

HOUSE BILL No. 2011

By Representative Sloan

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AN ACT concerning municipalities; relating to the investment of public moneys; amending K.S.A. 12-1675 and 12-1675a and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 12-1675 is hereby amended to read as follows: 12-1675. (a) The governing body of any county, city, township, school district, area vocational-technical school, community college, firemen's relief association, community mental health center, community facility for the mentally retarded or any other governmental entity, unit or subdivision in the state of Kansas having authority to receive, hold and expend public moneys or funds may invest any moneys which are not immediately required for the purposes for which the moneys were collected or received, and the investment of which is not subject to or regulated by any other statute.

(b) Such moneys shall be invested only:

(1) In temporary notes or no-fund warrants issued by such investing governmental unit;

(2) in time deposit, open accounts, certificates of deposit, *equity-linked certificates of deposit* or time certificates of deposit with maturities of not more than ~~two~~ *five* years: (A) In banks, savings and loan associations and savings banks, which have main or branch offices located in such investing governmental unit; or (B) if no main or branch office of a bank, savings and loan association or savings bank is located in such investing governmental unit, then in banks, savings and loan associations and savings banks, which have main or branch offices in the county or counties in which all or part of such investing governmental unit is located;

(3) in repurchase agreements with: (A) Banks, savings and loan associations and savings banks, which have main or branch offices located in such investing governmental unit, for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof; or (B) (i) if no main or branch office of a bank, savings and loan association or savings bank, is located in such investing governmental unit; or (ii) if no such bank, savings and loan association or savings bank having a main or branch office located in such

1 investing governmental unit is willing to enter into such an agreement
2 with the investing governmental unit at an interest rate equal to or greater
3 than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a,
4 *and amendments thereto*, then such repurchase agreements may be en-
5 tered into with banks, savings and loan associations or savings banks which
6 have main or branch offices in the county or counties in which all or part
7 of such investing governmental unit is located; or (C) if no bank, savings
8 and loan association or savings bank, having a main or branch office in
9 such county or counties is willing to enter into such an agreement with
10 the investing governmental unit at an interest rate equal to or greater
11 than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a,
12 *and amendments thereto*, then such repurchase agreements may be en-
13 tered into with banks, savings and loan associations or savings banks;

14 (4) in United States treasury bills or notes with maturities as the gov-
15 erning body shall determine, but not exceeding ~~two~~ *five* years. Such in-
16 vestment transactions shall only be conducted with banks, savings and
17 loan associations and savings banks; the federal reserve bank of Kansas
18 City, Missouri; or with primary government securities dealers which re-
19 port to the market report division of the federal reserve bank of New
20 York, or any broker-dealer engaged in the business of selling government
21 securities which is registered in compliance with the requirements of
22 section 15 or 15C of the securities exchange act of 1934 and registered
23 pursuant to K.S.A. 17-1254, and amendments thereto;

24 (5) in the municipal investment pool fund established in K.S.A. 12-
25 1677a, and amendments thereto;

26 (6) in the investments authorized and in accordance with the condi-
27 tions prescribed in K.S.A. 12-1677b, and amendments thereto; or

28 (7) in multiple municipal client investment pools managed by the
29 trust departments of banks which have main or branch offices located in
30 the county or counties where such investing governmental unit is located
31 or with trust companies incorporated under the laws of this state which
32 have contracted to provide trust services under the provisions of K.S.A.
33 9-2107, and amendments thereto, with banks which have main or branch
34 offices located in the county or counties in which such investing govern-
35 mental unit is located. Public moneys invested under this paragraph shall
36 be secured in the same manner as provided for under K.S.A. 9-1402, and
37 amendments thereto. Pooled investments of public moneys made by trust
38 departments under this paragraph shall be subject to the same terms,
39 conditions and limitations as are applicable to the municipal investment
40 pool established by K.S.A. 12-1677a, and amendments thereto.

