

SENATE No. 216

The Commonwealth of Massachusetts

PRESENTED BY:

Brian A. Joyce

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act creating a municipal bond bank.

PETITION OF:

| NAME: | DISTRICT/ADDRESS: |
|-----------------------------|--|
| <i>Brian A. Joyce</i> | <i>Norfolk, Bristol and Plymouth</i> |
| <i>Antonio F. D. Cabral</i> | <i>13th Bristol</i> |
| <i>Chris Walsh</i> | <i>6th Middlesex</i> |
| <i>Claire D. Cronin</i> | <i>11th Plymouth</i> |
| <i>Anne M. Gobi</i> | <i>Worcester, Hampden, Hampshire and Middlesex</i> |
| <i>Richard J. Ross</i> | <i>Norfolk, Bristol and Middlesex</i> |

SENATE No. 216

By Mr. Joyce, a petition (accompanied by bill, Senate, No. 216) of Brian A. Joyce, Antonio F. D. Cabral, Chris Walsh, Claire D. Cronin and other members of the General Court for legislation to create a municipal bond bank. Economic Development and Emerging Technologies.

The Commonwealth of Massachusetts

**In the One Hundred and Eighty-Ninth General Court
(2015-2016)**

An Act creating a municipal bond bank.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The General Laws are hereby amended by inserting after chapter 44B the
2 following chapter:-

3 CHAPTER 44C

4 Massachusetts Municipal Bond Bank

5 Section 1. Definitions

6 As used in this chapter, the following words shall, unless the context clearly requires
7 otherwise, have the following meanings:

8 “Bank”, the Massachusetts Municipal Bond Bank established by section 2.

9 “Board”, the board of directors of the bank.

10 “Bonds”, when used in reference to the bank, any bonds, notes, debentures, interim
11 certificates or other financial undertakings for the purpose of raising capital, including, but not
12 limited to, lines of credit, forward purchase agreements, investment agreements and other
13 banking or financial arrangements.

14 “Capital project”, any application or loan proceeds authorized by chapter 44 of the
15 general laws or any general or special law authorizing borrowing by a local government unit.

16 “Loan”, a form of financial assistance subject to repayment in whole or in part which is
17 provided by the bank to a local governmental unit for all or any part of the cost of a capital
18 project. A loan may (i) provide for planning, construction, bridge or permanent financing; (ii) be
19 disbursed in anticipation of reimbursement of or direct payment of costs of a project or take the
20 form of a guarantee, line of credit, bond purchase agreement, or other form of financial
21 assistance; and (iii) may be issued at such rates of interest including, without limitation, variable
22 rates and zero interest, may mature at such times and be redeemable at the option of the board or
23 the local governmental unit.

24 “Loan agreement”, an agreement entered into between the bank and a local governmental
25 unit or other eligible borrower pertaining to a loan or the purchase and delivery of local
26 governmental obligations or other instruments evidencing or securing a loan. The term “loan
27 agreement” shall include, without limitation, a loan agreement, trust agreement, trust indenture,
28 security agreement, reimbursement agreement, guarantee agreement, bond or note resolution,
29 loan order or similar instrument whether secured or unsecured.

30 “Local government obligations”, bonds, notes or other evidence of indebtedness issued
31 by a local government unit to evidence a loan.

32 “Local governmental unit”, a town, city, district, commission, agency, authority, board or
33 other instrumentality of the commonwealth or of any of its political subdivisions, including any
34 regional local governmental unit.

35 “Trust agreement”, any agreement entered into by the bank providing for the issuance,
36 security and payment of bonds. The term “trust agreement” shall include a trust agreement, trust
37 indenture, security agreement, reimbursement agreement, currency or interest rate exchange
38 agreement, bond or note resolution or other similar instrument.

39 Section 2. Massachusetts Municipal Bond Bank

40 a) There is hereby established a body politic and corporate to be known as the
41 Massachusetts Municipal Bond Bank. The bank is hereby constituted a public instrumentality
42 and the exercise by the bank of the powers conferred by this chapter shall be considered to be the
43 performance of an essential governmental function.

