPLICABLE.

5 All other laws governing the authorization and issuance of  
6 obligations by municipalities shall not apply to loan  
7 agreements entered into by municipalities with the authority  
8 for purposes of the program.

9 Sec. 7. APPROPRIATION. For purposes of securing one or  
10 more loan agreements with the authority as provided in this  
11 Act, and if the investment losses to the first and third  
12 judicial district department of correctional services are not  
13 recovered, there is appropriated from the general fund of the  
14 state to the department of management for the appropriate  
15 fiscal year or years, moneys in the amount of the remaining  
16 investment losses, plus the amount of any capitalized  
17 interest, costs of issuance, and reserve expenses, of the  
18 first and third judicial district department of correctional  
19 services. The contingent appropriations made in this section  
20 do not obligate the general assembly to maintain any such  
21 appropriation and any pledge of these appropriations by the  
22 judicial district department of correctional services shall  
23 only apply to moneys when received. The moneys shall be  
24 allocated pursuant to a requisition submitted to the director  
25 of the department of management in the manner provided in  
26 section 8.31. Any and all amounts subsequently recovered by  
27 or on behalf of the first and third judicial district  
28 departments of correctional services as a result of actions  
29 taken to recover their investment losses shall be repaid to  
30 the general fund of the state.

31 Sec. 8. EFFECTIVE DATE. This Act, being deemed of  
32 immediate importance, takes effect upon enactment.

33 EXPLANATION

34 This bill creates a municipal investment recovery program  
35 in the Iowa finance authority, similar in operation to the

1 sewer revolving fund and the E911 emergency phone system  
2 program. The bill provides that the bonds issued under this  
3 program are not obligations of the state but are obligations  
4 of the Iowa finance authority payable from pledged receipts.  
5 The bill further provides that interest on the bonds is exempt  
6 from state taxes and federal taxes. The bill also  
7 appropriates state general fund moneys to the department of  
8 management to cover any unrecovered investment losses to the  
9 first and third judicial district departments of correctional  
10 services.

11 This bill takes effect upon enactment.

12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

SENATE FILE 2064

S-5008

1 Amend Senate File 2064 as follows:  
2 1. Page 3, line 7, by inserting after the word  
3 "municipality.", the following: "The plan of  
4 repayment by the municipality shall not take into  
5 consideration any potential recovery of investment  
6 loss. If the municipality recovers any portion of an  
7 investment loss for which it has a loan agreement, the  
8 amount recovered shall be immediately paid to the  
9 authority to be applied by it against the  
10 municipality's obligation in accordance with the terms  
11 of the loan agreement."

By COMMITTEE ON APPROPRIATIONS  
LEONARD L. BOSWELL, Chairperson

S-5008 FILED JANUARY 29, 1992

*Adopted 1/30 (171)*

SENATE FILE 2064

S-5012

1 Amend Senate File 2064 as follows:  
2 1. Page 6, line 7, by striking the word  
3 "contiguously" and inserting the following:  
4 "contingently".  
5 2. Page 7, line 12, by striking the word  
6 "department" and inserting the following:  
7 "departments".  
8 3. Page 7, line 18, by striking the word  
9 "department" and inserting the following:  
10 "departments".

By JOHN P. KIBBIE

S-5012 FILED JANUARY 29, 1992

*Adopted 1/30*

SENATE FILE 2064

S-5016

1 Amend Senate File 2064 as follows:  
2 1. Page 7, by inserting after line 8 the follow-  
3 ing:  
4 "Sec. \_\_\_\_ . Sections 220.171 through 220.176 are  
5 repealed on August 1, 1993. The repeal of sections  
6 220.171 through 220.176 shall not affect the operation  
7 or enforceability of any action taken or agreement  
8 entered into pursuant to sections 220.171 through  
9 220.176 prior to August 1, 1993, by the authority, a  
10 municipality, or a bondholder or noteholder, and  
11 section 4.13 shall apply."  
12 2. By renumbering as necessary.

By DERRYL McLAREN  
JOHN P. KIBBIE  
HARRY SLIFE  
MARK R. HAGERLA  
EMIL J. HUSAK  
JIM RIORDAN

LEONARD L. BOSWELL  
FLORENCE BUHR  
WALLY HORN  
LARRY MURPHY  
BEVERLY A. HANNON

S-5016 FILED JANUARY 30, 1992

ADOPTED *(p. 172)*



1 Section 1. NEW SECTION. 220.171 LEGISLATIVE FINDINGS.

2 The general assembly finds and declares that:

3 1. Certain Iowa municipalities and other public bodies  
4 within the state have experienced the temporary or permanent  
5 loss of public funds invested or held for investment for  
6 public purposes or projects, including those held in a common  
7 investment pool organized under chapter 28E.

8 2. The loss of such funds and the resulting cashflow  
9 difficulties have placed severe financial burdens on such  
10 municipalities and other public bodies.

11 3. There currently exists a shortage of means by which  
12 such municipalities and other public bodies can borrow or  
13 otherwise acquire replacement funds until the lost funds are  
14 recovered or replaced.