41 (c) The investments authorized in paragraphs (4), (5), (6) or (7) of
42 subsection (b) shall be utilized only if the banks, savings and loan asso-
43 ciations and savings banks eligible for investments authorized in para-

1 graph (2) of subsection (b), cannot or will not make the investments au-
2 thorized in paragraph (2) of subsection (b) available to the investing
3 governmental unit *in equity-linked certificates of deposit or* at interest
4 rates equal to or greater than the investment rate, as defined in subsection
5 (g) of K.S.A. 12-1675a, *and amendments thereto*.

6 (d) In selecting a depository pursuant to paragraph (2) of subsection
7 (b), if a bank, savings and loan association or savings bank eligible for an
8 investment deposit thereunder has an office located in the investing gov-
9 ernmental unit and such financial institution will make such deposits avail-
10 able to the investing governmental unit *in equity-linked certificates of*
11 *deposit or* at interest rates equal to or greater than the investment rate,
12 as defined in subsection (g) of K.S.A. 12-1675a, *and amendments thereto*,
13 and such financial institution otherwise qualifies for such deposit, the
14 investing governmental unit shall select one or more of such eligible fi-
15 nancial institutions for deposit of funds pursuant to this section. If no
16 such financial institution qualifies for such deposits, the investing govern-
17 mental unit shall select for such deposits one or more eligible banks,
18 savings and loan associations or savings banks which have offices in the
19 county or counties in which all or a part of such investing governmental
20 unit is located which will make such deposits available to the investing
21 governmental unit *in equity-linked certificates of deposit or* at interest
22 rates equal to or greater than the investment rate, as defined in subsection
23 (g) of K.S.A. 12-1675a, *and amendments thereto*, and which otherwise
24 qualify for such deposits.

25 (e) (1) All security purchases and repurchase agreements shall occur
26 on a delivery versus payment basis.

27 (2) All securities, including those acquired by repurchase agreements,
28 shall be perfected in the name of the investing governmental unit and
29 shall be delivered to the purchaser or a third-party custodian which may
30 be the state treasurer.

31 Sec. 2. K.S.A. 12-1675a is hereby amended to read as follows: 12-
32 1675a. As used in K.S.A. 12-1675, 12-1676, 12-1677, 12-1677a and 12-
33 1677b, and amendments thereto:

34 (a) “Bank” means any bank incorporated under the laws of this state,
35 or organized under the laws of the United States and which has a main
36 office in this state;

37 (b) “Savings and loan association” means any savings and loan asso-
38 ciation incorporated under the laws of this state, or organized under the
39 laws of the United States and which has a main office in this state;

40 (c) “Savings bank” means any savings bank organized under the laws
41 of the United States and which has a main office in this state;

42 (d) “Municipality” includes each investing governmental unit under
43 K.S.A. 12-1675, and amendments thereto;

1 (e) "Main office" means the place of business specified in the articles
2 of association, certificate of authority or similar document, where the
3 business of the institution is carried on and which is not a branch;

4 (f) "Branch" means any office, agency or other place of business
5 within this state, other than the main office, at which deposits are re-
6 ceived, checks paid or money lent with approval of the appropriate reg-
7 ulatory authorities. Branch does not include an automated teller machine,
8 remote service unit or similar device; ~~and~~.

9 (g) "Investment rate" means a rate which is the equivalent yield for
10 United States government securities having a maturity date as published
11 in the Wall Street Journal, nearest the maturity date for equivalent ma-
12 turities. The 0-90 day rate shall be computed on the average effective
13 federal funds rate as published by the federal reserve system for the
14 previous week.

15 (h) *"Equity-linked certificate of deposit" means a certificate of deposit*
16 *approved by the state bank commissioner which has a guaranteed return*
17 *of principal and which earns interest at a variable rate not directly con-*
18 *ected to United States government securities.*

19 Sec. 3. K.S.A. 12-1675 and 12-1675a are hereby repealed.

20 Sec. 4. This act shall take effect and be in force from and after its
21 publication in the statute book.

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