44 The bank shall promote and advance the commonwealth’s public interests by: (1)
45 fostering and promoting by all reasonable means the provision of adequate capital markets and
46 facilities for borrowing money by local governmental units and to finance their respective public
47 improvements and other municipal purposes within the commonwealth from proceeds of bonds,
48 notes, any other form of debt or leases issued by those governmental units; (2) to assist those
49 governmental units in fulfilling their needs for such purposes by use of creation of indebtedness;
50 (3) to the extent possible, to reduce the costs of indebtedness to taxpayers and residents of the
51 Commonwealth and to encourage continued investor interest in the purchase of bonds or notes of
52 those local governmental units as sound and preferred securities for investment; and (4) to
53 encourage its governmental units to continue their independent undertakings of public

54 improvements and other municipal purposes and the financing thereof and to assist them in those
55 activities by making funds available at reduced interest costs for orderly financing of those
56 purposes, especially during periods of restricted credit or money supply, particularly for those
57 local governmental units not otherwise able to borrow for those purposes.

58 (b) The bank shall be governed and its corporate powers exercised by a board of directors
59 consisting of 8 directors: 1 of whom shall be the Treasurer of the Commonwealth or his
60 designee; 1 of whom shall be the secretary of housing and economic development or his
61 designee; 1 of whom shall be the secretary of administration and finance or his designee; and 5
62 of whom shall be appointed by the Treasurer for a term of six years, each of whom shall be
63 experienced in at least one of the following fields: public finance law, capital market operations,
64 project finance, municipal management or labor relations. A director shall be eligible for
65 reappointment. A person appointed to fill a vacancy in the office of an appointed director of the
66 board shall be appointed in a like matter and shall serve for only the unexpired term of the
67 director.

68 (c) Six directors shall constitute a quorum and the affirmative vote of a majority of
69 directors present at a duly-called meeting where a quorum is present shall be necessary for any
70 action to be taken by the board. An action required or permitted to be taken at a meeting of the
71 directors may be taken without a meeting if all of the directors consent in writing to such action
72 and such written consents are filed with the records of the minutes of the meeting of the board.
73 Such consents shall be treated for all purposes as a vote at a meeting.

74 The directors of the board shall serve without compensation.

75 (d) Chapter 268A shall apply to all directors.

76 (e) The board may appoint and employ an executive director, and fix his compensation
77 and conditions of employment. The executive director shall have experience in the municipal
78 finance industry. The executive director shall be the chief executive, administrative and
79 operational officer of the bank and shall direct and supervise the administrative affairs and the
80 general management of the bank. The executive director may, subject to the general supervision
81 of the board, employ other employees, consultants, agents, including legal counsel and advisors,
82 and shall attend meetings of the board.

83 (f) The board shall elect a secretary and a treasurer. The secretary shall keep a record of
84 the proceedings of the board and shall be the custodian of all books, documents and papers filed
85 by the board and of its minute book and seal. The secretary shall cause copies to be made of all
86 minutes and other records and documents of the bank and shall certify that such copies are true
87 copies, and all persons dealing with the bank may rely upon such certification. The treasurer
88 shall be the chief financial and accounting officer of the bank and shall be in charge of its funds,
89 books of account and accounting records.

90 (g) All officers and employees of the bank having access to its cash or negotiable
91 securities shall give bond to the bank, at its expense, in such amounts and with such surety as the
92 board may prescribe. The persons required to give bond may be included in 1 or more blanket or
93 scheduled bonds.

94 (h) The directors and officers of the board who are not compensated employees of the
95 bank shall not be liable to the commonwealth, to the bank or to any other person as a result of
96 their activities, whether ministerial or discretionary, as such directors or officers except for
97 willful dishonesty or intentional violations of law. Neither members of the bank nor any person

98 executing bonds or policies of insurance shall be liable personally thereon or be subject to any
99 personal liability or accountability by reason of the issuance thereof. The board of directors may
100 purchase liability insurance for board members, officers and employees and may indemnify said
101 persons against claims by others.

