

Approved: March 24, 1995
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on March 15, 1995 in Room 527S of the Capitol.

All members were present except: Representative Landwehr, Excused
Representative Merritt, Excused
Representative Sawyer, Excused
Representative Welshimer, Excused

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Sally Thompson, State Treasurer
Chris McKenzie, League of Municipalities
Larry Tucker, Reno County Treasurer
Don Paxson, PMIB member
William Caton, PMIB member
Ann Speiss, Kansas Association of Counties
Thomas O. Matthews, Olathe District Schools (written only)

Others attending: See attached list

Hearing on SB 9--Public funds, municipal investment pool fund, pooled money investment board

Bruce Kinzie, Revisor's Office, reviewed each amendment as adopted by the Senate. Sally Thompson, State Treasurer, disbursed handouts, charts, and additional information regarding the Municipal Investment Pool (Attachment 1). She explained the dynamics of this past year's bond and securities market and the impact of the sharply rising interest rates. Mrs. Thompson said her office supported the proposed amendments which include authorizing the PMIB to make the decisions regarding weighted average maturity of investments (WAM) vs the weighted average maturity of deposits; enhanced qualifications of PMIB and responsibilities of board members; and establishment of a MIP advisory committee. Many of the mandates of the bill have been implemented at this time. The use of state idle funds to shore up the MIP was questioned and discussed by the Committee. At this time it is not illegal for the Treasurer to have access to these funds, but an Attorney General's opinion has been issued (today) which questions this authority. The book value of the pool is \$6 million below market value but if the investments are allowed to remain until maturity, book value and par value should be the same. Surveys of pool members reflecting positive positions and letters of support were included in the packet of information from the Treasurer's office.

Chris McKenzie, League of Municipalities, praised the Pool as an excellent example of state-local and public-private sector cooperation to achieve important public goals (Attachment 2). He also expressed admiration for the administration of the Pool by the State Treasurer. He reviewed each section of the bill according to its relation and impact on the League of Municipalities. He suggested an amendment which would provide room for the Pooled Money Investment Board to set limitations on the weighted average maturity of investments in the MIP portfolio (paragraph k of Section 1): "...100%, except that the provisions of this paragraph shall not apply if the pooled money investment board has adopted policies limiting the weighted average maturity of investments in the municipal investment pool fund."

Larry Tucker, Reno County Treasurer and Chairman of the Municipal Investment Pool Advisory Committee, offered their position on each proposed amendment on the bill (Attachment 3). The function of the Committee is to offer strategy advice, development of agenda items, marketing expertise, and act as an advocate for the Pool. They would support legislation designed to strengthen oversight, disclosure, review and management qualifications yet provide flexibility within current law. Banks have become more competitive due to the availability of the MIP for municipal investing. The same day crediting of accounts and 24 hour notice withdrawals of over \$1 million have allowed maximization of cash management.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527S-Statehouse, at 9:00 a.m. on March 15, 1995.

Don Paxson, an appointed member of the PMIB, informed the Committee that Kansas is the only state that restricts the deposits within the investment pool. Other states have weighted averages but we must be able to maintain flexibility. The Committee questioned the legality and authority of investing state idle funds in the Municipal Investment Pool.

William Caton, MIP board member, recommended more stringent restrictions on investment maturity lengths (Attachment 4). The investments of state idle funds in the MIP is an inequitable subsidy for the pool participants because the vast majority of local units of government are not pool participants and they are not extended the state subsidy. The real cost of providing liquidity to the MIP by the investment of the idle funds at below market rates is unknown and could be substantial. The MIP has \$17 million in realized losses to recover in a declining interest rate environment which is not expected for many years. He urged further reduction of the weighted average maturity disparity,

Ann Speiss, Kansas Association of Counties, read testimony prepared by Jim Reardon, Director of Legal Services for KAC (Attachment 5). They recommend acceptance of the reporting amendments, restructuring of the pool, and clearly written investment policies and objectives.

Written testimony from Thomas O. Matthews, Olathe School District, was presented (Attachment 6).

Representative Cox moved for the approval of the minutes of March 9. Motion was seconded by Representative Correll. Motion carried.

The meeting adjourned at 5:15 p.m. The next meeting is scheduled for March 20, 1995.

HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: 3/15 ~~3/15~~ 3-15-95

NAME	REPRESENTING
Anne Spiess	Ks. Assoc of Comities
Chuck Stokes	KBA
Bill Caton	PMIB Member
Peggy Hanna	State Treasurer's Office
Sally Moege	" " "
John Pinn	✓ - -
Ken Keyes	Self
Robin Lehman	Olathe USD 233
Jama Wages	STO
Doug Jucker	Reno County Treasurer
Ken Kathy Jahn	KBA
Ken Baker	4th Financial Corp.
Lee Nohring	Legislative Post Audit
Bob H. Hoff	Rep. Hererickhouse

SALLY THOMPSON
STATE TREASURER



OFFICE OF THE STATE TREASURER
900 SW JACKSON, SUITE 201
TOPEKA, KANSAS 66612-1235
(913) 296-3171 FACSIMILE: (913) 296-7950

Sally Thompson, State Treasurer
Testimony, March 15, 1995
Substitute for S.B. 9

Thank you. I will be very brief in my remarks, but I am always available to answer any questions that may arise.

On Monday, I promised to provide the Committee with handouts, charts and additional information regarding the Pool. Each of you should have a packet of information. Let's walk through the handouts:

I. HANDOUTS

A. Municipal Investment Pool brochure: This explains how the MIP works, the philosophy behind the creation of the Pool and on the back are answers to some of the questions asked the most. We will be updating this brochure, that we use as a marketing tool for potential MIP users, after the 1995 session.

B. County by County Pool use: Since the Pool's inception, it has returned nearly \$75.0 million in interest income to its users. That is \$75.0 million that did not have to be paid in taxes. It is \$75.0 million that helped fund local governments and school districts across Kansas.

I estimate that because of the MIP Kansas municipalities earned about \$25.0 million more than they would have before the creation of the Pool.

This Committee alone represents municipalities that have earned \$41.0 million or 55% of the total interest paid by the MIP.

C. Letters of Support: These letters illustrate the broad "positive" impact the MIP has had in Kansas. These cities do not use the MIP, however, both credit the MIP for helping them earn a better rate of return.

Because the MIP exists it creates healthy competition for local dollars. However, please remember financial institutions have right of first refusal on all public funds. If financial institutions want the money, and are willing to pay the statutory investment rate, it is always theirs.

D. Health Care Stabilization: This chart illustrates the benefit one agency of the State has derived from the MIP. The Health Care Stabilization Fund has earned an additional million, over what they would have earned before the MIP, because of the Pool.

Other state agencies who have benefited from the MIP are listed on the back page of the county by county handout. In total state agencies have earned \$14.0 million in interest income from the MIP.

House FDJ
Attachment 1
3-15-95

II. LEGISLATION

I have been a financial manager for nearly two decades. While I've never seen a market quite like 1994 before, I know from experience that the market is cyclical. Interest rates were bound to go higher, because they had been so low, but no one predicted that interest rates would experience the fastest and sharpest increase in U.S. history. It was an unusual year.

In responding to this unusual year we took steps to restructure the Municipal Investment Pool portfolio. Fortunately the law was flexible enough to allow me to make necessary adjustments to keep the MIP healthy.

These past few months have been a real challenge. Today the MIP is stable and is again keeping pace with Pools in other states. (CHART).

In restructuring, I sought advice from experts across the country. It may be of some comfort to know that Kansas was not alone in this struggle. Without exception, all fixed income funds in the nation experienced the same kind of difficulty.

Because it was an unusual year and because we were working to restructure, I was in the beginning-resistant to making wide sweeping legislative changes this session. Originally, I asked the Senate Committee for nothing more than "time" to let the MIP adjust naturally. (CHART).

1. In terms of Substitute for S.B. 9, I am generally supportive of the legislation. It is a measure that I can live with and a measure that I believe the MIP can live with. However, I do support the amendments, that will be offered this afternoon, that will retain flexibility in the investment process.

I do believe it is a prudent financial management decision for the weighted average maturity (WAM) of investments vs. The WAM of the deposits to be determined in PMIB policy rather than statute. Another one of the changes included in this bill is enhanced qualifications for PMIB members. I strongly believe that highly qualified PMIB members will be equipped to make necessary investment decisions. That is, after all, the reason that members are appointed to this board: to make investment decisions, not to defer to an inflexible statute that cannot react to a changing market environment. I believe an amendment will be offered to change this section. I support that amendment and the other proposed amendments that will be offered by the Chairman of the MIP Advisory Committee, Larry Tucker.

I will point out that many of the mandates outlined in this bill have already been implemented. We currently disclose market value, we have never embraced derivatives or leveraging and we have established an advisory board.

I believe it is so important as you work this legislation to hear from "real" people who actually use the MIP. I have provided you with a survey of MIP participants, that my clerical staff conducted back in February, which is a good snapshot of the attitude of MIP users regarding the pool and legislation. (SURVEY).

Thank you for your time. I am available for questions now or at anytime this afternoon.

SURVEY

Municipal Investment Pool Participants

SURVEY BACKGROUND: This is not a scientific survey but it is an accurate account of participant attitudes of the MIP. The survey was conducted over a two day period (January 31-February 1). Members of the State Treasurer's Clerical staff made the phone calls and asked the questions. (see attached list of questions).

Number of MIP participants: 165
Number of MIP participants responding to survey: 107

Results:

Question 1: How would you rate your level of satisfaction with the MIP?

- | | | |
|----|----------------|---------------|
| A. | Very Satisfied | (80) or (75%) |
| B. | Satisfied | (26) |
| C. | Not satisfied | (1) |

Question 2: Do you believe the 1995 Kansas Legislature should make changes to the MIP?

- | | | |
|----|-----------|---------------|
| A. | Yes | (12)* |
| B. | No | (91) or (86%) |
| C. | Uncertain | (4) |

Question 3: Do you believe the MIP should continue to be an investment alternative for local governments?

- | | | |
|----|-----|-------|
| A. | Yes | (107) |
| B. | No | (0) |

*Six of the 12 respondents believed legislative changes should be made in order to give the State Treasurer more authority and flexibility in managing the MIP.

Hello, my name is _____ . I'm with State Treasurer Sally Thompson's Office.

As you are aware the Municipal Investment Pool has faced some real challenges in 1994. There will be legislative hearings on a bill, this Thursday, that will alter the Municipal Investment Pool. We are conducting an informal survey of MIP users to determine how you want us to proceed in representing MIP participants.

1. How would you rate your level of satisfaction with the MIP?
 - A. Very satisfied
 - B. Satisfied
 - C. Not satisfied

2. Do you believe the 1995 Kansas Legislature should make changes to the MIP?
 - A. Yes
 - B. No

WHY?

3. Do you believe the MIP should continue to be an investment alternative for local governments?
 - A. Yes
 - B. No

WHY?

Thank you for participating in this informal survey.

To: MIP participants
From: State Treasurer Sally Thompson
Date: February 3, 1995

RE: Survey results. Thanks to everyone who participated in the survey. The results are below. If you'd like to see raw data, please contact: Tama Wagner (913) 296-3171

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MIP PARTICIPANT LIST

Participant Name	Phone #	Resolution Signature	Q1	Q2	Comments	Q3	Comments
en County	316-365-1409	Dick works	(A) B C	Yes (No)		(Yes) / No	N/A
orton County			A B C	Yes / No		Yes / No	
atter Co Treasurer	316-322-4215	Beverly Heffner	(A) B C	Yes (No)		(Yes) / No	N/A
ase County	316-273-6493	Karen Crichton	(A) B C	Yes (No)	Could not do without the service	(Yes) / No	
offey County	316-364-5532	Vernon Sergeant	(A) B C	Yes (No)		(Yes) / No	N/A
owley County	316-221-5411	Dick Bonfy	A (B) C	Yes (No)		(Yes) / No	N/A
uglas County	313-832-5275	Louie McElhane, Out	A B C	Yes / No	Out	Yes / No	
k County	316-374-2256	James C. Radee, Jr.	(A) B C	Yes (No)		(Yes) / No	Without this service, the trees ^{would} be a better alternative.
lis County	913-628-9465	Allen J. Dunkel	(A) B C	Yes (No)	I love this program	(Yes) / No	
nney County	316-272-3526	Gary Dick, out	A B C	Yes / No		Yes / No	
early County	913-238-3912	Eldon L. Hopler	(A) B C	Yes (No)	Out	(Yes) / No	Always good to have an alternative
reenwood County	316-583-7446	Stanley R. Kurtz	(A) B C	Yes (No)		(Yes) / No	Because of Bank
arvey County	316-284-6980	Eugene Wendling	(A) B C	Yes (No)	Other banks will not assist	(Yes) / No	them in using their services
odgeman County	316-357-6236	Lewis D. Webster, out	A B C	Yes / No	Out	Yes / No	
ackson County	913-364-3791	Dorothy J. Lewis	(A) B C	Yes (No)		(Yes) / No	County needs a place to put their ^{garage}
ohnson County	913-764-3484	Sue E. Wetnee, out	A B C	Yes / No	Out	Yes / No	
abette County	316-798-2918	C.L. Fish	A B C	Yes / No	Wrong #	Yes / No	
evenworth County	913-684-0404	Donald Aaron	(A) B C	Yes (No)		(Yes) / No	
yon County	316-342-4950	Stanley Fowlee	(A) B C	Yes (No)	We have a hard time placing a	(Yes) / No	money with banks
McPherson County	316-241-3666	Dean E. Bacon	(A) B C	Yes (No)	It speaks for itself with a	(Yes) / No	better options
Morris County Treasurer	316-757-5518	Jim Lee	A B C	Yes / No	Wrong phone #	Yes / No	
Morton County	316-697-2560	Lois Hall	(A) B C	Yes (No)		(Yes) / No	Investment Pool rate are better
leosho County	316-244-3800	Hugo Spieker	A (B) C	Yes (No)		(Yes) / No	Can not find any other resources
ottawatomie County	913-457-3681	Robert Rawson	A (B) C	Yes (No)		(Yes) / No	Banks don't want their money
eno County	316-694-2938	David F. Holmes	A B C	Yes / No	Out	Yes / No	
liley County	913-537-6320	Wilton B. Thomas	A (B) C	(Yes) / No		(Yes) / No	Banks are competitive
Saline County	913-826-6555	Michael J. White	A (B) C	(Yes) / No		(Yes) / No	a good option a good not
Sedgwick County	316-383-7537	Betsy Gwin	(A) B C	(Yes) / No	Bankers acceptance - More	(Yes) / No	They run a good show
Shawnee County	233-8200	Winifred Kingman	A B C	Yes / No	Out	Yes / No	