15 4. The availability of loan funds from the authority will  
16 reduce the short-term operating difficulties faced by such  
17 municipalities and other public bodies and permit them to  
18 continue operations and projects currently in progress.

19 5. All of the purposes stated in this section are public  
20 purposes and uses for which public moneys may be borrowed,  
21 expended, advanced, loaned, or granted.

22 Sec. 2. NEW SECTION. 220.172 ESTABLISHMENT OF MUNICIPAL  
23 INVESTMENT RECOVERY PROGRAM -- DEFINITIONS.

24 1. The authority shall establish a municipal investment  
25 recovery program to make loans to municipalities in  
26 anticipation of their recovery of lost, stolen, or converted  
27 funds invested or held for investment in a common investment  
28 pool organized under chapter 28E or separately. The authority  
29 may issue its bonds or notes, or series of bonds or notes, for  
30 the purpose of funding such loans and may make secured loans  
31 to municipalities for such purposes on terms the authority  
32 determines.

33 2. For purposes of section 220.171, this section, and  
34 sections 220.173 through 220.176:

35 a. "Investment loss" means any funds of a municipality

1 invested or held for investment by others, including funds  
2 held in a common investment pool organized under chapter 28E  
3 or held separately by a municipality, the recovery of which  
4 has been delayed, suspended, or impaired, and which are not  
5 returned to the municipality within ten days after demand,  
6 including any accrued interest or interest that would have  
7 accrued on such funds. The amount of any funds of a  
8 municipality held in a common investment pool or held  
9 separately by the municipality in another investment vehicle  
10 that are not returned to the municipality upon its request  
11 shall represent the amount of the investment loss of the  
12 municipality.

13 b. "Municipality" means any public body that has invested  
14 public funds in a common investment pool organized under  
15 chapter 28E or otherwise, and includes, but is not limited to,  
16 cities, counties, school corporations, entities created under  
17 chapter 28E, municipal utility boards, and judicial district  
18 departments of correctional services of this state.

19 c. "Program" means the municipal investment recovery  
20 program established by the authority pursuant to this section.

21 Sec. 3. NEW SECTION. 220.173 LOAN AGREEMENTS -- BONDS  
22 AND NOTES.

23 1. The authority may enter into loan agreements with a  
24 municipality to enable the municipality to recover investment  
25 losses. The principal amount of the loan agreement may  
26 include the amount of the investment loss incurred by the  
27 municipality as of the date of approval of the loan agreement,  
28 plus such amounts as the municipality shall deem necessary or  
29 desirable for capitalized interest, costs of issuance,  
30 financing costs, credit enhancements, and reserves. The  
31 repayment obligation of the municipality may be secured by a  
32 pledge of debt service taxes, enterprise revenues or income,  
33 or revenues of the municipality from any source, or secured by  
34 such other security as the authority deems advisable. Without  
35 limiting the foregoing, a judicial district department of

1 correctional services may pledge any appropriation or other  
2 grant in aid made by the general assembly as security for its  
3 repayment obligation. However, the appropriation or other  
4 grant in aid is only subject to the pledge upon receipt of the  
5 appropriation or grant in aid by the judicial district  
6 department of correctional services. The repayment obligation  
7 may be evidenced by one or more notes of the municipality.  
8 The plan of repayment by the municipality shall not take into  
9 consideration any potential recovery of investment loss. If  
10 the municipality recovers any portion of an investment loss  
11 for which it has a loan agreement, the amount recovered shall  
12 be immediately paid to the authority to be applied by it  
13 against the municipality's obligation in accordance with the  
14 terms of the loan agreement. The loan agreements may contain  
15 other terms and conditions the authority deems advisable.

16 2. The authority may issue its bonds and notes for the  
17 purpose of establishing a loan fund for the program and making  
18 loans from the fund to municipalities under the program. The  
19 authority may enter into one or more lending agreements or  
20 purchase agreements with one or more bondholders or  
21 noteholders containing the terms and conditions of the  
22 repayment of and the security for the bonds or notes. The  
23 authority and the bondholders or noteholders or a trustee  
24 agent designated by the authority may enter into agreements to  
25 provide for any of the following:

26 a. That the proceeds of the bonds and notes and the  
27 investments of the proceeds may be received, held, and  
28 disbursed by the authority or by a trustee or agent designated  
29 by the authority.

30 b. That the bondholders or noteholders or a trustee or  
31 agent designated by the authority may collect, invest, and  
32 apply the amount payable under the loan agreements or any  
33 other instruments securing the debt obligations under the loan  
34 agreements.

35 c. That the bondholders or noteholders may enforce the

1 remedies provided in the loan agreements or other instruments  
2 on their own behalf. If there is a default in the principal  
3 of or interest on the bonds or notes or in the performance of  
4 any agreement contained in the loan agreements or other  
5 instruments, the payment or performance may be enforced in  
6 accordance with the loan agreements or other instruments.

7 d. Other terms and conditions as deemed necessary or  
8 appropriate by the authority.