102 (i) The bank shall continue as long as it shall have bonds or notes outstanding and until
103 its existence is terminated by law.

104 (j) An action of the bank may take effect immediately and need not be published or
105 posted unless otherwise provided by law. Meetings of the board shall be subject to sections 18-
106 25 of chapter 30A; but said sections 18-25 shall not apply to any meeting of members of the
107 bank serving ex officio in the exercise of their duties as officers of the commonwealth so long as
108 no matters relating to the official business of the bank are discussed and decided at the meeting.
109 The bank shall be subject to all other provisions of said chapter 30A, and records pertaining to
110 the administration of the bank shall be subject to section 42 of chapter 30 and section 10 of
111 chapter 66. All moneys of the bank shall be considered to be public funds for purposes of chapter
112 12A. The operations of the bank shall be subject to chapters 268A and 268B and all other
113 operational or administrative standards or requirements to the same extent as the office of state
114 treasurer. Unless otherwise specified, all monies of the bank, from whatever source derived, shall
115 be paid to the treasurer of the bank. Such monies shall be deposited, in the first instance, by the
116 treasurer in national banks, in trust companies, savings banks and cooperative banks chartered
117 under the laws of the commonwealth, or in other banking companies in compliance with section
118 34 of chapter 29.

119 Section 3. General Powers

120 (a) The bank shall have all powers necessary or convenient to carry out and effectuate its
121 purposes, including, without limiting the generality of the foregoing, the powers:

122 (1) to adopt and amend bylaws, regulations and procedures for the governance of its
123 affairs and the conduct of its business without regard to chapter 30A;

124 (2) to adopt an official seal and a functional name;

125 (3) to maintain offices at places within the commonwealth as it may determine and to
126 conduct meetings of the bank in accordance with its by-laws and the second paragraph of section
127 59 of chapter 156B;

128 (4) to sue and be sued, to prosecute and defend actions relating to its properties and
129 affairs, and to be liable in tort in the same manner as a private person; provided however, that the
130 bank is not authorized to become a debtor under the United States Bankruptcy Code;

131 (5) to appoint officers and employees and to engage consultants, agents and advisors;

132 (6) to appear in its own behalf before boards, commissions, departments or other agencies
133 of municipal, state or federal government;

134 (7) to apply for and accept subventions, grants, advances and contributions from any
135 source of money, property, labor or other things of value, to be held, used and applied for its
136 corporate purposes;

137 (8) to provide and pay for such advisory services and technical assistance as may be
138 necessary or desired to carry out the purposes of this chapter;

139 (9) to exercise any other powers of a corporation organized under chapter 156B;

140 (10) to engage accountants, architects, attorneys, engineers, planners, real estate experts
141 and other consultants as may be necessary in its judgment to carry out the purposes of this act
142 and fix their compensation;

143 (11) to establish and collect such fees and charges as the bank without further
144 appropriation shall determine to be reasonable, and to receive and apply revenues from fees and
145 charges to the purposes of the bank or allotment by the commonwealth or any political
146 subdivision thereof;

147 (12) to prepare, publish and distribute, with or without charge, as the bank may
148 determine, such studies, reports and bulletins and other material as the bank deems appropriate;

149 (13) to enter into agreements or other transactions with any person, including without
150 limitation any public entity or other governmental instrumentality or agency or local
151 governmental unit in connection with its powers and duties under this chapter;

152 (14) to take any actions necessary or convenient to the exercise of any power or the
153 discharge of any duty provided for by this act;

154 (15) to make loans and issue bonds in accordance with section 4 and section 5.

155 (16) to administer the fund in accordance with section 8.