MIP PARTICIPANT LIST

Participant Name	Phone #	Resolution Signature + Line	Q1	Q2	Comments	Q3	Comments
Shelby County Gover City <i>Close 4:00</i>	316-733-1303	Jack Fintason <i>Mayor</i>	(A) B C	Yes / (No)		(Yes) / No	absolutely. Helps keep bank competitive
Shelby County Chison City <i>Shirley Moses</i>	913-367-5508 1449 5886	John Bishop <i>(A3 answer)</i>	A (B) C	(Yes) / No	Some of the investment strategy is a concern lack of forming Bd Trustees to oversee	(Yes) / No	viable alternative due to local large distributions
Shelby County burn City <i>Rice Riley</i>	256-2426	Jennifer Sheets <i>Fin</i>	A/B C	Yes / (No)	Have not used yet / Bank met rates	(Yes) / No	Got better bank rate because of MIP
Shelby County sehor City	913-724-1370	Joseph P. Odle <i>(will call)</i>	A B C	Yes / No		Yes / No	
Shelby County Inner Springs City <i>Tillie Burns</i>	913-422-1020	Sue Strickland <i>not available</i>	A B C	Can't answer Yes / No	Have not used yet	Yes / No	
Shelby County thler City	316-543-2253	Marilyn Prather	A (B) C	Yes / No	used little / bank met rate	(Yes) / No	only reason bank met rates
Shelby County anute City <i>Jim Youngbird</i> <i>City Clerk</i>	316-431-5200	James Chappell <i>Co Comm</i>	N/A B C	Yes / (No)	Have not used yet / Commission wanted investments local	(Yes) / No	definitely / additional option
Shelby County Council Grove City <i>Mayor</i>	316-767-5417	Maude McBrayer	(A) B C	(Yes) / No	don't have a problem with that	(Yes) / No	raises interest rates even without investing
Shelby County erby City <i>Pat city clerk</i>	316-788-3132	K.O. Lavergne	(A) B C	Yes / (No)	working fine way it is	(Yes) / No	had lots of bond money until recently it rates were better than banks
Shelby County odge City	316-225-8100	Tom Martin <i>(will call)</i>	A B C	Yes / No		Yes / No	
Shelby County piona City <i>Hale - street</i>	316-343-4286	Raymond Tasa <i>Mayor</i>	A (B) C	Yes / No	No opinion	(Yes) / No	we get better rates from Fin Ins.
Shelby County e City <i>Greves John Phillips</i> <i>244-5705</i>	316-244-3461	Paul Pitts <i>Mayor</i>	(A) B C	Yes / No	working fine 1/3 MIP's each bank	(Yes) / No	
Shelby County ureka City <i>Ronda Martell</i> <i>city clerk</i>	316-583-6511	James Francis <i>N/A</i>	A B C	no opinion Yes / (No)	never used it / bank rates higher	(Yes) / No	good idea, good concept
Shelby County ort Scott City <i>James Calkins</i> <i>dit of Finance</i>	316-223-0550	John Kintoria, III	(A) B C	Yes / (No)		(Yes) / No	option for higher rates
Shelby County arden City <i>Malinda Hitz</i> <i>dit</i>	316-276-1100	Bonnie Talley <i>(will call)</i>	A B C	Yes / No		Yes / No	
Shelby County reat Bend City	316-793-4100		A B C	Yes / No		Yes / No	
Shelby County esston City	316-327-4412		A B C	Yes / No		Yes / No	
Shelby County illsboro City	316-947-3162		A B C	Yes / No		Yes / No	
Shelby County utchinson City	316-694-2613		A B C	Yes / No		Yes / No	
Shelby County ola City	316-365-3211		A B C	Yes / No		Yes / No	
Shelby County unction City	913-238-3103		A B C	Yes / No		Yes / No	
Shelby County ansas City	913-573-5305		A B C	Yes / No		Yes / No	
Shelby County insley City	316-659-3611		A B C	Yes / No		Yes / No	
Shelby County ansing City	913-727-3233		A B C	Yes / No		Yes / No	
Shelby County awrence City	913-832-3211		A B C	Yes / No		Yes / No	
Shelby County eavenworth City	913-682-9201		A B C	Yes / No		Yes / No	
Shelby County eawood City	913-642-5555		A B C	Yes / No		Yes / No	
Shelby County enexa City	913-492-8800		A B C	Yes / No		Yes / No	
Shelby County iberal City	316-626-0111		A B C	Yes / No		Yes / No	
Shelby County ind City	913-227-3355		A B C	Yes / No		Yes / No	
Shelby County anhattan City	913-537-0056		A B C	Yes / No		Yes / No	
Shelby County McPherson City	316-245-2535		A B C	Yes / No		Yes / No	

MIP PARTICIPANT LIST

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Andover City	316-733-1303	Jack Fintason	A B C	Yes / No		Yes / No	
Atchison City	913-367-1449		A B C	Yes / No		Yes / No	
Auburn City	256-2426		A B C	Yes / No		Yes / No	
Basehor City	913-724-1370		A B C	Yes / No		Yes / No	
Bonner Springs City	913-422-1020		A B C	Yes / No		Yes / No	
Buhler City	316-543-2253	Marilyn F. Prather	A B C	Yes / No		Yes / No	
Chanute City	316-431-5200	James Chappell	A B C	Yes / No		Yes / No	
Council Grove City	316-767-5417		A B C	Yes / No		Yes / No	
Derby City	316-788-3132		A B C	Yes / No		Yes / No	
Dodge City	316-225-8100		A B C	Yes / No		Yes / No	
Emporia City	316-343-4286		A B C	Yes / No		Yes / No	
Erie City	316-244-3461		A B C	Yes / No		Yes / No	
Eureka City	316-583-6511		A B C	Yes / No		Yes / No	
Fort Scott City	316-223-0550		A B C	Yes / No		Yes / No	
Garden City	316-276-1100		A B C	Yes / No		Yes / No	
Great Bend City	316-793-4100	George Drako	(A) B C	Yes / (No)	very happy	(Yes) / No	what happened this year could be brought to
Hesston City	Kick Decker 316-327-4412	John Waltner	(A) B C	Yes / (No)	when call for base rates / have pools int rates	(Yes) / No	great alternative to banks for funds
Hillsboro City	947 2321 316-947-3162	Delores Dalko	A B C	Yes / (No)	only if it will allow state funds deposited	(Yes) / No	alternative way of investing for maximum prof
Hutchinson City	Debbie Evans 316-694-2613	James Fee	(A) B C	Yes / (No)	happy with it the way it is	(Yes) / No	keep banks better rates
Iola City	not working # 316-365-3211	Roy Perhabal	A B C	Yes / No		Yes / No	
Junction City	Rod Barnes 913-238-3103	Robert Rittner	(A) B C	Yes / (No)	not based on hysteria from other states	(Yes) / No	excellent for small community better than
Kansas City	913-573-5305	Russell Breitenbach	(A) B C	Yes / (No)	absolutely not! without treasurers approval	(Yes) / No	very much! alternative
Kinsley City	316-659-3611	Marsha Haxton	(A) B C	Yes / (No)	workin just fine	(Yes) / No	very helpful! Pressure on banks
Lansing City	Karen Logan 913-727-3233	William Bailey	A B C	Yes / No		Yes / No	
Lawrence City	Kaura Warner 913-832-3211	Robert C. Shuttell	(A) B C	Yes / (No)	not necessary (very happy)	(Yes) / No	a place to invest without pledging or low yr
Leavenworth City	Karen Parker 913-682-9201	Frank Murphy	(A) B C	Yes / (No)	not necessary	(Yes) / No	had no place to put money now alternative
Leawood City	339 6700 913-642-5555	Marcia R. Schmidt	A B C	Yes / No	unavailable	Yes / No	
Lenexa City	Denise Howard 913-492-8800	David Stephens	(A) B C	Yes / (No)	works well the way it is	(Yes) / No	without mip it would be very bad
Liberal City	Tabby Miller 316-626-0111	Larry Koachel	A B C	Yes / No	could not attend / vacation	Yes / No	
Lin City	913-227-3355	Donald Anderson	(A) B C	Yes / (No)	not familiar	(Yes) / No	Banks don't have it for small munic.
Manhattan City	913-537-0056	Richard Seidler	(A) B C	Yes / No	- Don't know -	(Yes) / No	good for small municipalities
McPherson City	Francis 316-245-2535	Frank Anderson	A B C	Yes / No	could not attend	Yes / No	
Mission City	913-722-3685	S. Lichtenhan	(A) B C	Yes / (No)	could not attend	(Yes) / No	more needed

MIP PARTICIPANT LIST

Participant Name	Phone #	Resolution Signature	Q1	Q2	Comments	Q3	Comments
Union Hills City	913-362-9620	Douglas O. Cannon	(A) B C	Yes / (No)	Its duration financially	(Yes) / No	is not a not competitive
Waton City	316-284-6014	Beverly Gering	(A) B C	Yes / (No)	Happy Light Low	(Yes) / No	1st letter return - more secure
North Newton City	316-283-7633	William Vamler	(A) B C	Yes / (No)		(Yes) / No	10-25% higher margins
Wichita City	913-782-2600	M. Metz	(A) (B) C	Yes / (No)	It should not be eliminated the more risk would limit the inv.	(Yes) / No	more competitive
Lawrence City	913-242-2190	Scott Bird	(A) B C	Yes / (No)	Very satisfied with it	(Yes) / No	offer as alternative
Overland Park City	913-381-5252	Ed Eilert	A B (C)	(Yes) / No	to protect the ones who are interested	(Yes) / No	alternative
Wichita City	316-744-2026	Larry S. Gary	(A) B C	Yes / (No)	she Miss Sally has experience in this area	(Yes) / No	lots of problems with banks
Lawrence City	316-421-7000	Mary Reed	(A) B C	Yes / (No)	does very well -	(Yes) / No	very needed even if we didn't
Wichita Village City	913-381-6464	Monroe Talen	A (B) C	Yes / (No)	Wishes to strengthen reporting	(Yes) / No	provides legitimate option
Wichita City	913-483-6311	Neal Jamnik	(A) B C	Yes / (No)	no problem with it	(Yes) / No	banks are restrictive + rate
Wichita City	913-826-7240	Carol Bengt	A (B) C	Yes / (No)	needs a good amount of authority	(Yes) / No	its an alternative - great return
Wichita City	295-3902		A (B) C	Yes / (No)	Sympathetic, Condemn program	(Yes) / No	concern - banks control money
Wichita City	316-536-2243	Ellen E. Riddle	(A) B C	Yes / (No)	she said no on reg. but she said if they needed to just trust it	(Yes) / No	more feasible for municipalities
Wichita City	316-326-3399	Stanley A. Gilliland	A (B) C	Yes / (No)		(Yes) / No	good for municipalities from bank
Wichita City	316-268-4444	Elmer Broadfoot	(A) B C	Yes / (No)	works fine the way	(Yes) / No	alternative to banks

Douglas Cannon with Overland Park says she participated in drafting the proposal to the Legislature. She feels that they need to review the kinds of pools that are needed in.