9 3. The powers granted the authority under this section are  
10 in addition to other powers contained in this chapter. All  
11 other provisions of this chapter, except section 220.28,  
12 subsection 4, apply to bonds or notes issued and powers  
13 granted to the authority under this section except to the  
14 extent they are inconsistent with this section.

15 4. All bonds or notes issued by the authority in  
16 connection with the program are exempt from taxation by this  
17 state and the interest on the bonds or notes is exempt from  
18 state income tax.

19 Sec. 4. NEW SECTION. 220.174 SECURITY -- RESERVE FUNDS -  
20 -PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

21 1. The authority may provide in the resolution, trust  
22 agreement, or other instrument authorizing the issuance of its  
23 bonds or notes pursuant to section 220.173 that the principal  
24 of, premium, and interest on the bonds or notes are payable  
25 solely out of the pledged receipts as designated in the  
26 resolution, trust agreement, or other instrument authorizing  
27 the issuance of the bonds or notes.

28 For purposes of this section, unless the context otherwise  
29 requires, "pledged receipts" means the revenues and receipts  
30 received or to be received by the authority from grants,  
31 appropriations, gifts, or payments on guarantees made to the  
32 authority by any person; from accrued interest received from  
33 the sale of obligations; from income accruing from the  
34 investment of special funds of the authority, including the  
35 loan fund established by the authority for purposes of the

1 program; from the revenues and receipts deposited in the loan  
2 fund; from the amounts payable to the authority by  
3 municipalities pursuant to loan agreements with  
4 municipalities; and from any other moneys which are available  
5 for the payment of principal, premium, if any, or interest on  
6 the bonds or notes.

7 2. The authority may establish reserve funds to secure one  
8 or more issues of its bonds or notes. The authority may  
9 deposit in a reserve fund established under this section the  
10 proceeds of the sale of its bonds or notes and other moneys  
11 which are made available from any other source.

12 3. It is the intention of the general assembly that a  
13 pledge made in respect of bonds or notes shall be valid and  
14 binding from the time the pledge is made, that the money or  
15 property so pledged and received after the pledge by the  
16 authority shall immediately be subject to the lien of the  
17 pledge without physical delivery or further act, and that the  
18 lien of the pledge shall be valid and binding as against all  
19 parties having claims of any kind in tort, contract, or  
20 otherwise against the authority whether or not the parties  
21 have notice of the lien. The resolution, trust agreement, or  
22 any other instrument by which a pledge is created need not be  
23 recorded or filed under the Iowa uniform commercial code to be  
24 valid, binding, or effective against the parties.

25 4. The members of the authority and a person executing the  
26 bonds or notes are not liable personally on the bonds or notes  
27 and are not subject to personal liability or accountability by  
28 reason of the issuance of the bonds or notes.

29 5. The bonds or notes issued by the authority are not an  
30 indebtedness or other liability of the state or of a political  
31 subdivision of the state within the meaning of any  
32 constitutional or statutory debt limitations but are special  
33 obligations of the authority, and are payable solely out of  
34 the pledged receipts to the extent that the pledged receipts  
35 are designated in the resolution, trust agreement, or other

1 instrument of the authority authorizing the issuance of the  
2 bonds or notes as being available as security for such bonds  
3 or notes. The authority shall not pledge the faith or credit  
4 of the state to the payment of any bonds or notes. The  
5 authority shall not pledge the faith or credit of a  
6 municipality to the payment of any bonds or notes except as  
7 agreed to by the municipality in the loan agreement referred  
8 to in section 220.173, subsection 1. The issuance of any  
9 bonds or notes by the authority does not directly, indirectly,  
10 or contingently obligate the state to apply moneys from, or  
11 levy or pledge any form of taxation whatever to the payment of  
12 the bonds or notes. The issuance of any bonds or notes by the  
13 authority does not directly, indirectly, or contingently  
14 obligate a municipality to apply moneys from, or levy or  
15 pledge any form of taxation whatever to the payment of the  
16 bonds or notes, except as agreed to by the municipality in the  
17 loan agreement referred to in section 220.173, subsection 1.

18 6. The state pledges to and agrees with the holders of  
19 bonds or notes issued under the program, that the state will  
20 not limit or alter the rights and powers vested in the  
21 authority to fulfill the terms of a contract made by the  
22 authority with respect to the bonds or notes, or in any way  
23 impair the rights and remedies of the holders until the bonds  
24 and notes, together with the interest on them including  
25 interest on unpaid installments of interest, and all costs and  
26 expenses in connection with an action or proceeding by or on  
27 behalf of the holders, are fully met and discharged. The  
28 authority may include this pledge and agreement of the state,  
29 as it refers to holders of bonds or notes of the authority, in  
30 a contract with the holders.

31 Sec. 5. NEW SECTION. 220.175 POWERS OF MUNICIPALITIES.

32 1. A municipality may enter into loan agreements and issue  
33 any type of obligations payable from any security which it is  
34 authorized by law to issue for any purpose for the restoration  
35 or replacement on a permanent or temporary basis of its

1 investment loss. For the purpose of this program, the  
2 restoration or replacement on a permanent or temporary basis  
3 of an investment loss through the program is an essential  
4 purpose under chapter 331 or 384.