156 Section 4. Loans to Local Governmental Units

157 a) Any local governmental unit may apply to the bank for a loan to assist in financing any
158 capital project. At the option of the bank, loans may be unsecured or may be secured by local
159 governmental obligations for delivery to the bank to evidence the loan. Each loan shall be made
160 pursuant to a loan agreement between the bank and the local governmental unit acting by and

161 through the officer or officers, board, committee or other body authorized by law, or otherwise
162 its chief executive officer.

163 (b) A local government unit may receive, apply, pledge, assign and grant security
164 interests in, its general revenues or any special revenues to secure its obligations under loans and
165 local governmental obligations as provided in this chapter and may fix, revise, charge and collect
166 fees, rates, rents, assessments and other charges of general or special application for the
167 operation or services made possible by the financing of a capital project.

168 (c) For entering into a loan and establishing the authorized terms and conditions thereof,
169 and for issuing any local government obligations a local governmental unit shall be deemed to
170 have the powers expressly granted to local governmental units in this chapter and the powers
171 granted to that local governmental unit in any bond act applicable to it specifically or as a
172 member of a class of governmental instrumentalities. Liberal construction shall be given in
173 support of the broadest interpretation of local government unit powers derived from either this
174 chapter or any general or special law, provided that nothing in this chapter shall be construed as
175 affecting the manner of voting and other procedures relating to, or otherwise required by any
176 general or special law for, the authorization of indebtedness of any local governmental unit by
177 the governing body thereof or any limitations on indebtedness of local governmental units.

178 (d) In reviewing loan applications submitted by local governmental units, the bank shall
179 apply the rules and regulations it develops pursuant to section 7.

180 (e) Notwithstanding any general or special law to the contrary, when authorized by a two-
181 thirds vote as defined in section one of chapter forty-four or by such other vote as is authorized
182 by the applicable general or special law, any local governmental obligations may be secured by

183 one or more security agreements between the local governmental unit and a corporate trustee or
184 directly between the bank and the local governmental unit. Any such security agreement shall be
185 in such form and shall be executed as provided in the applicable loan agreement or as otherwise
186 agreed to between the board and the local governmental unit. Any security agreement directly or
187 indirectly securing local governmental obligations may pledge or assign, and create security
188 interests in, all or any part of the general revenues or special revenues of the local governmental
189 unit. Any security agreement may contain such provisions for protecting and enforcing the
190 rights, security and remedies of the bank, or other holders of the local governmental obligations,
191 as may be determined by the board and the local governmental unit, including without limitation
192 provisions defining defaults and providing for remedies, including without limitation, the
193 acceleration of maturities and, in the case of local governmental obligations issued under said
194 section fourteen, the appointment of a receiver of the project financed thereby, the covenants
195 setting forth the duties of, and limitations on, the local governmental unit in relation to the
196 custody, safeguarding, investment and application of monies, including general revenues or
197 special revenues, the issue of additional and refunding local governmental obligations and other
198 bonds, notes or obligations on a parity or superior thereto, the establishment of reserves, the
199 establishment of sinking funds for the payment of local governmental obligations, and the use of
200 surplus proceeds. Any local governmental obligations may also be secured by insurance or by
201 letters or lines of credit or other credit facilities and a local governmental unit may pledge or
202 assign any of its general revenues or special revenues as security for payments made thereon.
203 Any pledge of general revenues or special revenues made by a local governmental unit shall be
204 valid and binding and shall be deemed continuously perfected for the purpose of chapter one
205 hundred and six and any other law from the time made. The general revenues, special revenues,

206 monies, rights and proceeds so pledged and then held or thereafter acquired or received by the
207 local governmental unit shall immediately be subject to the lien of such pledge without any
208 physical delivery or segregation thereof or further act, and the lien of such pledge shall be valid
209 and binding against all parties having claims of any kind in tort, contract or otherwise, regardless
210 of whether such parties have notice thereof. Neither the security agreement or any other
211 agreement by which a pledge is created need be filed or recorded except in the records of the
212 local governmental unit and no filing need be made under the provisions of said chapter one
213 hundred and six. A pledge of general revenues in accordance with this chapter shall constitute a
214 sufficient appropriation thereof for the purposes of any provision for appropriation for so long as
215 such pledge shall be in effect and, notwithstanding any general or special law to the contrary,
216 such revenues shall be applied as required by the pledge and the security agreement evidencing
217 the same without further appropriation.