MIP PARTICIPANT LIST

Participant Name	Phone #	Resolution Signature	Q1	Q2	Comments	Q3	Comments
JSD #204, Wyandotte County	913-422-5600	Betty	A (B) C	Yes (No)	Satisfactory	(Yes) / No	There is a need for it
JSD #207, Fort Leavenworth	913-651-7373		A B C	Yes / No	Not used	Yes / No	
JSD #229, Blue Valley	913-681-4093	Patrick J. Cochert	A B C	Yes / No	not there	Yes / No	
JSD #230, Spring Hill	913-592-7200	Myrna Marison	(A) B C	(Yes) / No	Participant Representation	(Yes) / No	
JSD #231, Gardner, etc.	913-856-7102	Eike	A (B) C	(Yes) / No	Opportunity to invest more	(Yes) / No	Keeping money in state is good
JSD #232, De Soto	913-583-8300	Mike Montgall	(A) B C	Yes / (No)	Overnight great	(Yes) / No	This bank didn't want money
JSD #233, Olathe	913-780-7000	Thomas Matthews	A B C	Yes / No	Not available	Yes / No	
USD #241, Wallace County	913-852-4783	Paula Riley	A B C	Yes / No	Not there	Yes / No	
USD #244, Burlington	316-364-8478	Jim Deter Carol Lewis	A B C (D)	Yes / No	Banks always take money	(Yes) / No	
USD #248, Girard	316-724-4325	Norma Bendo	(A) B C	Yes / (No)		(Yes) / No	
USD #249, Frontenac	316-231-7551	Jim Dieder	(A) B C	Yes / (No)	Did not know	(Yes) / No	Very efficient for investment
USD #253, Emporia	316-341-2216	Rex Louma	(A) B C	Yes / (No)		(Yes) / No	
USD #257, Iola	316-365-4700	Barbara Wesley Dreyer	(A) B C	Yes / (No)		(Yes) / No	
USD #259, Wichita	316-833-4005	Barbara Phillips	A B C	Yes / No	Not there	Yes / No	
USD #263, Mulvane	316-777-1102	Lottie Bayer	(A) B C	Yes / (No)		(Yes) / No	
USD #265, Goddard	316-794-2267	Aileen Raverson	(A) B C	Yes / (No)	Sally does fine	(Yes) / No	alternative than banks
USD #266, Maize	316-722-0614	Vickie Bolton	(A) B C	Yes / (No)	no problems	(Yes) / No	got better rates + service
USD #268, Cheney	316-542-3512		(A) B C	Yes / (No)	no problems	(Yes) / No	place to invest outside
USD #298, Lincoln	913-524-4436	Ian Holloway	(A) B C	(Yes) / No	been accountability to suppress rumors.	(Yes) / No	As long as it presents min. risks,
USD #308, Hutchinson	316-665-4445	Bob Dietz (913) 378-3102	A B C	Yes / No	Not available	Yes / No	
USD #315, Colby	913-462-3941	Not there	A B C	Yes / No		Yes / No	
USD #333, Concordia	913-243-3518		(A) B C	Yes / (No)	Works fine	(Yes) / No	Because of interest rates
USD #336, Holton	913-364-3650	Jerry Engua	(A) B C	Yes / (No)	No problems	(Yes) / No	Generates more income
USD #339, Winchester	913-774-4155	Edna Mae Martin	A (B) C	Yes / (No)	Invests in local banks	(Yes) / No	Worked fine
USD #343, Perry	913-597-5138	Not there	A B C	Yes / No		Yes / No	
USD #345, Seaman	575-8600	Ken	(A) B C	Yes / (No)	they don't participate any more their bank handles it now	(Yes) / No	alternative
USD #348, Baldwin City	913-594-2721	John J. Nuspi	(A) B C	Yes / (No)	Satisfactory	(Yes) / No	Works well
USD #372, Silver Lake	913-582-4026	Not available	A B C	Yes / No		Yes / No	
USD #373, Newton	316-284-6210		(A) B C	Yes / (No)	Does not understand it,	(Yes) / No	Competitive rates
USD #377, Effingham	913-833-5050	Clayton	(A) B C	Yes / (No)	Works well	(Yes) / No	Low Rates
USD #383, West Elk	316-374-2113	Unabelle	(A) B C	Yes / (No)	They are doing fine	(Yes) / No	esp for USD - bank could make
USD #383, Manhattan	913-587-2000	Colene Graham	(A) B C	(Yes) / No	agreements to be approved by board and the funds	(Yes) / No	convenient for it
USD #393, Solomon	913-655-2541	Deanne	(A) B C	(Yes) / No	More available	(Yes) / No	More an alternative over

MIP PARTICIPANT LIST

Participant Name	Phone #	Resolution Signature	Q1	Q2	Comments	Q3	Comments
SD #394, Rose Hill	316-776-3300	Jerry Prim	(A) B C	Yes / (No)	working fine/legislature doesn't have ^{knowledge}	(Yes) / No	caused local bank to be more competitive
SD #400, Smoky Valley (Lin	913-227-2981	Keith Kardt ^{staff liquidity good}	(A) B C	Yes / (No)	int not as good lately/	(Yes) / No	normal times is profitable venture ^{helps banks}
SD #402, Augusta	316-775-5484	Vicki Harder ^{in int'l}	(A) B C	Yes / (No)	worked well earned more interest w/MIP	(Yes) / No	works well it
SD #410, Hillsboro	316-947-3184	Marilyn Schmidt clerk of board	(A) B C	don't know / Yes / No	use in emergency situation	(Yes) / No	definitely
SD #418, McPherson	316-241-9400	Dr. Perry McCabe	(A) B C	Yes / (No)	operating fine	(Yes) / No	beats local rates, have been satisfied
SD #434, Santa Fe Trail	913-665-7168	Connie Romine clerk of board	A (B) C	Yes / No	not qualified to answer ^{will call back}	Yes / No	cannot answer
SD #443, Dodge City	316-227-1621	Dr. ^{more} Reeves	(A) B C	Yes / (No)	enough constraints already ^{different than Orange Co}	(Yes) / No	gives another solid option
SD #444, Little River	316-897-6325	Danell Kellerman ^{Supt}	A (B) C	Yes / (No)	works well works well;	(Yes) / No	definitely; ^{public entities should get best rates + can't get it from anyone else}
JSD #450, Shawnee Heights	379-0584	Shirley Martin	no opinion / A B C	no opinion / Yes / No	just started using	(Yes) / No	most definitely/sometimes only alternative
JSD #453, Leavenworth	913-684-1400	Supt.	(A) B C	(Yes) / (No)	just to give ^{new direction} Sally more power	(Yes) / No	gives a choice,
JSD #457, Garden City	316-276-5141	Kathleen Whitley ^{to return conditions}	A (B) C	Yes / (No)	no opinion	(Yes) / No	gives another avenue, especially short term
JSD #463, Udall ^{good}	913-231-2287	Bob Van Aisdale	A B C	Yes / No	will call	Yes / No	
JSD #475, Geary County	816-238-6188	Lisa Osbourn	A (B) C	Yes / (No)	don't know what they would be have confidence in it (pool)	(Yes) / No	makes more competitive
JSD #489, Hays	913-623-2400	Marita Kohlasch	(A) B C	Yes / (No)	it works great	(Yes) / No	still is a alternative
JSD #497, Lawrence	913-832-5000	Kathy Johnson	(A) B C	Yes / No	not qualified to answer about proposed legislative changes	(Yes) / No	good vehicle for investing
JSD #499, Galena	316-783-2324	Ray Holden	(A) B C	Yes / (No)	nothing proposed would make it any better.	(Yes) / No	higher rates, safety (Orange County)
JSD #501, Topeka	233-0313,x214	Laurie Weekly ^{call about 3 pm}	A B C	Yes / No		Yes / No	
JSD #512, Shawnee Mission	913-881-6472 ⁶⁷⁷	Jim Phadek ^{Tim Rooney his boss}	(A) B C	Yes / No	getting resistant from board some way they could have pledging of collateral for added safety	(Yes) / No	when big tax payments local banks cannot handle easily, better than T-Bill rate.

wrong # ^{Tim Rooney his boss}

getting resistant from board some way they could have pledging of collateral for added safety

when big tax payments local banks cannot handle easily, better than T-Bill rate.

MIP PARTICIPANT LIST

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Participant Name	Phone #	Resolution Signature	Q1	Q2	Comments	Q3	Comments
Client Protection Fund Comm	X3229 ^{contact}	Carol Greene	(A) B C	Yes / No	no qualified to answer	(Yes) / No	worked well for them
Dept of Admin-Taiwan Flood	X3011	Rucker	(A) B C	Yes (No)	no opinion ^{wasn't a lot of} wasn't in for long term	(Yes) / No	viable alternative
Emporia State University	316-341-5138	Doreen Brady	(A) B C	Yes (No)	no problem, w/it should see	(Yes) / No	to provide flexible ^{short-term} turnarounds w/ it
Insurance Dept - HCSF	X7814	Marcy Watson	(A) B C	Yes / No	no comment; just started	(Yes) / No	better interest rates; ^{keeping in} Kansas
KDFA	X6747	Richard Scermon	A (B) C	Yes / No ^{N/A}	not familiar enough w/ proposed legislation	(Yes) / No	good investment alternative
KDFA Operations Fund	X6747	"	A (B) C	Yes / No ^{N/A}	"	(Yes) / No	"
KDFA - KBEL	X6747	"	A (B) C	Yes / No ^{N/A}	"	Yes / No	"
KDOT ^{NO ANSWERS}	X7216	"	A B C	Yes / No	"	Yes / No	"
University of Kansas	913-864-3321	Kathy Shreshiva	A (B) C	Yes (No)	no comment, not familiar w/ proposed legislation	(Yes) / No	alternative for people who don't want to buy specific securities

MUNICIPAL INVESTMENT POOL ACTIVITY BY COUNTY

Municipality Name	For the Period 08/01/92 thru 02/28/95		Ending Balance
	Deposits	Interest	As of 02/28/95
Total Douglas County Users	539,013,676	4,383,339	60,798,544
Total Ford County Users	131,998,413	869,426	2,198,245
Total Harvey County Users	181,734,370	841,220	8,603,074
Total Johnson County Users	4,668,706,552	20,263,647	59,255,653
Total Labette County Users	4,835,300	99,186	1,184,487
Total McPherson County Users	223,229,479	1,388,117	11,884,931
Total Miami County Users (no users in MIP)	0	0	0
Total Osage County Users	8,198,589	69,824	50,659
Total Russell County Users	5,693,995	19,265	0
Total Sedgwick County Users	2,054,033,576	13,716,774	32,908,163
Total Washington County Users (no users in MIP)	0	0	0
Total Wyandotte County Users	<u>6,800,000</u>	<u>23,475</u>	<u>0</u>
Total FI&I members' counties	<u>7,824,243,950</u>	<u>41,674,273</u>	<u>176,883,757</u>
Percent of Total	65.682%	55.895%	23.224%

Allen County	9,160,000	87,325	487,325
Iola	8,002,521	129,367	2,104,367
Iola USD #257	<u>14,600,000</u>	<u>58,875</u>	<u>8,875</u>
Total Allen County Users	<u>31,762,521</u>	<u>275,567</u>	<u>2,600,567</u>
Atchison	70,950,000	396,776	4,246,776
Effingham USD #377	<u>8,450,000</u>	<u>45,950</u>	<u>254,636</u>
Total Atchison County Users	<u>79,400,000</u>	<u>442,726</u>	<u>4,501,412</u>
Great Bend	<u>12,589,316</u>	<u>40,072</u>	<u>36,984</u>
Total Barton County Users	<u>12,589,316</u>	<u>40,072</u>	<u>36,984</u>
Fort Scott	<u>5,650,000</u>	<u>83,331</u>	<u>505,880</u>
Total Bourbon County Users	<u>5,650,000</u>	<u>83,331</u>	<u>505,880</u>
Butler County	0	0	0
Andover	9,523,158	136,681	2,247,603
Augusta USD #402	94,832,799	676,217	8,522,571
Rose Hill USD #394	16,131,540	276,257	1,964,264
Towanda	<u>1,805,637</u>	<u>14,698</u>	<u>260,572</u>
Total Butler County Users	<u>122,293,134</u>	<u>1,103,853</u>	<u>12,995,011</u>
Concordia USD #333	<u>1,450,000</u>	<u>6,348</u>	<u>91,348</u>
Total Cloud County Users	<u>1,450,000</u>	<u>6,348</u>	<u>91,348</u>
Coffey County	6,500,000	36,306	0
Burlington USD #244	<u>0</u>	<u>0</u>	<u>0</u>
Total Coffey County Users	<u>6,500,000</u>	<u>36,306</u>	<u>0</u>
Galena USD #499	<u>6,251,858</u>	<u>78,444</u>	<u>4,604,373</u>
Total Cherokee County Users	<u>6,251,858</u>	<u>78,444</u>	<u>4,604,373</u>
Cowley County	0	0	0
Udall USD #463	<u>6,530,207</u>	<u>67,838</u>	<u>2,770,867</u>
Total Cowley County Users	<u>6,530,207</u>	<u>67,838</u>	<u>2,770,867</u>
Frontenac USD #249	5,140,290	95,196	19
Girard USD #248	16,468,525	132,405	1,229,910
SE KS Education Service Ctr	<u>300,000</u>	<u>6,280</u>	<u>306,280</u>
Total Crawford County Users	<u>21,908,815</u>	<u>233,881</u>	<u>1,536,208</u>
Chase County	<u>10,070,000</u>	<u>71,463</u>	<u>1,521,463</u>
Total Chase County Users	<u>10,070,000</u>	<u>71,463</u>	<u>1,521,463</u>