5 2. To approve a loan agreement under section 220.173 for  
6 this purpose, a municipality shall follow the authorization  
7 procedures required for the issuance of general obligation  
8 bonds by cities as set out in section 384.25. Chapter 75 is  
9 not applicable.

10 Sec. 6. NEW SECTION. 220.176 OTHER LAWS NOT APPLICABLE.

11 All other laws governing the authorization and issuance of  
12 obligations by municipalities shall not apply to loan  
13 agreements entered into by municipalities with the authority  
14 for purposes of the program.

15 Sec. 7. Sections 220.171 through 220.176 are repealed on  
16 August 1, 1993. The repeal of sections 220.171 through  
17 220.176 shall not affect the operation or enforceability of  
18 any action taken or agreement entered into pursuant to  
19 sections 220.171 through 220.176 prior to August 1, 1993, by  
20 the authority, a municipality, or a bondholder or noteholder,  
21 and section 4.13 shall apply. -

22 Sec. 8. APPROPRIATION. For purposes of securing one or  
23 more loan agreements with the authority as provided in this  
24 Act, and if the investment losses to the first and third  
25 judicial district departments of correctional services are not  
26 recovered, there is appropriated from the general fund of the  
27 state to the department of management for the appropriate  
28 fiscal year or years, moneys in the amount of the remaining  
29 investment losses, plus the amount of any capitalized  
30 interest, costs of issuance, and reserve expenses, of the  
31 first and third judicial district departments of correctional  
32 services. The contingent appropriations made in this section  
33 do not obligate the general assembly to maintain any such  
34 appropriation and any pledge of these appropriations by the  
35 judicial district department of correctional services shall

1 only apply to moneys when received. The moneys shall be  
2 allocated pursuant to a requisition submitted to the director  
3 of the department of management in the manner provided in  
4 section 8.31. Any and all amounts subsequently recovered by  
5 or on behalf of the first and third judicial district  
6 departments of correctional services as a result of actions  
7 taken to recover their investment losses shall be repaid to  
8 the general fund of the state.

9 Sec. 9. EFFECTIVE DATE. This Act, being deemed of  
10 immediate importance, takes effect upon enactment.

11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

DIELEMAN, CH.  
BRONSTAL  
MURPHY  
VANDE HOEF  
KRAMER

SSB 2055  
STATE GOVERNMENT  
— NOW —

SENATE FILE 2064  
BY (PROPOSED COMMITTEE ON STATE  
GOVERNMENT BILL BY CHAIR-  
PERSON KIBBIE)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act establishing a municipal investment recovery program and  
2 authorizing an appropriation to the department of management.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

**SUB COMMITTEE ASSIGNMENTS**  
**CHAIR:**  
**COMMITTEE:**

1 Section 1. NEW SECTION. 220.171 LEGISLATIVE FINDINGS.

2 The general assembly finds and declares that:

3 1. Certain Iowa municipalities and other public bodies  
4 within the state have experienced the temporary or permanent  
5 loss of public funds invested or held for investment for  
6 public purposes or projects, including those held in a common  
7 investment pool organized under chapter 28E.

8 2. The loss of such funds and the resulting cashflow  
9 difficulties have placed severe financial burdens on such  
10 municipalities and other public bodies.

11 3. There currently exists a shortage of means by which  
12 such municipalities and other public bodies can borrow or  
13 otherwise acquire replacement funds until the lost funds are  
14 recovered or replaced.

15 4. The availability of loan funds from the authority will  
16 reduce the short-term operating difficulties faced by such  
17 municipalities and other public bodies and permit them to  
18 continue operations and projects currently in progress.

19 5. All of the purposes stated in this section are public  
20 purposes and uses for which public moneys may be borrowed,  
21 expended, advanced, loaned, or granted.

22 Sec. 2. NEW SECTION. 220.172 ESTABLISHMENT OF MUNICIPAL  
23 INVESTMENT RECOVERY PROGRAM -- DEFINITIONS.

24 1. The authority shall establish a municipal investment  
25 recovery program to make loans to municipalities in  
26 anticipation of their recovery of lost, stolen, or converted  
27 funds invested or held for investment in a common investment  
28 pool organized under chapter 28E or separately. The authority  
29 may issue its bonds or notes, or series of bonds or notes, for  
30 the purpose of funding such loans and may make secured or  
31 unsecured loans to municipalities for such purposes on terms  
32 the authority determines.

33 2. For purposes of section 220.171, this section, and  
34 sections 220.173 through 220.176:

35 a. "Investment loss" means any funds of a municipality

1 invested or held for investment by others, including those  
2 held in a common investment pool organized under chapter 28E  
3 or held separately by a municipality, the recovery of which  
4 has been delayed, suspended, or impaired. The amount of any  
5 funds of a municipality held in a common investment pool or  
6 held separately by the municipality in another investment  
7 vehicle that are not returned to the municipality upon its  
8 request shall represent the amount of the investment loss of  
9 the municipality.