218 (f) If a local governmental unit defaults in the payment of interest on or principal of any
219 loan owned or held by the bank when due and payable by the governmental unit, the bank shall
220 proceed to enforce payment under applicable provisions of law of the interest or principal or
221 other amounts then due and payable.

222 Section 5. Issuance of Bonds and Notes

223 (a) The board may provide by resolution for the issuance from time to time of bonds for
224 any purpose of the bank, which bonds may be issued as general obligations of the bank or as
225 special obligations payable solely from particular revenues or monies of the bank. The bonds of
226 each issue may be dated, may bear interest at such rate or rates, including rates variable from
227 time to time, and may mature or otherwise be payable or redeemable at such times as the board

228 may determine. The board shall determine the denominations of bonds, the details of their
229 execution and authentication and their places of payment within or without the commonwealth.
230 Prior to initial issuance of each series of bonds the board shall advise the state finance and
231 governance board established under section 97 of chapter 6 of the terms of the bonds and the
232 timing of their issuance. In case any trustee or officer whose signature appears on any bonds
233 shall cease to be such officer before their delivery, the signature shall nevertheless be valid and
234 sufficient as if the officer had remained in office until delivery. Bonds may be issued in
235 certificated or uncertificated form, payable to bearer or registered owners, and, if notes, may be
236 made payable to bearer or to order. The board may sell the bonds of the bank at public or private
237 sale at par or for such premium or discount price as it may determine. The board may by
238 resolution delegate to any trustee or officer of the bank the power to determine any of the matters
239 set forth in this section.

240 (b) Bonds of the bank may be secured by a trust agreement between the bank and the
241 bond owners or a corporate trustee which may be any trust company or other entity having the
242 powers of a trust company within or without the commonwealth. A trust agreement may pledge
243 or assign, in whole or in part, any loan agreements and local governmental obligations, and the
244 revenues, funds and other assets or property held or to be received by the bank, including without
245 limitation all monies and investments on deposit from time to time in the bank or any account
246 thereof and any contract or other rights to receive the same, whether then existing or thereafter
247 coming into existence and whether then held or thereafter acquired by the bank, and the proceeds
248 thereof. A trust agreement may contain, without limitation, provisions for protecting and
249 enforcing the rights, security and remedies of the bondholders, provisions defining defaults and
250 establishing remedies, which may include acceleration and may also contain restrictions on the

251 remedies by individual bondholders. A trust agreement may also contain covenants of the bank
252 concerning the custody, investment and application of monies, the enforcement of loan
253 agreements and local governmental obligations, the issue of additional or refunding bonds, the
254 use of any surplus bond proceeds, the establishment of reserves and the regulation of other
255 matters customarily treated in trust agreements. At the request of the board, the state treasurer
256 shall and is hereby authorized to join in any trust agreement or to otherwise agree with the bank,
257 any lender or any trustee for bondholders to hold the bank in compliance with any covenants and
258 provisions relating to the bank contained in any trust agreement.

259 (c) Bonds may be issued by the bank in the form of lines of credit or other banking
260 arrangements under terms and conditions determined by the board. In addition to other lawful
261 security, bonds may be secured, in whole or in part, by financial guarantees, by insurance, by
262 letters or lines of credit or by other credit enhancement issued to the bank or to a trustee or other
263 person, by any financial institution, within or without the commonwealth; the bank may pledge
264 or assign, in whole or in part, any loan agreements and local governmental obligations and the
265 revenues, funds and other assets and property held or to be received by the bank, and any
266 contract or other rights to receive the same, whether then existing or thereafter coming into
267 existence and whether then held or thereafter acquired by the bank, and the proceeds thereof, as
268 security for such guarantees or insurance or for the reimbursement to any issuer of a line or letter
269 of credit.