MUNICIPAL INVESTMENT POOL ACTIVITY BY COUNTY

Municipality Name	For the Period 08/01/92 thru 02/28/95		Ending Balance
	Deposits	Interest	As of 02/28/95
Douglas County	76,988,804	398,737	10,132,344
Baldwin City USD #348	42,368,437	311,627	228,690
Lawrence	194,026,856	1,520,301	2,502,872
Lawrence USD #497	<u>225,629,578</u>	<u>2,152,674</u>	<u>47,934,638</u>
Total Douglas County Users	<u>539,013,676</u>	<u>4,383,339</u>	<u>60,798,544</u>
Solomon USD #393	<u>5,402,338</u>	<u>70,455</u>	<u>2,495,517</u>
Total Dickinson County Users	<u>5,402,338</u>	<u>70,455</u>	<u>2,495,517</u>
Highland Community College	<u>1,250,000</u>	<u>28,913</u>	<u>278,913</u>
Total Doniphan County Users	<u>1,250,000</u>	<u>28,913</u>	<u>278,913</u>
Kinsley	<u>12,146</u>	<u>239</u>	<u>562</u>
Total Edwards County Users	<u>12,146</u>	<u>239</u>	<u>562</u>
Elk County	11,718,510	75,036	970,414
West Elk USD #383	<u>1,800,000</u>	<u>8,212</u>	<u>502,139</u>
Total Elk County Users	<u>13,518,510</u>	<u>83,248</u>	<u>1,472,553</u>
Ellis County	8,400,805	75,973	48
Hays USD #489	<u>43,673,894</u>	<u>280,294</u>	<u>289,465</u>
Total Ellis County Users	<u>52,074,699</u>	<u>356,267</u>	<u>289,513</u>
Finney County	12,500,000	38,959	0
Garden City	32,107,678	81,663	3,024,804
Garden City Community Coll	10,323,572	100,334	3,919,068
Garden City Recreation Co	420,000	2,563	62,563
Garden City USD #457	38,000,000	72,763	42,566
Winchester USD #339	<u>9,000,745</u>	<u>31,280</u>	<u>1,104</u>
Total Finney County Users	<u>102,351,995</u>	<u>327,562</u>	<u>7,050,105</u>
Dodge City	50,223,370	298,009	2,177,523
Dodge City Community College	0	0	0
Dodge City USD #443	<u>81,775,043</u>	<u>571,417</u>	<u>20,723</u>
Total Ford County Users	<u>131,998,413</u>	<u>869,426</u>	<u>2,198,245</u>
Ottawa	6,200,000	62,872	0
Public Wholesale Wtr Dist	<u>14,600,949</u>	<u>47,038</u>	<u>15,746</u>
Total Franklin County Users	<u>20,800,949</u>	<u>109,910</u>	<u>15,746</u>
Geary County	15,698,526	192,774	767,757
Geary County USD #475	1,000,000	10,336	10,336
Junction City	<u>18,150,790</u>	<u>224,886</u>	<u>111,347</u>
Total Geary County Users	<u>34,849,316</u>	<u>427,996</u>	<u>889,440</u>
Greenwood County	23,356,555	98,793	393,793
Eureka	<u>0</u>	<u>0</u>	<u>0</u>
Total Greenwood County Users	<u>23,356,555</u>	<u>98,793</u>	<u>393,793</u>
Hodgeman County	<u>0</u>	<u>0</u>	<u>0</u>
Total Hodgeman County Users	<u>0</u>	<u>0</u>	<u>0</u>
Harvey County	61,888,659	184,099	1,330,736
Hesston	21,393,418	90,507	1,400,500
Newton	23,195,236	238,089	1,607,939
Newton USD #373	74,550,865	317,245	4,263,899
North Newton	<u>706,192</u>	<u>11,280</u>	<u>0</u>
Total Harvey County Users	<u>181,734,370</u>	<u>841,220</u>	<u>8,603,074</u>
Jackson County	0	0	0
Holton USD #336	<u>8,618,541</u>	<u>110,634</u>	<u>162</u>
Total Jackson County Users	<u>8,618,541</u>	<u>110,634</u>	<u>162</u>

MUNICIPAL INVESTMENT POOL ACTIVITY BY COUNTY

<u>Municipality Name</u>	<u>For the Period 08/01/92 thru 02/28/95</u>		<u>Ending Balance</u>
	<u>Deposits</u>	<u>Interest</u>	<u>As of 02/28/95</u>
Jefferson County RWD #12	663,594	2,190	161,837
Perry USD #343	<u>4,921,000</u>	<u>52,330</u>	<u>17,330</u>
Total Jefferson County Users	<u>5,584,594</u>	<u>54,520</u>	<u>179,167</u>
Johnson County	1,503,045,429	3,019,580	4,181,093
Blue Valley Recreation Comm	3,324,498	28,903	421,963
Blue Valley USD #229	419,178,029	1,648,816	366,505
Bonner Springs	0	0	0
Consolidated Fire Dist #2	11,480,000	136,839	1,486,511
De Soto USD #232	45,672,695	598,546	1,996,004
Gardner-Edgerton-Antioch USD	56,647,614	270,339	1,166,767
Johnson County Community College	398,272,052	1,941,310	623,417
Johnson County Park & Rec	30,715,946	299,951	5,023,279
Leawood	101,571,762	574,246	9,134,317
Lenexa	183,658,478	1,755,253	7,613,682
Mission	28,438,281	603,957	9,986,147
Mission Hills	6,773,263	93,666	1,393,666
Olathe	78,177,783	948,366	9,652
Olathe USD #233	393,418,405	1,749,348	7,194,734
Overland Park	477,342,182	2,888,041	1,536,663
Prairie Village	25,807,408	249,337	2,665,558
Public Building Commission	40,106,044	136,008	30,258
Shawnee Mission USD #512	732,359,451	2,582,232	2,829,255
Spring Hill USD #230	<u>132,717,232</u>	<u>738,909</u>	<u>1,596,182</u>
Total Johnson County Users	<u>4,668,706,552</u>	<u>20,263,647</u>	<u>59,255,653</u>
Labette County	4,750,000	97,433	1,097,433
Parsons	<u>85,300</u>	<u>1,753</u>	<u>87,054</u>
Total Labette County Users	<u>4,835,300</u>	<u>99,186</u>	<u>1,184,487</u>
Lincoln USD #298	<u>8,940,758</u>	<u>215,963</u>	<u>0</u>
Total Lincoln County Users	<u>8,940,758</u>	<u>215,963</u>	<u>0</u>
Leavenworth County	38,952,669	647,291	4,772,073
Basehor	408,340	8,915	0
Ft. Leavenworth USD #207	0	0	0
Lansing	4,656,404	58,719	2,020,879
Leavenworth	13,500,000	210,636	2,109,450
Leavenworth USD #453	61,067,176	273,192	4,991,878
Leavenworth Water Dept	<u>12,300,000</u>	<u>291,139</u>	<u>3,836,227</u>
Total Leavenworth County Users	<u>130,884,588</u>	<u>1,489,892</u>	<u>17,730,507</u>
Lyon County	110,169,534	557,290	5,415,678
Emporia	54,573,376	207,033	2,150,815
Emporia USD #253	<u>53,037,857</u>	<u>245,211</u>	<u>222,599</u>
Total Lyon County Users	<u>217,780,766</u>	<u>1,009,534</u>	<u>7,789,092</u>
Hillsboro	0	0	0
Hillsboro USD #410	<u>4,000,000</u>	<u>3,619</u>	<u>0</u>
Total Marion County Users	<u>4,000,000</u>	<u>3,619</u>	<u>0</u>
McPherson County	86,407,635	619,883	1,062,037
Lindsborg	11,976,219	161,311	3,331,439
McPherson	28,119,531	287,121	1,054,870
McPherson Recreation Comm	300,000	3,724	103,724
McPherson USD #418	93,226,093	270,649	5,528,682
Smoky Hill USD #400	<u>3,200,000</u>	<u>45,429</u>	<u>804,178</u>
Total McPherson County Users	<u>223,229,479</u>	<u>1,388,117</u>	<u>11,884,931</u>
North Central Kansas Area	<u>1,100,000</u>	<u>9,432</u>	<u>109,432</u>
Total Mitchell County Users	<u>1,100,000</u>	<u>9,432</u>	<u>109,432</u>
Morris County	0	0	0

MUNICIPAL INVESTMENT POOL ACTIVITY BY COUNTY

Municipality Name	For the Period 08/01/92 thru 02/28/95		Ending Balance
	Deposits	Interest	As of 02/28/95
Council Grove	34,937	88	88
Morris County RWD #1	<u>2,285,000</u>	<u>15,417</u>	<u>0</u>
Total Morris County Users	<u>2,319,937</u>	<u>15,505</u>	<u>88</u>
Morton County	<u>17,200,000</u>	<u>15,070</u>	<u>415,070</u>
Total Morton County Users	<u>17,200,000</u>	<u>15,070</u>	<u>415,070</u>
Kansas Rural Water Finance Authority	<u>7,024,944</u>	<u>110,140</u>	<u>99,911</u>
Total Nemaha County Users	<u>7,024,944</u>	<u>110,140</u>	<u>99,911</u>
Neosho County	12,854,735	67,870	1,067,870
Chanute	0	0	0
Erie	<u>275,000</u>	<u>4,328</u>	<u>125,535</u>
Total Neosho County Users	<u>13,129,735</u>	<u>72,198</u>	<u>1,193,405</u>
Osage County RWD #8	50,000	353	50,353
Santa Fe Trail USD #434	<u>8,148,589</u>	<u>69,471</u>	<u>307</u>
Total Osage County Users	<u>8,198,589</u>	<u>69,824</u>	<u>50,659</u>
Township 12 Fire Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total Pratt County Users	<u>0</u>	<u>0</u>	<u>0</u>
Pottawatomie County	<u>68,310,808</u>	<u>320,173</u>	<u>1,621,982</u>
Total Pottawatomie County Users	<u>68,310,808</u>	<u>320,173</u>	<u>1,621,982</u>
Reno County	381,111,011	793,510	5,877,302
Buhler	0	0	0
Hutchinson	53,877,817	640,302	15,755,545
Hutchinson Comm College	23,300,000	98,839	98,571
Hutchinson Recreation Comm	325,000	1,657	306,657
Hutchinson USD # 308	<u>29,656,834</u>	<u>124,359</u>	<u>1,007,833</u>
Total Reno County Users	<u>488,270,662</u>	<u>1,658,667</u>	<u>23,045,909</u>
Little River USD #444	<u>13,407,752</u>	<u>55,077</u>	<u>1,228,992</u>
Total Rice County Users	<u>13,407,752</u>	<u>55,077</u>	<u>1,228,992</u>
Riley County	32,310,000	194,721	512,024
Manhattan	61,658,316	1,001,078	4,921,607
Manhattan USD #383	81,152,630	650,190	3,582,975
Riley Co- Manhattan Health Dept	<u>12,072,796</u>	<u>54,817</u>	<u>586,202</u>
Total Riley County Users	<u>187,193,742</u>	<u>1,900,806</u>	<u>9,602,807</u>
Russell	<u>5,693,995</u>	<u>19,265</u>	<u>0</u>
Total Russell County Users	<u>5,693,995</u>	<u>19,265</u>	<u>0</u>
Saline County	12,800,000	107,994	4,847
Salina	<u>61,897,192</u>	<u>372,053</u>	<u>22,580</u>
Total Saline County Users	<u>74,697,192</u>	<u>480,047</u>	<u>27,427</u>
Sedgwick County	743,741,409	4,756,405	17
Cheney USD #268	41,557,170	259,086	4,580,736
Derby	13,609,717	178,413	2,548,838
Goddard USD #265	31,788,455	111,132	2,371,708
Maize USD #266	35,518,716	564,576	4,417,233
Mulvane USD #263	28,370,000	370,936	9,835,936
Park City	0	0	0
Wichita	553,748,109	3,227,797	5,039,641
Wichita USD #259	<u>605,700,000</u>	<u>4,248,429</u>	<u>4,114,053</u>
Total Sedgwick County Users	<u>2,054,033,576</u>	<u>13,716,774</u>	<u>32,908,163</u>
Shawnee County	286,943,976	2,120,527	11,643,031
Auburn	0	0	0
Metro Topeka Airport Authority	3,146,717	25,411	558,885