10 b. "Municipality" means any public body that has invested  
11 public funds in a common investment pool organized under  
12 chapter 28E or otherwise, and includes, but is not limited to,  
13 cities, counties, school corporations, entities created under  
14 chapter 28E, municipal utility boards, and judicial district  
15 departments of correctional services of this state.

16 c. "Program" means the municipal investment recovery  
17 program established by the authority pursuant to this section.

18 d. "Project" means any undertaking of a municipality for  
19 which public funds were invested or held for investment by  
20 others, including those held in a common investment pool  
21 organized under chapter 28E or as otherwise provided under  
22 state law.

23 Sec. 3. NEW SECTION. 220.173 LOAN AGREEMENTS -- BONDS  
24 AND NOTES.

25 1. The authority may enter into loan agreements with a  
26 municipality to enable the municipality to finance a project  
27 or operations which otherwise cannot be financed due to an  
28 investment loss. The principal amount of the loan agreement  
29 shall be limited to the amount of the investment loss incurred  
30 by the municipality as of the date of approval of the loan  
31 agreement, plus such amounts as the municipality shall deem  
32 necessary or desirable for capitalized interest, costs of  
33 issuance, and reserves. The repayment obligation of the  
34 municipality may be unsecured, may be secured by a pledge of  
35 debt service taxes or enterprise revenues of the municipality,

1 or secured by such other security as the authority deems  
2 advisable. Without limiting the foregoing, a judicial  
3 district department of correctional services may pledge any  
4 appropriation or other grant in aid made by the general  
5 assembly as security for its repayment obligation. However,  
6 the appropriation or other grant in aid is only subject to the  
7 pledge upon receipt of the appropriation or grant in aid by  
8 the judicial district department of correctional services.  
9 The repayment obligation may be evidenced by one or more notes  
10 of the municipality. The loan agreements may contain other  
11 terms and conditions the authority deems advisable.

12 2. The authority may issue its bonds and notes for the  
13 purpose of establishing a loan fund for the program and making  
14 loans from the fund to municipalities under the program. The  
15 authority may enter into one or more lending agreements or  
16 purchase agreements with one or more bondholders or  
17 noteholders containing the terms and conditions of the  
18 repayment of and the security for the bonds or notes. The  
19 authority and the bondholders or noteholders or a trustee  
20 agent designated by the authority may enter into agreements to  
21 provide for any of the following:

22 a. That the proceeds of the bonds and notes and the  
23 investments of the proceeds may be received, held, and  
24 disbursed by the authority or by a trustee or agent designated  
25 by the authority.

26 b. That the bondholders or noteholders or a trustee or  
27 agent designated by the authority may collect, invest, and  
28 apply the amount payable under the loan agreements or any  
29 other instruments securing the debt obligations under the loan  
30 agreements.

31 c. That the bondholders or noteholders may enforce the  
32 remedies provided in the loan agreements or other instruments  
33 on their own behalf without the appointment or designation of  
34 a trustee. If there is a default in the principal of or  
35 interest on the bonds or notes or in the performance of any

1 agreement contained in the loan agreements or other  
2 instruments, the payment or performance may be enforced in  
3 accordance with the loan agreements or other instruments.

4 d. Other terms and conditions as deemed necessary or  
5 appropriate by the authority.

6 3. The powers granted the authority under this section are  
7 in addition to other powers contained in this chapter. All  
8 other provisions of this chapter, except section 220.28,  
9 subsection 4, apply to bonds or notes issued and powers  
10 granted to the authority under this section except to the  
11 extent they are inconsistent with this section.

12 4. All bonds or notes issued by the authority in  
13 connection with the program are exempt from taxation by this  
14 state and the interest on the bonds or notes is exempt from  
15 state income tax.

16 Sec. 4. NEW SECTION. 220.174 SECURITY -- RESERVE FUNDS -  
17 - PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

18 1. The authority may provide in the resolution, trust  
19 agreement, or other instrument authorizing the issuance of its  
20 bonds or notes pursuant to section 220.173 that the principal  
21 of, premium, and interest on the bonds or notes are payable  
22 solely out of the pledged receipts as designated in the  
23 resolution, trust agreement, or other instrument authorizing  
24 the issuance of the bonds or notes.

25 For purposes of this section, unless the context otherwise  
26 requires, "pledged receipts" means the revenues and receipts  
27 received or to be received by the authority from grants,  
28 appropriations, gifts, or payments on guarantees made to the  
29 authority by any person; from accrued interest received from  
30 the sale of obligations; from income accruing from the  
31 investment of special funds of the authority, including the  
32 loan fund established by the authority for purposes of the  
33 program; from the revenues and receipts deposited in the loan  
34 fund; from the amounts payable to the authority by  
35 municipalities pursuant to loan agreements with

1 municipalities; and from any other moneys which are available  
2 for the payment of principal, premium, if any, or interest on  
3 the bonds or notes.

4 2. The authority may establish reserve funds to secure one  
5 or more issues of its bonds or notes. The authority may  
6 deposit in a reserve fund established under this section the  
7 proceeds of the sale of its bonds or notes and other moneys  
8 which are made available from any other source.