270 (d) The board may by resolution provide for the issue by the bank of interim receipts or
271 temporary bonds, exchangeable for definitive bonds when the bonds are executed and are
272 available for delivery. The board may also provide for replacement of mutilated, destroyed or
273 lost bonds. The bank may purchase and invite offers to tender for purchase any outstanding

274 bonds; provided, however, that no purchase by the bank shall be made at a price, exclusive of
275 accrued interest, if any, exceeding the bond's principal amount or, if greater, its redemption price
276 when next redeemable at the option of the bank. The bank may resell any bonds it purchases in
277 such manner and for such price as it may determine.

278 (e) The board may also provide for issue by the bank of temporary notes in anticipation
279 of grants, revenues or appropriations to the bank. The issue of such notes shall be governed by
280 the applicable provisions of this chapter relating to the issue of bonds; provided, however, that
281 notes issued in anticipation of revenues shall mature no later than one year from their respective
282 dates, or the date of expected receipt of such revenues, if later, and notes issued in anticipation of
283 grants shall mature no later than six months after the expected date of receipt of such grant. The
284 board may also issue refunding bonds of the bank for the purpose of paying any bonds at or prior
285 to maturity. Refunding bonds may be issued at any time at or prior to the maturity or redemption
286 or purchase of the refunded bonds. Refunding bonds may be issued in sufficient amounts to pay
287 or provide for payment of the principal of the bonds being refunded, together with any
288 redemption premium thereon, any interest or discount accrued or to accrue to the date of
289 payment, costs of issuance and other expenses and reserves reasonably necessary to achieve the
290 refunding.

291 (f) Bonds of the bank are (i) securities in which public officers and agencies, insurance
292 companies, financial institutions, investment companies, executors, administrators, trustees and
293 others may properly invest funds including capital within their control, and (ii) securities which
294 may be deposited with any public officer or any agency for any purpose for which the deposit of
295 bonds is authorized by law.

296 (g) Bonds issued by the bank shall not be deemed to be a debt or a pledge of the faith and
297 credit of the commonwealth or of any of its political subdivisions, but shall be payable solely
298 from the revenues and monies of the bank and other monies and rights pledged to their payment.
299 Bonds shall recite that neither the commonwealth nor any political subdivision thereof shall be
300 obligated to pay the same and neither the faith and credit nor the taxing power of the
301 commonwealth or any political subdivision is pledged to their payment. Every bond shall recite
302 whether it is a general obligation of the bank or a special obligation payable solely from
303 particular revenues, funds, assets or other property.

304 (h) Bonds of the bank shall be deemed to be investment securities under chapter one
305 hundred and six. Bonds, their transfer and the income therefrom, including any profit made on
306 the sale thereof, shall at all times be exempt from taxation by and within the commonwealth. The
307 bank shall not be required to pay any taxes, assessments or excises upon its income, existence,
308 operation, or assets, monies or revenues.

309 (i) It shall be lawful for any trust company other entity having the powers of a trust
310 company to act as a depository of the fund or trustee under a trust agreement, provided it
311 furnishes indemnification and reasonable security as the board may require. Any assignment or
312 pledge of revenues, funds and other assets and property made by the bank shall be valid and
313 binding and shall be deemed continuously perfected for the purposes of chapter one hundred and
314 six and other laws when made. The revenues, funds and other assets and property, rights therein
315 and thereto and proceeds so pledged and then held or thereafter acquired or received by the bank
316 shall immediately be subject to the lien of such pledge without any physical delivery or
317 segregation or further act, and the lien of any such pledge shall be valid and binding against all
318 parties having claims of any kind in tort, contract or otherwise against the trust, whether or not