MUNICIPAL INVESTMENT POOL ACTIVITY BY COUNTY

Municipality Name	For the Period 08/01/92 thru 02/28/95		Ending Balance
	Deposits	Interest	As of 02/28/95
Seaman USD #345	16,866,000	86,242	0
Shawnee Heights USD #450	9,769,171	44,653	3,828,825
Silver Lake USD #372	3,835,000	42,883	0
Soldier Township	0	0	0
Topeka	129,471,731	1,668,717	15,920,121
Topeka Metro Transit Authority	2,436,328	35,634	515,053
Topeka Tecumseh Fire Dept	0	0	0
Topeka USD #501	187,801,043	975,302	13,274,315
Washburn University	25,109,831	246,927	988,551
Total Shawnee County Users	<u>665,379,798</u>	<u>5,246,296</u>	<u>46,728,781</u>
Liberal	4,700,000	117,849	2,717,849
Seward County Comm College	0	0	0
Total Seward County Users	<u>4,700,000</u>	<u>117,849</u>	<u>2,717,849</u>
Wellington	41,151,934	781,025	10,441,881
Total Sumner County Users	<u>41,151,934</u>	<u>781,025</u>	<u>10,441,881</u>
Colby USD #315	14,409,755	256,690	3,150,009
Total Thomas County Users	<u>14,409,755</u>	<u>256,690</u>	<u>3,150,009</u>
Wallace County USD #241	0	0	0
Total Wallace County Users	<u>0</u>	<u>0</u>	<u>0</u>
Bonner Springs	0	0	0
Kansas City	0	0	0
Wyandotte County USD #204	6,800,000	23,475	0
Total Wyandotte County Users	<u>6,800,000</u>	<u>23,475</u>	<u>0</u>
State Agencies			
Client Protection Fund Co	2,466,219	41,360	817,632
Dept of Administration	100,000	2,344	0
Emporia State University	4,803,910	94,856	435,956
Health Care Stabilization Fund	273,815,000	6,373,940	181,373,940
KDFA- Ks Water Pollution	420,458,083	3,370,510	18,020
KDFA Operations Fund	316,771	3,994	545
KDFA-KBEL Guarantee Acct	6,930,000	48,171	1,038,171
KDOT	374,893,759	4,279,272	64,166
University of Kansas	9,939,549	112,542	242,025
Total State Agencies	<u>1,093,723,291</u>	<u>14,326,989</u>	<u>183,990,454</u>
PMIB State Idle Funds	462,200,000	690,242	230,635,306
TOTAL MIP	<u>11,912,295,107</u>	<u>74,557,853</u>	<u>761,642,244</u>



City of Park City

6110 N. Hydraulic • Park City, KS 67219-2499 • (316) 744-2026

January 31, 1995

FEB 6 9 48 AM '95
RECEIVED
STATE TREASURER

Sally Thompson, Treasurer
Kansas State Treasury Office
900 S.W. Jackson, Suite 201
Topeka, KS 66612-1235

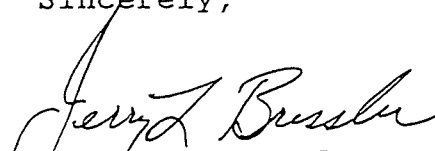
RE: Letter of support - Municipal Investment Pool

Dear Ms. Thompson:

While Park City is a member of the Municipal Investment Pool, we have not yet invested. In order to compete with the rate of the Municipal Investment Pool, our local bank met the Pool's interest rate so our money is still invested locally. This resulted in a \$20,000 savings to Park City in 1994.

Your efforts and integrity are appreciated. Keep up the good work.

Sincerely,


Jerry L. Bressler,
Mayor

JLB/bs



313 WEST MAIN, COUNCIL GROVE, KANSAS 66846
TELEPHONE (316) 767-5417
FAX NUMBER (316) 767-8749

February 7, 1995

Dear Senator Karr and Representative Weber:

I would like to share with you my thoughts on the Kansas Municipal Investment Pool (MIP).

Our City is a member of the MIP. As a matter of practice however all of our city's investments go into our local banks. Our City still however receives two major benefits from the pool.

1. All bond payments are due at the treasurer's office 20 days prior to their due date. In the past, interest on these large sums would be lost, often for over a month. Now we are able to earn interest on these bond payments by putting them in the MIP and having them transferred the day before the bonds are due. This clearly represents earnings we did not have before.
2. Our City bids out all of our investments to local banks. On our bid sheet is a listing of the STATE BENCHMARK for that week. Banks look at this figure, our interest rates have gone up accordingly.

I believe that the MIP is an important option for local units of government. The MIP invests in the same things that our banks do but they return a higher interest rate to Cities. I think it is important that you protect this Pool.

Sincerely,

Mark Abeles-Allison
City Administrator

HEALTH CARE STABILIZATION FUND
Investments in M I P

Month	Ending Balance	Avg. Pool Rate	1-Yr Treas. CMT
Sept. 93	5,003,932.18	3.59	3.36
Oct.	15,183,902.61	3.58	3.39
Nov.	23,238,008.28	3.60	3.58
Dec.	32,708,982.77	4.11	3.61
Jan. 94	51,817,280.83	4.11	3.54
Feb.	69,035,774.73	4.11	3.87
March	78,018,966.19	4.13	4.32
April	83,753,949.06	4.20	4.82
May	92,676,990.68	4.28	5.31
June	103,494,678.39	4.31	5.27
July	111,356,003.49	4.36	5.48
Aug.	134,686,991.09	4.43	5.56
Sept.	152,139,577.31	4.50	5.76
Oct.	153,529,698.99	4.56	6.11
Nov.	156,703,087.18	4.71	6.54
Dec.	156,986,372.13	4.76	7.14
Jan. '95	160,623,169.14	5.10	7.05
Feb.	181,373,940.15	5.58	6.44

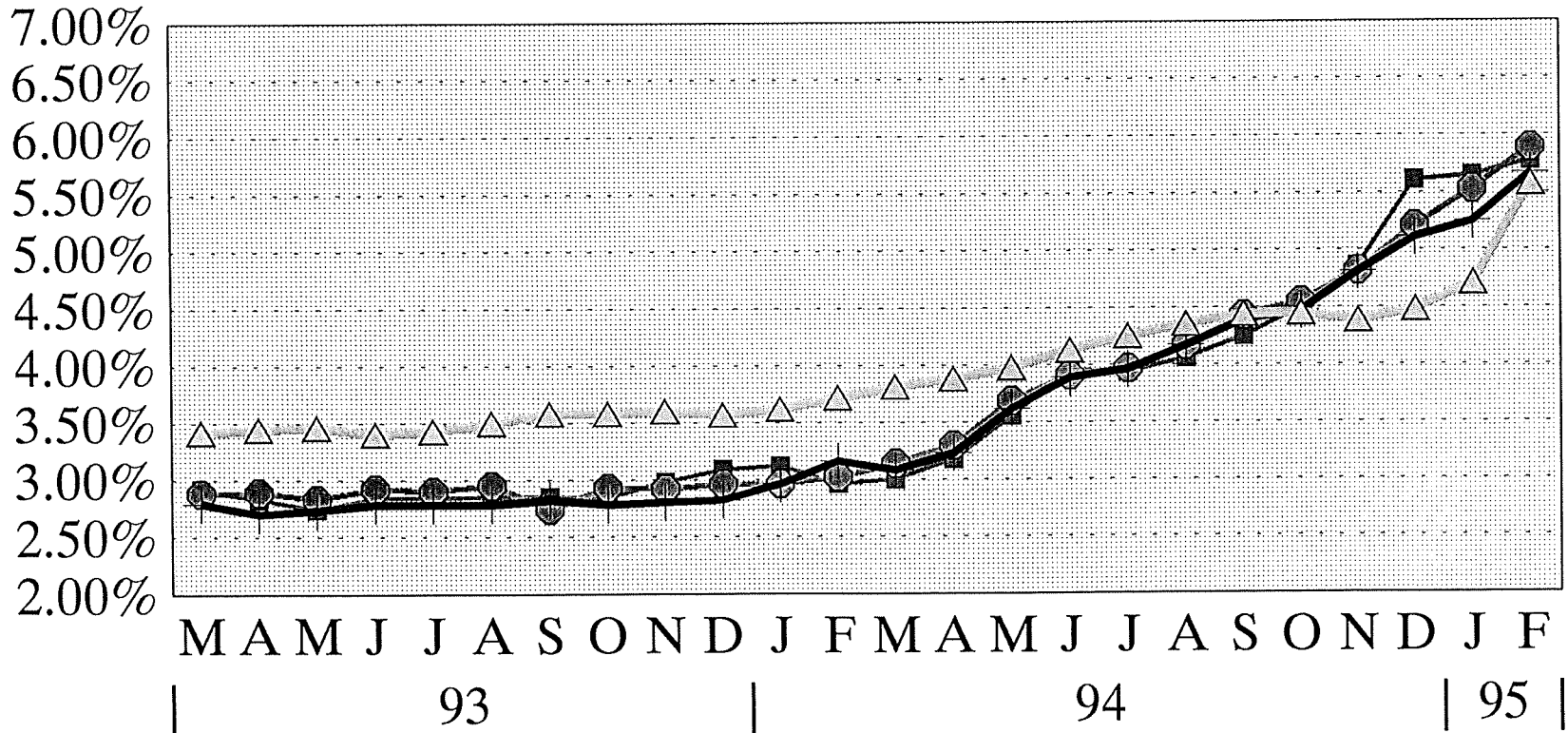
HEALTH CARE STABILIZATION FUND
Investment Interest Comparison

(Actual Strategy Used)				(Former Strategy Used)	
Month of Investment	Ending Balance	Average IMIP Rate	Monthly Int Earned	Alternative 1 yr CMT	Total Interest for Sec
Sep-93	5,003,932	3.59%	3,932	3.36%	168,132
Oct-93	15,183,903	3.58%	29,970	3.39%	345,101
Nov-93	23,238,008	3.60%	54,106	3.58%	288,337
Dec-93	32,708,983	4.11%	95,974	3.61%	341,902
Jan-94	51,817,281	4.11%	158,298	3.54%	676,434
Feb-94	69,035,775	4.11%	193,494	3.87%	666,356
Mar-94	78,018,966	4.13%	258,191	4.32%	388,074
Apr-94	83,753,949	4.20%	284,983	4.82%	253,391
May-94	92,676,991	4.28%	323,042	5.31%	394,845
Jun-94	103,494,678	4.31%	342,688	5.27%	427,569
Jul-94	111,356,003	4.36%	386,325	5.48%	287,200
Aug-94	134,686,991	4.43%	455,988	5.56%	333,178
Sep-94	152,139,577	4.50%	527,586	5.76%	502,634
Oct-94	153,529,699	4.56%	590,122	6.11%	35,390
Nov-94	156,703,087	4.71%	598,388	6.54%	69,180
Dec-94	156,986,372	4.76%	633,285	7.14%	5,057
Jan-95	160,623,169	5.10%	686,797	7.05%	42,702
Feb-95	181,373,940	5.58%	750,771	6.44%	111,362
	1,762,331,305	4.34%	6,373,940	3.63%	5,336,844

Short Municipal Investment Pool

Performance vs. Various Municipal Investment Pools

Investment Yield



SMIP Rate	△	3.42%	3.44%	3.46%	3.40%	3.43%	3.50%	3.58%	3.58%	3.60%	3.57%	3.62%	3.72%	3.81%	3.88%	3.98%	4.13%	4.25%	4.35%	4.44%	4.45%	4.39%	4.48%	4.71%	5.58%
Colo.	□	2.79%	2.70%	2.73%	2.78%	2.78%	2.78%	2.82%	2.78%	2.80%	2.82%	2.96%	3.16%	3.08%	3.23%	3.62%	3.89%	3.96%	4.17%	4.39%	4.47%	4.81%	5.11%	5.25%	5.67%
Mass.	●	2.88%	2.89%	2.83%	2.92%	2.90%	2.95%	2.74%	2.93%	2.92%	2.96%	2.96%	3.02%	3.14%	3.30%	3.69%	3.91%	3.97%	4.17%	4.43%	4.55%	4.82%	5.21%	5.53%	5.89%
Penn.	◆	2.91%	2.83%	2.74%	2.84%	2.84%	2.85%	2.85%	2.84%	2.98%	3.09%	3.12%	2.96%	3.00%	3.18%	3.56%	3.96%	3.94%	4.06%	4.25%	4.50%	4.86%	5.61%	5.65%	5.78%