9 3. It is the intention of the general assembly that a  
10 pledge made in respect of bonds or notes shall be valid and  
11 binding from the time the pledge is made, that the money or  
12 property so pledged and received after the pledge by the  
13 authority shall immediately be subject to the lien of the  
14 pledge without physical delivery or further act, and that the  
15 lien of the pledge shall be valid and binding as against all  
16 parties having claims of any kind in tort, contract, or  
17 otherwise against the authority whether or not the parties  
18 have notice of the lien. The resolution, trust agreement, or  
19 any other instrument by which a pledge is created need not be  
20 recorded or filed under the Iowa uniform commercial code to be  
21 valid, binding, or effective against the parties.

22 4. The members of the authority and a person executing the  
23 bonds or notes are not liable personally on the bonds or notes  
24 and are not subject to personal liability or accountability by  
25 reason of the issuance of the bonds or notes.

26 5. The bonds or notes issued by the authority are not an  
27 indebtedness or other liability of the state or of a political  
28 subdivision of the state within the meaning of any  
29 constitutional or statutory debt limitations but are special  
30 obligations of the authority, and are payable solely out of  
31 the pledged receipts to the extent that the pledged receipts  
32 are designated in the resolution, trust agreement, or other  
33 instrument of the authority authorizing the issuance of the  
34 bonds or notes as being available as security for such bonds  
35 or notes. The authority shall not pledge the faith or credit

1 of the state or of a political subdivision of the state to the  
2 payment of any bonds or notes. The issuance of any bonds or  
3 notes by the authority does not directly, indirectly, or  
4 contingently obligate the state or a political subdivision of  
5 the state to apply moneys from, or levy or pledge any form of  
6 taxation whatever to the payment of the bonds or notes.

7 6. The state pledges to and agrees with the holders of  
8 bonds or notes issued under the program, that the state will  
9 not limit or alter the rights and powers vested in the  
10 authority to fulfill the terms of a contract made by the  
11 authority with respect to the bonds or notes, or in any way  
12 impair the rights and remedies of the holders until the bonds  
13 and notes, together with the interest on them including  
14 interest on unpaid installments of interest, and all costs and  
15 expenses in connection with an action or proceeding by or on  
16 behalf of the holders, are fully met and discharged. The  
17 authority may include this pledge and agreement of the state,  
18 as it refers to holders of bonds or notes of the authority, in  
19 a contract with the holders.

20 Sec. 5. NEW SECTION. 220.175 POWERS OF MUNICIPALITIES.

21 1. A municipality may enter into loan agreements and issue  
22 any type of obligations payable from any security which it is  
23 authorized by law to issue for any purpose for the restoration  
24 or replacement on a permanent or temporary basis of its  
25 investment loss.

26 2. To approve a loan agreement under section 220.173 for  
27 this purpose, a municipality shall follow the authorization  
28 procedures required for the issuance of general obligation  
29 bonds by cities as set out in section 384.25. Chapter 75 is  
30 not applicable.

31 Sec. 6. NEW SECTION. 220.176 OTHER LAWS NOT APPLICABLE.

32 All other laws governing the authorization and issuance of  
33 obligations by municipalities shall not apply to loan  
34 agreements entered into by municipalities with the authority  
35 for purposes of the program. In light of the findings set

1 forth in section 220.171, the authority shall not be required  
2 to comply with chapter 17A and section 12.30 shall not apply.

3     Sec. 7. APPROPRIATION. For purposes of securing one or  
4 more loan agreements with the authority as provided in this  
5 Act, and if the investment losses to the first and third  
6 judicial district department of correctional services are not  
7 recovered, there is appropriated from the general fund of the  
8 state to the department of management for the appropriate  
9 fiscal year or years, moneys in the amount of the remaining  
10 investment losses, plus the amount of any capitalized  
11 interest, costs of issuance, and reserve expenses, of the  
12 first and third judicial district department of correctional  
13 services. The contingent appropriations made in this section  
14 do not obligate the general assembly to maintain any such  
15 appropriation and any pledge of these appropriations by the  
16 judicial district department of correctional services shall  
17 only apply to moneys when received. The moneys shall be  
18 allocated pursuant to a requisition submitted to the director  
19 of the department of management in the manner provided in  
20 section 8.31. Any and all amounts subsequently recovered by  
21 or on behalf of the first and third judicial district  
22 departments of correctional services as a result of actions  
23 taken to recover their investment losses shall be repaid to  
24 the general fund of the state.

25

EXPLANATION

26     This bill creates a municipal investment recovery program  
27 in the Iowa finance authority, similar in operation to the  
28 sewer revolving fund and the E911 emergency phone system  
29 program. The bill provides that the bonds issued under this  
30 program are not obligations of the state but are obligations  
31 of the Iowa finance authority payable from pledged receipts.  
32 The bill further provides that interest on the bonds is not  
33 exempt from state taxes. The bill also appropriates state  
34 general fund moneys to the department of management to cover  
35 any unrecovered investment losses to the first and third

2052

1 judicial district departments of correctional services.  
2  
3  
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  
30  
31  
32  
33  
34  
35

SENATE FILE 2064

AN ACT

ESTABLISHING A MUNICIPAL INVESTMENT RECOVERY PROGRAM AND  
AUTHORIZING AN APPROPRIATION TO THE DEPARTMENT OF MANAGE-  
MENT AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 220.171 LEGISLATIVE FINDINGS.