319 such parties have notice thereof. The trust agreement by which a pledge is created need not be
320 filed or recorded to perfect the pledge except in the records of the board and no filing need be
321 made pursuant to said chapter one hundred and six. Any pledge or assignment made by the bank
322 is an exercise of its political and governmental powers, and loan agreements, local governmental
323 obligations, revenues, funds, assets, property and contract or other rights to receive the same and
324 the proceeds thereof which are subject to the lien of a pledge or assignment created under this
325 chapter shall not be applied to any purposes not permitted by the pledge or assignment. Any
326 holder of a bond and any trustee under a trust agreement, except to the extent its rights may be
327 restricted by the trust agreement, may bring suit upon the bonds and may pursue any other legal
328 action to protect and enforce its rights and compel performance of all duties required to be
329 performed by the bank and the board.

330 Section 6. Annual Reports & Audit

331 (a) The bank shall publish not later than August 15 a report setting forth a description of
332 (1) its operations and an account of its expenditures and receipts, assets and liabilities; (2) the
333 terms of each of the loans made by the bank over the previous twelve months and the purpose to
334 which the proceeds of such loans are to be or have been applied; (3) the financial condition of
335 each of the local governmental units that received loans from the bank; (4) a summary of the
336 underwriting standards used by the bank in determining the credit quality of its borrowers; (5) a
337 discussion of the capital market conditions facing the commonwealth's local governmental units
338 over the previous twelve months; (6) any recommendations for improving the statutory rules
339 governing the operations of the bank or the borrowing and capital spending of the local
340 governmental units in the Commonwealth; (7) any additional information considered relevant to
341 inform the general court and the governor about issues relevant to municipal financing in the

342 commonwealth. The bank's annual report shall be delivered not later than August 15 to the
343 governor and the clerks of the house and senate, who shall forward the same to the house and
344 senate committees on ways and means, the house and senate committees on bonding, capital
345 expenditures and state assets and the joint committee on municipalities and regional government.

346 (b) The books and records of the bank shall be subject to a biennial audit by the auditor of
347 the commonwealth.

348 Section 7. Municipal Finance Oversight and Best Practices

349 (a) The bank shall establish and publish rules and regulations regarding best practices for
350 municipal borrowers. These rules and regulations shall be reviewed and updated biennially. The
351 bank shall establish said rules and regulations based upon, but not limited to, the following
352 sources:

353 (1) recommendations from the treasurer of the commonwealth;

354 (2) best practices used by municipalities with a credit rating of AA+ or higher, both
355 within and without the commonwealth;

356 (3) credit rating standards established by Standard & Poor's, Moody's Investors Service,
357 and Fitch Ratings; and

358 (4) any recommendations regarding municipal borrowing provided by any
359 commonwealth advisory committee currently in existence or created in the future;

360 (b) The bank shall base credit decisions regarding municipal loan applications based on a
361 municipality's compliance with the rules and regulations established in subsection (a).

362 Section 8. Massachusetts Municipal Infrastructure Trust Fund

363 (a) There is hereby established and placed within the bank a separate fund to be known as
364 the Massachusetts Municipal Infrastructure Trust Fund, hereinafter referred to as the trust fund.
365 The bank shall hold the trust fund in an account or accounts separate from other funds and shall
366 not assign the assets of the trust fund as security for any obligation of the bank. There shall be
367 credited to the trust fund any amounts appropriated by the commonwealth. All amounts credited
368 to the trust fund shall be held in trust and used solely for activities and expenditures consistent
369 with the public purpose of the trust fund as set forth in subsection (b), including the ordinary and
370 necessary expenses of administration and operation associated with the trust fund.

371 (b) The bank may make expenditures from the trust fund for the public purpose of
372 providing grants to local governmental units in order to: (i) reduce the principle or interest that
373 would otherwise be applicable on loans made to local government units that meet the standards
374 of section 3 of chapter 23A of the General; or (ii) provide training and financial consulting
375 services to local government units to promote the rules and regulations developed pursuant to
376 section 7.