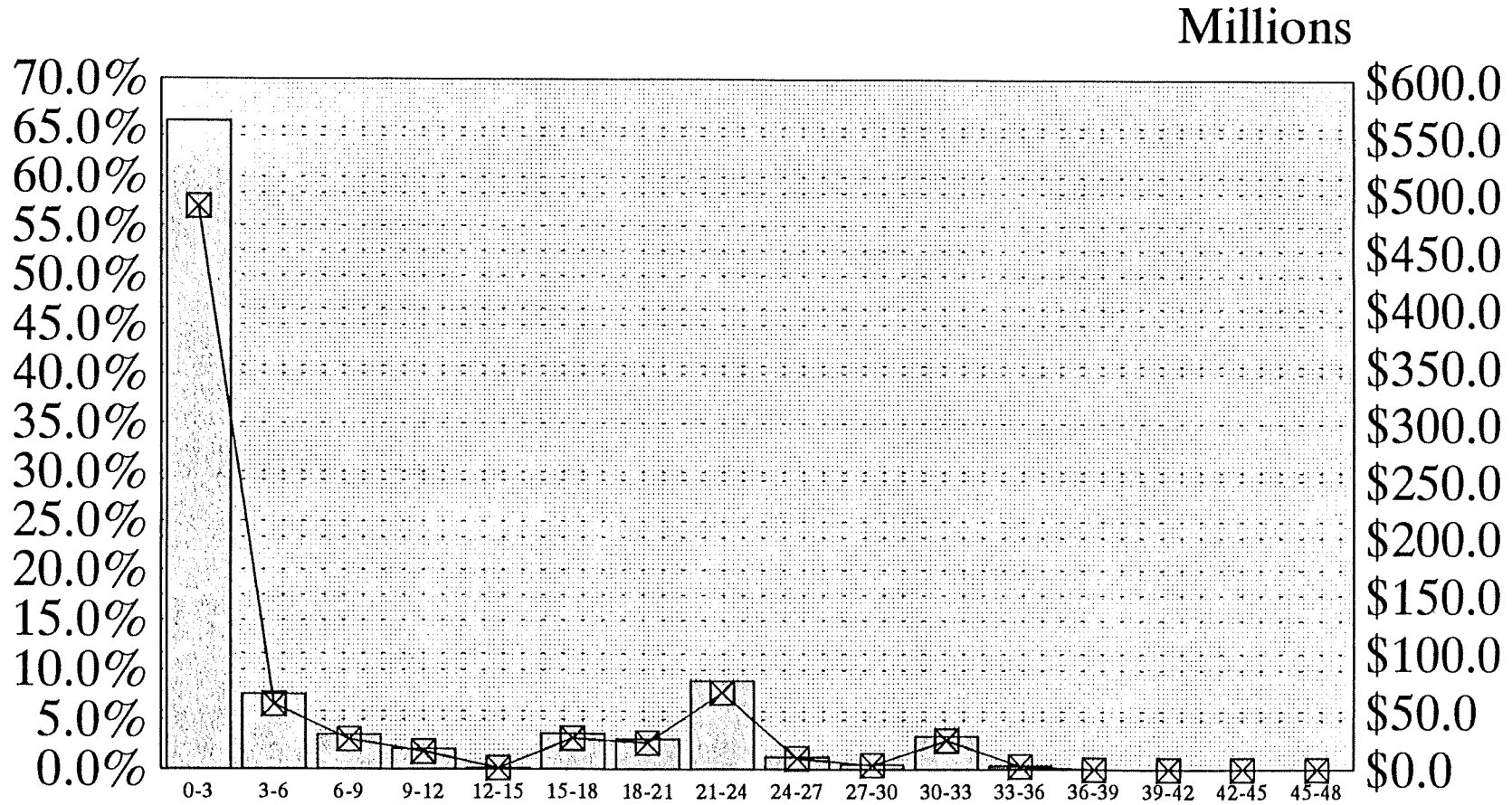
Monthly Yields Represent Averages of Daily Rates

Colo. Invests in U.S. Treasuries ONLY, Penn. adds Federal Agencies & Bank CDs. Mass. also includes various Money Market Instruments

18-37

Municipal Investment Pool

Risk Diversification by Maturity (by 3-Month Periods)



Investments "%"	65.7%	7.6%	3.5%	2.1%	0.1%	3.6%	3.1%	8.9%	1.3%	0.5%	3.4%	0.4%	0.0%	0.0%	0.0%	0.0%
Investments "\$"	\$488.3	\$56.2	\$25.9	\$15.2	\$1.0	\$26.6	\$22.7	\$66.4	\$9.3	\$3.8	\$25.1	\$2.7	\$0.0	\$0.0	\$0.0	\$0.0

For the Month Ending February 28, 1995

0-3 Months Includes O/N Investments

88-1



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

LEGISLATIVE TESTIMONY

TO: House Financial Institutions and Insurance Committee
FROM: *u* Chris McKenzie, Executive Director
DATE: March 15 1995
RE: Substitute for SB 9

Thank you for this opportunity to appear today on behalf of the 543 member cities of the League to support Substitute for SB 9 with a related amendment. At the outset I want to acknowledge the debt of gratitude which the cities of Kansas owe to the legislature for the creation of the Municipal Investment Pool (MIP) in 1992. The availability of the MIP has many times meant having a safe place to deposit a city's money when no local institutions could accept it. For other cities it has meant the opportunity for realizing a reasonable rate of return on the city's investments of its tax dollars when similar arrangements were simply not available locally, decreasing the pressure on the property tax. The MIP has served a valuable and important public purpose, and it is an excellent example of state-local and public-private sector cooperation to achieve important public goals. The League supported the creation of the MIP in 1992, and we support its continued operation.

I also want to express appreciation for the tireless commitment of our state treasurer, Sally Thompson, in the implementation of the MIP. Without her efforts many cities would have continued to experience frustration investing local funds--a frustration which I believe has been shared by local financial institutions that have been unable to accept deposits of public funds from time to time. Ms. Thompson has worked closely with the League and other local government groups to explain the investment opportunities through the MIP and to provide general investment advice to our member cities at League conventions and other meetings.

Since the Municipal Investment Pool is still a very new program and the market forces of the last year have put such great pressure on this and similar pooled investment programs, we respectfully submit it is appropriate for the legislature to consider certain proposed changes to the MIP statutes to provide even further assurance that the MIP will continue to provide an important investment alternative for local governments. The two major purposes of this legislation are: (1) to codify some of the good management practices of the State Treasurer in managing the MIP; and (2) to provide additional statutory guidelines for operation of the MIP in the future which respond to some of the extraordinary developments of 1994. The major provisions of the bill are as follows:

House F&I

Attachment 2

3-15-95

Section 1

- p. 1 **(b)(1) AAA rating.** Codifies current State Treasurer policy of requiring that all investments of MIP funds in indirect federal obligations shall be rated in the highest rating category by the two major investment rating organizations in the country: Moody's investors service or Standard and Poor's corporation.
- p.2 **(c) Reports.** This provision codifies the current State Treasurer's policy of providing monthly reports (current law says periodic) to municipal depositors which includes information on the market value of the MIP investments. It adds the requirement that similar reports shall be provided to other interested parties and the reports shall include information on the weighted average maturity ratio of the fund and other relevant information.
- p. 3 **(e)** This provision simply clarifies the scope of the rules and regulations of the State Treasurer concerning the MIP.

(g) Investment Performance Review. This paragraph provides the PMIB (currently: state treasurer) shall contract for a periodic (currently: annual) comparative investment performance review. The purpose of this provision is to segregate functions to achieve improved internal controls. It is a generally accepted principle of financial management that the manager of a fund should not be responsible for selection of external consultant to review their performance.

(i) PMIB Investment Policies. This new language clarifies the issues that should be addressed by policies of the PMIB such as credit standards, eligible instruments, maturity ranges for investments, methods for valuing the MIP portfolio, etc. It also requires that a copy of the policies shall be distributed to each municipal depositor and directs the PMIB to contract for an external investment advisor to provide advisory services concerning investment policies and practices for the MIP which is different from the firm selected to perform the investment performance review. The purposes of these provisions are to: (1) stress the importance of the PMIB policy making role; (2) inform municipal depositors of those policies; and (3) secure external investment advice as needed to ensure full consideration is given to the implications of MIP policies and practices.

- p. 4 **(k) Weighted Average Maturity Ratio.** This is an entirely new provision which limits the weighted average maturity (WAM) of investments in the entire MIP portfolio from being more than twice as long as the WAM of the deposits in the entire MIP (i.e., max. 2-to-1 ratio). The WAM ratios within the various portfolios could be different, as long as the overall ratio did not exceed 2-to-1. This is one of the major new policies in the bill. Its purpose is to provide a ceiling for the managers of the MIP in order to avoid the purchase of securities with a WAM significantly longer than the WAM of the deposits. If this had been in effect in 1993 and 1994, it may not have been necessary to take the extraordinary steps taken by the State Treasurer in late 1994 and early 1995. It also could have resulted in real market losses in the MIP portfolio that would have been shared by all the participants.

The League supports an amendment to this paragraph which will preclude the 2 - 1 ratio from being triggered if the Pooled Money Investment Board (PMIB) has adopted policies limiting the WAM of investments in the MIP. The specifics of this amendment are explained below:

p. 4 (i) **Derivatives and Reverse Repurchase Agreements.** This provision codifies existing management policy of the state treasurer. The only exemption from derivatives prohibition is for "direct" federal obligations (i.e., those guaranteed as to principal and interest) such as "strips".

(m) **Security Exchanges.** Provides that the exchange of securities between the state investment portfolio and the MIP requires both PMIB and State Finance Council approval. The purpose of this provision is to address the questions that arose in concerning the value of the securities that were exchanged between the two portfolios in late 1994 by involving other key state policy makers in this important decision. This does not prohibit swaps of securities between the portfolios.

(n) **PMIB Rules and Regs.** This provision is a technical clean-up provision to clarify PMIB authority to adopt rules and regulations.

(o) (2) and (3) **Definitions of "derivatives" and "weighted average maturity".** These definitions of key terms are a necessary part of the bill.

Section 2

p. 6 (l) **Prohibition on Investment of Idle Funds.** This section addresses a major policy question. The Senate Committee considered making this provision like the security exchange provisions of (m) of Section 1 (i.e., requiring PMIB and Finance Council approval). Majority of Committee agreed to prohibit the investment of state idle funds in the MIP, even though other state moneys are in the MIP. **LEAGUE RECOMMENDATION:** the League recommends a procedure identical to paragraph (m) of Section 1, requiring both PMIB and Finance Council approval. Consequently, in the event of an apparent need to protect both local and state agency funds in the MIP, approval to invest idle funds can be granted much quicker than waiting for the next session of the legislature.

Section 3

p. 6 (a) **PMIB Qualifications.** This section changes the qualifications of four of the five members of the PMIB to require 10 years of direct work experience in the management of fixed income securities. Current law provides that 3 members of the PMIB shall have not less than 5 years of work experience in investments or as a certified public accountant or certified financial planner. The purpose of this provision is to appoint the most highly qualified people we can find to this important position which involves the investment of significant sums of state and local funds.

Section 4

- p. 7 (b) **Prohibition on Investment of Idle Funds.** Like paragraph (I) of Section 2 above, this paragraph prohibits investment of state idle funds in MIP.

Section 5

- p. 7-8 **Municipal Investment Pool Advisory Committee.** This section creates statutorily an advisory committee comprised of representatives of the League of Kansas Municipalities, Kansas Association of Counties, and Kansas Association of School Boards, with ex officio representation from the Kansas Bankers Assn. (1 position) and one other ex officio, to be appointed by the Governor and to advise the State Treasurer on investment strategies, policies and operational procedures. The state treasurer had already initiated a similar body to create closer communications between her office and local depositors, many of which have trained finance officers and cash managers. This group is totally advisory, but it should enhance communications between the MIP and its depositors.

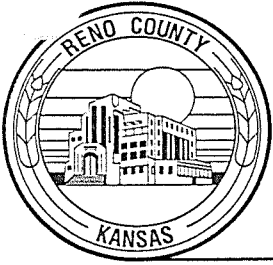
RECOMMENDED AMENDMENT

As mentioned above, the league recommends that paragraph (k) of Section 1 of Sub. For SB 9 be amended to provide room for the Pooled Money Investment Board to set limitations on the weighted average maturity of investments in the MIP portfolio. We believe this would be a preferable approach to a hard and fast limitation, and therefor recommend the following amendment:

(k) On and after July 1, 1996, the weighted average maturity of all investments in the municipal investment pool fund shall not exceed the weighted average maturity of all deposits in the municipal investment pool fund by more than 100%, except that the provisions of this paragraph shall not apply if the pooled money investment board has adopted policies limiting the weighted average maturity of investments in the municipal investment pool fund.

CONCLUSION

This legislation addresses matters of great significance to the cities of Kansas, this Committee, our State Treasurer, and the legislature as a whole. The League strongly supports the continuation of this important investment option, and we believe the provisions of SB 9 and the one amendment we have recommended will only serve to improve this valuable program.



County Treasurer

RENO COUNTY
206 West First Ave.
Hutchinson, Kansas 67501
316-694-2938

SENATE BILL NO. 9 - TESTIMONY
Larry R. Tucker

To: House Financial Institutions
& Insurance Committee

Mr. Chairman and Committee Members. Thank you for this opportunity to speak to you regarding Senate Bill No. 9. I come to you today speaking from two positions. First as chairman of the State Municipal Investment Pool Advisory Committee and second as Reno County Treasurer.

Under separate cover, please refer to the heading titled "From Municipal Investment Pool Advisory Committee," which is prepared testimony regarding the consensus taken by the committee at its February meeting on Senate Bill No. 9. And as I read to you in summary the various positions regarding the proposed legislation, please note that if the bill is discussed and voted on, these are the areas the committee would support and areas we have concerns which I will attempt to offer explanation.

Refer to enclosed handout.

In conclusion, the overriding consensus of the committee would be to support legislation designed to strengthen oversight, disclosure, review and management qualifications. However, the committee does believe that flexibility within current law should be provided to the oversight board so that they can best determine investment policy that would serve the participants of the municipal investment pool.

Now speaking as a participant of the pool, let me share with you the success story of Reno County. As the first participant, we have taken advantage of the benefits of the MIP from day one. Since August 1992, Reno County taxpayers have earned additional interest over what our local short term investments would have earned as follows:

Time Period	Average Spread	Added Interest
Aug 1992-Aug 1993	.8% to 1.4%	\$ 59,321
Sep 1993-Sep 1994	1.2% to 1.5%	99,412
Oct 1994-Feb 1995	1.4% to 2.5%	48,805

		\$ 207,538
		=====

James F. ...
Attachment 3
3-15-95

SENATE BILL NO. 9 - RENO COUNTY (CONTINUED)

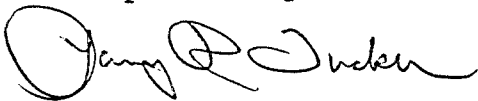
In addition, with competition from the MIP, it has encouraged other local banks to be more competitive with intermediate investments such as 6 month and 12 month certificates of deposit. For example, when we first joined the MIP in 1992, the spread of the pool over what all four local banks were offering was 1/2% to 3/4% greater. In 1995, one local bank has become competitive and now exceeds the MIP intermediate pool rate. Although none of the local banks have matched the local benchmark rates during this period of time, the fact that they are more competitive has helped the taxpayers of our county earn more investment income.