The general assembly finds and declares that:

1. Certain Iowa municipalities and other public bodies within the state have experienced the temporary or permanent loss of public funds invested or held for investment for public purposes or projects, including those held in a common investment pool organized under chapter 28E.

2. The loss of such funds and the resulting cashflow difficulties have placed severe financial burdens on such municipalities and other public bodies.

3. There currently exists a shortage of means by which such municipalities and other public bodies can borrow or otherwise acquire replacement funds until the lost funds are recovered or replaced.

4. The availability of loan funds from the authority will reduce the short-term operating difficulties faced by such municipalities and other public bodies and permit them to continue operations and projects currently in progress.

5. All of the purposes stated in this section are public purposes and uses for which public moneys may be borrowed, expended, advanced, loaned, or granted.

Sec. 2. NEW SECTION. 220.172 ESTABLISHMENT OF MUNICIPAL INVESTMENT RECOVERY PROGRAM -- DEFINITIONS.

1. The authority shall establish a municipal investment recovery program to make loans to municipalities in anticipation of their recovery of lost, stolen, or converted

funds invested or held for investment in a common investment pool organized under chapter 28E or separately. The authority may issue its bonds or notes, or series of bonds or notes, for the purpose of funding such loans and may make secured loans to municipalities for such purposes on terms the authority determines.

2. For purposes of section 220.171, this section, and sections 220.173 through 220.176:

a. "Investment loss" means any funds of a municipality invested or held for investment by others, including funds held in a common investment pool organized under chapter 28E or held separately by a municipality, the recovery of which has been delayed, suspended, or impaired, and which are not returned to the municipality within ten days after demand, including any accrued interest or interest that would have accrued on such funds. The amount of any funds of a municipality held in a common investment pool or held separately by the municipality in another investment vehicle that are not returned to the municipality upon its request shall represent the amount of the investment loss of the municipality.

b. "Municipality" means any public body that has invested public funds in a common investment pool organized under chapter 28E or otherwise, and includes, but is not limited to, cities, counties, school corporations, entities created under chapter 28E, municipal utility boards, and judicial district departments of correctional services of this state.

c. "Program" means the municipal investment recovery program established by the authority pursuant to this section.

Sec. 3. NEW SECTION. 220.173 LOAN AGREEMENTS -- BONDS AND NOTES.

1. The authority may enter into loan agreements with a municipality to enable the municipality to recover investment losses. The principal amount of the loan agreement may include the amount of the investment loss incurred by the municipality as of the date of approval of the loan agreement, plus such amounts as the municipality shall deem necessary or

desirable for capitalized interest, costs of issuance, financing costs, credit enhancements, and reserves. The repayment obligation of the municipality may be secured by a pledge of debt service taxes, enterprise revenues or income, or revenues of the municipality from any source, or secured by such other security as the authority deems advisable. Without limiting the foregoing, a judicial district department of correctional services may pledge any appropriation or other grant in aid made by the general assembly as security for its repayment obligation. However, the appropriation or other grant in aid is only subject to the pledge upon receipt of the appropriation or grant in aid by the judicial district department of correctional services. The repayment obligation may be evidenced by one or more notes of the municipality. The plan of repayment by the municipality shall not take into consideration any potential recovery of investment loss. If the municipality recovers any portion of an investment loss for which it has a loan agreement, the amount recovered shall be immediately paid to the authority to be applied by it against the municipality's obligation in accordance with the terms of the loan agreement. The loan agreements may contain other terms and conditions the authority deems advisable.

2. The authority may issue its bonds and notes for the purpose of establishing a loan fund for the program and making loans from the fund to municipalities under the program. The authority may enter into one or more lending agreements or purchase agreements with one or more bondholders or noteholders containing the terms and conditions of the repayment of and the security for the bonds or notes. The authority and the bondholders or noteholders or a trustee agent designated by the authority may enter into agreements to provide for any of the following:

a. That the proceeds of the bonds and notes and the investments of the proceeds may be received, held, and disbursed by the authority or by a trustee or agent designated by the authority.

b. That the bondholders or noteholders or a trustee or agent designated by the authority may collect, invest, and apply the amount payable under the loan agreements or any other instruments securing the debt obligations under the loan agreements.

c. That the bondholders or noteholders may enforce the remedies provided in the loan agreements or other instruments on their own behalf. If there is a default in the principal of or interest on the bonds or notes or in the performance of any agreement contained in the loan agreements or other instruments, the payment or performance may be enforced in accordance with the loan agreements or other instruments.

d. Other terms and conditions as deemed necessary or appropriate by the authority.

3. The powers granted the authority under this section are in addition to other powers contained in this chapter. All other provisions of this chapter, except section 220.28, subsection 4, apply to bonds or notes issued and powers granted to the authority under this section except to the extent they are inconsistent with this section.

