

HOUSE BILL No. 2192

By Committee on Financial Institutions

1-29

AN ACT relating to investments; concerning cities and counties; amend-
ing K.S.A. 2000 Supp. 12-1677b and repealing the existing section.

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

Section 1. K.S.A. 2000 Supp. 12-1677b is hereby amended to read as follows: 12-1677b. (a) The governing body of any city or county which has a written investment policy approved by the governing body of such city or county and approved by the pooled money investment board may invest and reinvest pursuant to the approved investment policy in the following investments, as authorized under paragraph (6) of subsection (b) of K.S.A. 12-1675, and amendments thereto:

(1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations and securities of United States sponsored enterprises which under federal law may be accepted as security for public funds, except that such investments shall not be in mortgage-backed securities;

(2) interest-bearing time deposits in any banks, savings and loan associations and savings banks; ~~or~~

(3) repurchase agreements with banks, savings and loan associations and savings banks, or with a primary government securities dealer which reports to the market reports division of the federal reserve bank of New York for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof and obligations and securities of United States government sponsored enterprises which under federal law may be accepted as security for public funds; *or*

(4) *commercial paper that does not exceed 270 days to maturity and which has received one of the two highest commercial paper credit ratings by a nationally recognized investment rating firm.*

(b) The investment policy of any city or county approved by the pooled money investment board under this section shall be reviewed and approved at least annually by such board or when such city or county makes changes in such investment policy.

(c) City and county investment policies shall address liquidity, diversification, safety of principal, yield, maturity and quality, and capability of

1 investment management staff.

2 (d) (1) All security purchases shall occur on a delivery versus pay-
3 ment basis.

4 (2) All securities shall be perfected in the name of the city or county
5 and shall be delivered to the purchaser or a third party custodian which
6 may be the state treasurer.

7 (3) Investment transactions shall only be conducted with banks, sav-
8 ings and loan associations and savings banks; or with primary government
9 securities dealers which report to the market report division of the federal
10 reserve bank of New York; or any broker-dealer which is registered in
11 compliance with the requirements of section 15C of the securities
12 exchange act of 1934 and registered pursuant to K.S.A. 17-1254, and
13 amendments thereto.

14 (4) The maximum maturity for investments under subsection (a) shall
15 be four years.

16 (e) Investments in securities under paragraph (1) of subsection (a)
17 shall be limited to securities which do not have any more interest rate
18 risk than do direct United States government obligations of similar ma-
19 turities. For purposes of this subsection, "interest rate risk" means market
20 value changes due to changes in current interest rates.

21 (f) A city or county which violates subsection (c) or (d) of K.S.A. 12-
22 1675, and amendments thereto, or the rules and regulations of the pooled
23 money investment board shall forfeit its rights under this section for a
24 two year period and shall be reinstated only after a complete review of
25 its investment policy as provided for in subsection (b). Such forfeiture
26 shall be determined by the pooled money investment board after notice
27 and opportunity to be heard in accordance with the Kansas administrative
28 procedure act.

29 (g) *The governing body of any city or county shall establish in the*
30 *approved investment policy under subsection (a), an overall percentage*
31 *limitation on the investment of moneys in investments authorized under*
32 *paragraph (4) of subsection (a), and within such authorized investment*
33 *such governing body shall establish a percentage limitation on the in-*
34 *vestment in any single business entity.*

35 Sec. 2. K.S.A. 2000 Supp. 12-1677b is hereby repealed.

36 Sec. 3. This act shall take effect and be in force from and after its
37 publication in the statute book.

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