Perhaps the greatest benefit in being a participant in the MIP is the flexibility it provides my office. State funds appropriated to our county such as sales tax, revenue sharing, and LAVTR distributions are credited to our MIP account the same day. Withdrawals of over \$ 1 million require only 24 hour notice and payments for bond obligations can be made out of our MIP account by appropriate FAX instructions without the slow and costly process of writing a check. This flexibility has allowed us to maximize our cash management choices which in turn earns additional investment earnings for the taxpayers of Reno County.

Regarding the safety of the MIP, a great amount of thought and input has already gone into its creation. The only investments allowed in the pool by state law are all guaranteed by the Federal government. Do not allow the headlines reporting the mistakes of other poorly designed state municipal pools, cause you to take a knee-jerk response that will undermine the work done by others to benefit the taxpayers of this state.

In conclusion, as chairman of the MIP advisory council and as an elected County Treasurer, I ask that you support the State Municipal Investment Pool with legislation designed to strengthen its oversight without damaging the flexibility of the MIP to be a competitive choice for local Kansas municipalities. Thank you.

Respectfully submitted,



Larry R. Tucker
Reno County Treasurer



County Treasurer

RENO COUNTY
206 West First Ave.
Hutchinson, Kansas 67501
316-694-2938

FROM: MUNICIPAL INVESTMENT POOL ADVISORY COMMITTEE
3-3-95

TO : KANSAS STATE TREASURER
POOLED MONEY INVESTMENT BOARD
SENATE FINANCIAL & INSTITUTIONS COMMITTEE
HOUSE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

SUBJECT : S.B. 9, ACT CONCERNING THE MUNICIPAL INVESTMENT
POOL AND POOLED MONEY INVESTMENT BOARD

The Municipal Investment Pool advisory committee met on Wednesday, February 22, 1995 in Topeka to discuss a position statement regarding the proposed amendments under Senate Bill 9 concerning the Municipal Investment Pool and the Pooled Money Investment Board. The consensus of the proposed amendments as taken by the Advisory committee were as follows:

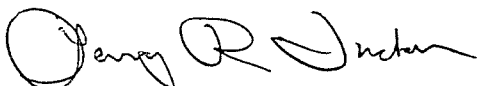
Amendment	Position
1. Require securities to be in the highest rating category.	Support.
2. Direct State Treasurer to make monthly reports disclosing market values and weighted maturities.	Support.
3. Require PMIB to contract for a investment performance review.	Support.
4. Clarifies there may be separate portfolios with investment policies.	Support.
5. Requires PMIB to contract for services of an external investment advisor.	Oppose. Give PMIB option.
6. Requires weighted average maturity of investments cannot exceed average of deposits by more than 100%.	Oppose. Leave policy decision with PMIB or in aggregate only for all portfolios.

S.B. 9(Continued) MIP Advisory Committee

Amendment	Position
7. Prohibit investing in derivatives or reverse repurchase agreements.	Oppose. Leave policy decision with PMIB.
8. Requires approval of PMIB Board and State Finance Council for making swaps of state invested and pool securities.	Support.
9. Disallows investment from state idle funds.	Oppose. Leave decision with PMIB.
10. Clarifies PMIB and State Treasurer responsibility in adopting rules and regulations.	Support.
11. Creates Municipal Investment Pool advisory board.	Support.
12. Requires PMIB members have 10 years experience in fixed income funds management or trust officer experience.	Support.
13. Allow current PMIB members to complete their terms.	Support.

On behalf of the advisory committee, I request that this information be submitted as testimony for S.B. 9 and request notification of any scheduled public hearing. Please contact me at 316-694-2938.

Respectfully submitted,



Larry R. Tucker, Chairman
Municipal Investment Pool
Advisory Committee

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SUE WILLIAMS

GREENWOOD COUNTY TREASURER • 311 N MAIN • EUREKA KS 67045 • Telephone 316-583-8146 • Fax 316-583-8124

March 15, 1995

Re: The Municipal Investment Pool legislation

Dear Member of the House F.I. & I. Committee,

I am in support of the continuation of the Municipal Investment Pool (M.I.P.). Greenwood County has earned more interest on investments since we have used the M.I.P. not only because of the interest earned from the pool but also because the banks are paying higher rates when they want the investments.

Prior to our using the M.I.P. I was into a time when not only did my County banks not pay the public fund rate but they did not want the large deposits in their banks on Dec. 31 and June 30, a time when County Treasurers have the largest deposits. I was forced to find other investment options such as T-Bills and Repurchase Agreements.

Besides the convenience of the M.I.P. and the availability of another vehicle for investing there is no penalty for early withdrawals if and when an unforeseen need arises which can save the County loss of interest revenue.

Local banks do have and should retain the right to first refusal.

The staff of State Treasurer Sally Thompson's office are very professional and are a good resource to County Treasurers. I believe them to be bipartisan in their implementation of the M.I.P.

I believe all municipalities with moneys to invest have benefited from the M.I.P. either directly or indirectly. I would encourage you to continue with the M.I.P.

Thank you for your time,



Sue Williams
Greenwood County Treasurer

TESTIMONY
SENATE BILL 9
by Bill Caton, Member
Pooled Money Investment Board
March 15, 1995

Thank you for the opportunity to testify before you on Senate Bill 9. I am providing a copy of my testimony to the Senate Financial Institutions and Insurance Committee from February 6, 1995 which contains several concerns I have regarding the investment of public funds. I am also providing a copy of a letter I wrote to Senator Bond because I was unable to attend the Senate subcommittee hearings the final two days. I am providing these for your review and will not go into detail due to time constraints.

Senate Bill 9 as presented to the Committee makes needed restrictions in investment powers regarding the Municipal Investment Pool ("MIP"). As you will see from my testimony and letter I recommended more stringent restrictions on investment maturity lengths. Also, I do not consider the Advisory Board a positive impact on the MIP unless the MIP assumes full market risk on its investments. I also strongly believe that the investment of State idle funds in the MIP is an inequitable subsidy for the pool participants by the State of Kansas. The vast majority of local units of government are not pool participants and they are not extended the State subsidy.

We cannot determine at this time what the real cost to the State is for providing liquidity to the MIP by investing State idle funds in the pool at below-market rates. This cost will not be known for some time and could be substantial. The MIP has 17 million dollars of realized losses to recover which will take considerable time and will probably require a declining interest rate environment to fully recover. Many long term economic forecasts do not predict declining interest rates for several years.

I urge you to consider reducing the weighted average maturity disparity even further than current provisions in Senate Bill 9. I realize I have provided you with information in my testimony and letter that I have not discussed, but I hope it will provide you with some insight as to what I feel are some of the basic problems. I will be happy to answer any questions.

James F. D. D.
Attachment 4
3-15-95

TESTIMONY
SENATE BILL 9
by Bill Caton, Member
Pooled Money Investment Board
February 6, 1995
(Revised)

Thank you for the opportunity to testify before you. I would like to share my perspective of this situation as a member of the Pooled Money Investment Board ("PMIB"). I have served on the Board since 1993 and participated in the development of the current investment policies. The investment policy adequately provided the Treasurer with proper investment guidelines to avoid market risk by requiring investment strategies to first consider safety, second consider liquidity, and third consider yield. The Treasurer invested monies of the Municipal Investment Pool ("MIP") according to State Statutes. The Legislative Post Audit did not determine that the Treasurer was negligent. An independent audit confirmed what the Legislative Post Audit found and went further to conclude that the Treasurer's investment decisions were "reasonable in view of the information available at the time". So how could we possibly have the situation we now face? I will address several factors I feel contributed to the problem. I am not here to place blame on anybody, especially the Treasurer and her staff. I am here to address the problem we now face.

When Senate Bill 480 was being contemplated by the 1992 Legislature, Governor Finney asked me to evaluate this bill and its impact on the investment of public funds. My analysis was simple and to the point: anytime there is legislative authority to invest longer than cash flow needs, you create the opportunity to assume market risk that is difficult to manage by even the most sophisticated investment managers. Our present situation attests to this point. I do consider the Treasurer's staff as sophisticated investment managers. When KDFA has purchased government securities, we have faithfully used the Treasurer's office and feel very confident in their abilities to purchase and sell securities effectively. Also, the pressure on public funds investment managers to maximize returns entices excessive risk assumption. This pressure does not come from the taxpayer; it comes from within because government at all levels cannot control its own spending and additional sources of non-tax income must be maximized to fund this uncontrolled spending. This pressure directly entices public funds investment managers to assume risk beyond their comprehension. I believe this is the underlying reason the MIP along with many other public funds investment pools are in the situation they are in now.

Statutory limits should be created to avoid gross mismatches of cash flow needs and investment maturities. I would recommend that the average weighted maturities of investments held by the MIP not exceed twice the stated average weighted maturities of the deposits with a maximum disparity of 90 days. This would limit the amount of risk caused by interest rate variations.

The independent audit performed by William M. Mercer Asset Planning Inc. for the PMIB concluded there is a basic flaw in the statutory structure of the MIP. It states the MIP needs to be managed on a market-value basis rather than the dollar-in, dollar-out basis to avoid the promotion of inequity and instability. I recommend the legislature consider requiring the future management of the MIP be based on market-value basis as soon as it is feasible to implement.

Another concern I have is the co-mingling of State idle funds into the MIP. Although I voted against this, PMIB investment policy was amended to allow the lesser of 20% or \$250 million of State idle funds be invested in the MIP. This co-mingling of funds appears to be necessary to provide new money to the MIP so it may invest these new monies at higher, short-term rates to

offset, over time, more than \$17 million in losses already realized plus potential future liquidity problems that could force the Treasurer to realize additional losses. This co-mingling has created an inequitable, non-appropriated subsidy for the pool participants because the State will probably earn lower-than-market rates in the MIP while these losses are being recouped over the next several months. I believe this co-mingling is necessary to minimize losses, but I also believe it is not appropriate for the State to assume risk for the municipalities or subsidize the losses realized by the MIP. I recommend the Legislature consider sunseting the PMIB's authority to permit this co-mingling no later than May 1, 1996. This gives the Treasurer 15 months to work out this current problem plus gives the 1996 Legislature an opportunity to modify this sunset if necessary.

A twelve member advisory board is contemplated for MIP, with the majority being probable MIP participants. I am concerned about the effectiveness of this board and its motives to advise on investment strategies. In defending her investment strategies, the Treasurer has stated several times to the PMIB that many participants have encouraged her to invest in even longer term securities to achieve higher yields. To me, this confirms my contention that the necessity to stretch revenues beyond taxing capabilities encourages the assumption of investment risk beyond reasonable limits. The Orange County fiasco demonstrates this point to the greatest extreme, but by no means am I comparing Kansas to Orange County. Unless the MIP advisory board understands and assumes the market risk, I would consider input from this board potentially counter-productive and contributory to excessive risk assumption. As a possible alternative, a paid expert financial advisor like Mercer reporting to the PMIB on a monthly or quarterly basis could provide the necessary risk analysis and investment strategy review.

A final concern I would like to address is the tremendous market risk created by the purchase of derivatives and leveraging funds. Although many of these derivative products have the backing of the "full faith and credit of the United States Government", their market value is very, very volatile. One case in point is Escambi County, Florida which has a derivative laden portfolio that has a face value of 44.7 million dollars and has a market value of only 21.5 million dollars. As long as they hold these securities to maturity, they will get their 44.7 million dollars back plus interest. So, as you can see, liquidity is just as important as quality. To the Treasurer's credit, she has not participated in these practices except for short-term reverse-repos which are appropriate for very short-term cash flow needs. A prohibitions on such activities (except short-term reverse-repos) should be contemplated by the Legislature to avoid the serious pitfalls of these practices.

To conclude my testimony, I would like to itemize potential legislative considerations that would strengthen the regulation on the investment of public funds and limit potential risk assumption by public funds investors.

- Limit the investment maturity to deposit maturity disparity
- Require market-value management of MIP
- Require segregation of State idle funds and MIP funds (at a later date)
- Require periodic expert private financial advice
- Prohibit the purchase of derivatives and leveraging (except for reverse-repos for less than 30 or 60 days)

I do believe the lessons we have learned this past year need to be reflected in our statutes for when we have forgotten 1994. And believe me, the financial market is counting on us to forget so we can have yet another business cycle.

Based on the information I have presented, I see this strictly as a financial issue and not a political issue. My actions and decision as a PMIB member have been based solely on financial matters.

I sincerely hope the perspective I have presented is helpful and informative. I stand for questions.

February 13, 1995

Senator Dick Bond
State House
Topeka, Kansas

Dear Senator Bond:

I will not be available the remainder of this week to participate in the subcommittee hearings. However, I would like to provide you my comments regarding the remaining topics of discussion: deposit and investment maturity mismatch; co-mingling of State idle funds with the MIP; board qualifications; and the MIP advisory board.