4. All bonds or notes issued by the authority in connection with the program are exempt from taxation by this state and the interest on the bonds or notes is exempt from state income tax.

Sec. 4. NEW SECTION. 220.174 SECURITY -- RESERVE FUNDS -  
- PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

1. The authority may provide in the resolution, trust agreement, or other instrument authorizing the issuance of its bonds or notes pursuant to section 220.173 that the principal of, premium, and interest on the bonds or notes are payable solely out of the pledged receipts as designated in the resolution, trust agreement, or other instrument authorizing the issuance of the bonds or notes.

For purposes of this section, unless the context otherwise requires, "pledged receipts" means the revenues and receipts received or to be received by the authority from grants, appropriations, gifts, or payments on guarantees made to the

authority by any person; from accrued interest received from the sale of obligations; from income accruing from the investment of special funds of the authority, including the loan fund established by the authority for purposes of the program; from the revenues and receipts deposited in the loan fund; from the amounts payable to the authority by municipalities pursuant to loan agreements with municipalities; and from any other moneys which are available for the payment of principal, premium, if any, or interest on the bonds or notes.

2. The authority may establish reserve funds to secure one or more issues of its bonds or notes. The authority may deposit in a reserve fund established under this section the proceeds of the sale of its bonds or notes and other moneys which are made available from any other source.

3. 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. The resolution, trust agreement, or any other instrument by which a pledge is created need not be recorded or filed under the Iowa uniform commercial code to be valid, binding, or effective against the parties.

4. The members of the authority and a person executing the bonds or notes are not liable personally on the bonds or notes and are not subject to personal liability or accountability by reason of the issuance of the bonds or notes.

5. 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 within the meaning of any constitutional or statutory debt limitations but are special obligations of the authority, and are payable solely out of

the pledged receipts to the extent that the pledged receipts are designated in the resolution, trust agreement, or other instrument of the authority authorizing the issuance of the bonds or notes as being available as security for such bonds or notes. The authority shall not pledge the faith or credit of the state to the payment of any bonds or notes. The authority shall not pledge the faith or credit of a municipality to the payment of any bonds or notes except as agreed to by the municipality in the loan agreement referred to in section 220.173, subsection 1. The issuance of any bonds or notes by the authority does not directly, indirectly, or contingently obligate the state to apply moneys from, or levy or pledge any form of taxation whatever to the payment of the bonds or notes. The issuance of any bonds or notes by the authority does not directly, indirectly, or contingently obligate a municipality to apply moneys from, or levy or pledge any form of taxation whatever to the payment of the bonds or notes, except as agreed to by the municipality in the loan agreement referred to in section 220.173, subsection 1.

6. The state pledges to and agrees with the holders of bonds or notes issued under the 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 may 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.

Sec. 5. NEW SECTION. 220.175 POWERS OF MUNICIPALITIES.

1. A municipality may enter into loan agreements and issue any type of obligations payable from any security which it is authorized by law to issue for any purpose for the restoration or replacement on a permanent or temporary basis of its

investment loss. For the purpose of this program, the restoration or replacement on a permanent or temporary basis of an investment loss through the program is an essential purpose under chapter 331 or 384.

2. To approve a loan agreement under section 220.173 for this purpose, a municipality shall follow the authorization procedures required for the issuance of general obligation bonds by cities as set out in section 384.25. Chapter 75 is not applicable.

Sec. 6. NEW SECTION. 220.176 OTHER LAWS NOT APPLICABLE.

All other laws governing the authorization and issuance of obligations by municipalities shall not apply to loan agreements entered into by municipalities with the authority for purposes of the program.

Sec. 7. Sections 220.171 through 220.176 are repealed on August 1, 1993. The repeal of sections 220.171 through 220.176 shall not affect the operation or enforceability of any action taken or agreement entered into pursuant to sections 220.171 through 220.176 prior to August 1, 1993, by the authority, a municipality, or a bondholder or noteholder, and section 4.13 shall apply.

Sec. 8. APPROPRIATION. For purposes of securing one or more loan agreements with the authority as provided in this Act, and if the investment losses to the first and third judicial district departments of correctional services are not recovered, there is appropriated from the general fund of the state to the department of management for the appropriate fiscal year or years, moneys in the amount of the remaining investment losses, plus the amount of any capitalized interest, costs of issuance, and reserve expenses, of the first and third judicial district departments of correctional services. The contingent appropriations made in this section do not obligate the general assembly to maintain any such appropriation and any pledge of these appropriations by the judicial district department of correctional services shall only apply to moneys when received. The moneys shall be allocated pursuant to a requisition submitted to the director

of the department of management in the manner provided in section 8.31. Any and all amounts subsequently recovered by or on behalf of the first and third judicial district departments of correctional services as a result of actions taken to recover their investment losses shall be repaid to the general fund of the state.

Sec. 9. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

-----  
MICHAEL E. GRONSTAL  
President of the Senate

-----  
ROBERT C. ARNOULD  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2064, Seventy-fourth General Assembly.

-----  
JOHN F. DWYER  
Secretary of the Senate

Approved Feb 7, 1992

-----  
TERRY E. BRANSTAD  
Governor