Maturity mismatch - This topic by far is the most important topic you will discuss. Interest rate increases and decreases have NO economic impact on your portfolio if you have sufficient liquidity to meet your cash needs. I strongly believe that a 90 day maximum disparity would not permit investment strategies to cause serious liquidity problems which the MIP has been facing. The comment the gentleman from Wichita made Friday regarding his desire to have the Treasurer invest his two year money for MORE than four years to obtain a higher yield reinforces my belief that public investment managers are eager to assume excessive risk for higher yields. What will happen if Wichita withdraws its money after two years of rising interest rates and the MIP investments have another two years to maturity? We will have the same problem we have today!

Since the Treasurer has decided to utilize separate portfolios for different deposit durations, I would recommend a graduated disparity that would be tied to the deposit weighted average maturity (WAM) for each separate portfolio.

WAM less than 30 days - 10 day maximum disparity
WAM 31 to 180 days - 60 day maximum disparity
WAM greater than 180 days - 90 day maximum disparity

Idle Funds in MIP - Removal of the State idle funds from the MIP at this time would probably place the MIP back in serious liquidity problems. Although I disagree with this co-mingling, I believe it is probably necessary to avoid additional multi-million dollar losses. If the Legislature decides to allow this co-mingling temporarily, I would recommend the Legislature require State idle funds be withdrawn at the earliest date the MIP has a market value of 100% with a sunset of May 1, 1996. At the time the State idle funds are withdrawn, I also recommend the MIP be managed on a market value basis.

Qualifications of PMIB Members - I am not sure the proposed changes will benefit the PMIB - only make it harder to find someone with the required qualifications. What I believe is the single most important qualification isn't addressed - the understanding of RISK. I have confidence the Governor has the ability and foresight to appoint qualified board members. As Mr McKenzie testified, the letters "C.P.A." or any other letters behind a person's name doesn't mean they are a qualified to oversee the investment of public funds. Many "qualified" investment managers found

Senator Dick Bond
February 13, 1995
Page Two

out the hard way their qualifications didn't help them foresee the risk they were assuming with their "conservative" investment strategies. I recommend that you consider what qualifications would provide PMIB members with the ability to determine what the appropriate amount of risk a public body should take with public funds within the imposed legislative constraints. I submit to you that these qualifications will be hard to define; they have more to do with common sense and public policy than designations behind a person's name. There is a public policy question which needs to be answered: how much risk is appropriate for a public body to take with public funds? Limiting the amount of risk legislatively is the only way to insure the risk assumed is within the Legislature's intent. The Treasurer is a publicly elected cash manager, not a public policy maker.

MIP advisory board - An advisory board will not solve the problems we now face. This body must assume responsibility to be effective. An informal advisory board of pool participants assuming the market risks that are clearly defined by the Legislature combined with professional advise from an independent investment expert could provide the Treasurer and PMIB with the necessary market analysis and risk assessment to maximize returns within the risk limitations in place.

We must keep in perspective what the role should be of the public funds investor. Should the public funds investor speculate in the market with public funds? Or should the public funds investor minimize risk and be satisfied to invest according to cash flow needs in only the safest investment instruments? I believe that it is your responsibility as a Legislature to determine what that role should be.

Sincerely,

Wm. F. Caton
PMIB Member

KAC KANSAS ASSOCIATION OF COUNTIES

"Service to County Government"

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FAX (913) 233-4830

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Executive Director

John T. Torbett, CAE

TO: Representative Bill Bryant, Chairman
Financial Institutions and Insurance
Committee

FROM: Jim Reardon J.D., CFP
Director, Legal Services

Date: March 15, 1995

RE: **S.B. 9 Municipal Investment Pool
(MIP) Amendments**

Thank you for the opportunity to offer testimony in general support of this proposed legislation as amended.

The MIP fulfills a vital role in offering competitive investment opportunities to county governments and we are deeply concerned about, and committed to, its success. We appreciate the efforts made by the Senate committee to assure the longevity and stability of the municipal investment pool fund.

We are in agreement with the relatively simple reporting amendments of **S.B. 9**. These amendments would allow KAC to be in the information loop and could provide counties with timely information regarding the pool's performance.

We are in general agreement that restructuring of the pool is in order. A pool the size of the Municipal Investment Pool deserves to have input from, and management by, experts with the kind of experience and credentials required by this bill.

We have read the Post Audit Committee's report and we are well aware that certain "miscalculations" were made in regard to the pool. We think the pool would perhaps be better served by clearly written investment policies and objectives (as recommended by the Legislative Post Audit Committee) rather than by statutory prohibitions.

James F. D.
Attachment 5
3-15-95

We note that the five recommendations made by the Post Audit Committee have been incorporated in the proposed legislation and we think the legislature should incorporate the amendments regarding the composition of the PMIB and the Advisory Committee.

We note that KAC's own investment advisors (from the banking industry) made the same types of incorrect assumptions in regard to some of our fixed rate investments. We consider these to be only temporary set backs and the MIP will be strengthened by the experiences. We urge you to carefully consider the restructuring efforts and internal policy changes that are currently underway in the Treasurer's office before enacting "corrective" legislation.

Olathe District Schools

Unified School District No. 233

1005 South Pitt • P.O. Box 2000
Olathe, Kansas 66051-2000



Telephone (913) 780-7000
Fax (913) 780-8007

MARCH 15, 1995

HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The Olathe District Schools joined the MIP in January 93 as the 60th participant. 4 major Banks and one S&L are located within the District boundary. The MIP has certainly increased the available options for investing it's idle funds. The Banks and S&L still have the right of first refusal.

Attached is the day to day history of use by the District of the MIP from inception through today. As is apparent the District has made extensive use of the pool. Each time an investment has been made the issues of security, liquidity, and return have been adhered to, and followed through on by the MIP.

A second way in which the MIP has been of significant help to the Olathe District Schools has been relating to the April 4 Bond issue of \$58.8 million. The District's operating account bank was not in a position of collateralizing such a large deposit. On June 2, 1994 the District received the proceeds. Subsequently, the money was wired into the MIP and resided in the pool until a bid process and a repurchase agreement was entered into. These events concluded on June 20, 1994. During this 2 plus week period the money earned \$122,000 interest, was fully secured, and liquid within one day. In closing, the Municipal Investment pool managed by the State Treasurer has been a very effective tool for the School District. Substitute for Senate Bill No. 9, as passed by the Senate, further strengthens the MIP.

Thomas O. Matthews
Treasurer USD 233

ATTACHMENT

Dr. Ron Wimmer, Superintendent

*Have F&S D
Attachment 6
3-15-95*

Olathe District Schools
Investment History
Kansas State Treasurer Municipal Investment Pool
January 93 - February 94

DATE	INSITUTION/ FUNDS	PRINCIPAL	RATE	MATURITY # DAYS	ANTICIPATED INTEREST	
01/15/93	KS. TREASURER MIP	\$3,500,000.00	3.338	03/30/93	74	\$24,015.16
01/20/93	KS. TREASURER MIP	2,200,000.00	3.45	03/08/93	47	9,909.17
01/20/93	KS. TREASURER MIP	3,000,000.00	3.45	03/15/93	54	15,525.00
01/20/93	KS. TREASURER MIP	3,000,000.00	3.45	04/05/93	75	21,562.50
01/20/93	KS. TREASURER MIP	3,000,000.00	3.45	04/15/93	85	24,437.50
01/20/93	KS. TREASURER MIP	3,000,000.00	3.45	04/30/93	100	28,750.00
01/20/93	KS. TREASURER MIP	3,000,000.00	3.45	05/10/93	110	31,625.00
01/20/93	KS. TREASURER MIP	3,000,000.00	3.45	05/14/93	114	32,775.00
01/20/93	KS. TREASURER MIP	3,000,000.00	3.45	05/28/93	128	36,800.00
03/30/93	KS. TREASURER MIP	3,500,000.00	3.399	06/28/93	90	29,741.25
03/30/93	KS. TREASURER MIP	3,500,000.00	3.399	06/30/93	92	30,402.17
06/04/93	KS. TREASURER MIP	6,000,000.00	3.432	08/27/93	84	48,048.00
06/04/93	KS. TREASURER MIP	3,000,000.00	3.432	09/15/93	103	29,458.00
06/04/93	KS. TREASURER MIP	3,000,000.00	3.432	10/29/93	147	42,042.00
06/25/93	KS. TREASURER MIP	3,000,000.00	3.377	08/02/93	38	10,693.83
06/25/93	KS. TREASURER MIP	3,000,000.00	3.377	09/07/93	74	20,824.83
06/28/93	KS. TREASURER MIP	3,500,000.00	3.378	07/06/93	8	2,627.33
06/30/93	KS. TREASURER MIP	3,500,000.00	3.432	08/15/93	46	15,348.67
06/30/93	KS. TREASURER MIP	3,500,000.00	3.378	08/16/93	47	15,435.58
07/20/93	KS. TREASURER MIP	3,000,000.00	3.4808	09/30/93	72	20,884.80
07/20/93	KS. TREASURER MIP	2,000,000.00	3.4808	10/29/93	101	19,531.16
07/20/93	KS. TREASURER MIP	3,000,000.00	3.4808	10/31/93	103	29,876.87
09/03/93	KS. TREASURER MIP	1,000,000.00	3.4	11/08/93	66	6,233.33
10/12/93	KS. TREASURER MIP	2,000,000.00	3.58	11/15/93	34	6,762.22
10/26/93	KS. TREASURER MIP	3,000,000.00	3.58	11/30/93	35	10,441.67
10/26/93	KS. TREASURER MIP	3,000,000.00	3.58	12/15/93	50	14,916.67
11/15/93	KS. TREASURER MIP	3,000,000.00	3.6	03/15/94	120	36,000.00
11/15/93	KS. TREASURER MIP	2,000,000.00	3.95	11/15/94	365	80,097.22
11/15/93	KS. TREASURER MIP	2,000,000.00	3.95	11/15/94	365	80,097.22
11/15/93	KS. TREASURER MIP	3,000,000.00	4.75	03/08/95	478	189,208.33
12/22/93	KS. TREASURER MIP	2,000,000.00	3.55	03/07/94	75	14,791.67
01/20/94	KS. TREASURER MIP	3,500,000.00	3.6	01/28/94	8	2,800.00
01/20/94	KS. TREASURER MIP	3,500,000.00	3.6	02/15/94	26	9,100.00
01/20/94	KS. TREASURER MIP	3,500,000.00	3.6	02/28/94	39	13,650.00
01/20/94	KS. TREASURER MIP	3,500,000.00	3.6	03/15/94	54	18,900.00
01/20/94	KS. TREASURER MIP	3,500,000.00	3.6	03/30/94	69	24,150.00
01/20/94	KS. TREASURER MIP	3,500,000.00	3.6	04/15/94	85	29,750.00
01/20/94	KS. TREASURER MIP	4,000,000.00	3.6	04/29/94	99	39,600.00
02/02/94	KS. TREASURER MIP	4,000,000.00	3.6	02/23/94	21	8,400.00
03/01/94	KS. TREASURER MIP	3,500,000.00	3.75	05/13/94	73	26,614.58
03/04/94	KS. TREASURER MIP	2,500,000.00	3.6	06/03/94	91	22,750.00
03/31/94	KS. TREASURER MIP	4,000,000.00	3.75	06/29/94	90	37,500.00
03/31/94	KS. TREASURER MIP	4,000,000.00	3.75	06/29/94	90	37,500.00
05/03/94	KS. TREASURER MIP	3,500,000.00	3.915	06/29/94	57	21,695.63
05/03/94	KS. TREASURER MIP	3,500,000.00	3.915	06/30/94	58	22,076.25
05/03/94	KS. TREASURER MIP	2,000,000.00	4.25	02/27/95	300	70,833.33
05/19/94	KS. TREASURER MIP	3,500,000.00	3.95	07/29/94	71	27,265.97
05/19/94	KS. TREASURER MIP	2,500,000.00	3.95	08/08/94	81	22,218.75
05/20/94	KS. TREASURER MIP	1,500,000.00	4.09	07/15/94	56	9,543.33
06/20/94	KS. TREASURER MIP	3,335,862.60	4.09	08/08/94	49	18,570.56
06/30/94	KS. TREASURER MIP	6,000,000.00	4.09	07/01/94	1	681.67
07/20/94	KS. TREASURER MIP	3,000,000.00	4.237	08/15/94	26	9,180.17
07/20/94	KS. TREASURER MIP	7,000,000.00	4.237	09/15/94	57	46,960.08
09/06/94	KS. TREASURER MIP	1,200,000.00	4.25	10/14/94	38	5,383.33
01/30/95	KS. TREASURER MIP	3,900,000.00	5.35	03/15/95	44	25,501.67
02/14/95	KS. TREASURER MIP	3,000,000.00	5.56	02/27/95	13	6,027.67
03/01/95	KS. TREASURER MIP	6,000,000.00	5.67	03/15/95	14	13,220.67
03/03/95	KS. TREASURER MIP	1,500,000.00	5.46	03/15/95	12	2,728.00

Representing 57 separate transactions in 2 years and 2 months

TOTAL **\$185,635,862.60** **\$1,551,463.81**

AVERAGE **4.40** **86**

* ACTUAL INTEREST EARNINGS **\$1,612,976.94**

* The rates recorded reflect the rate paid on the date of investment, actual earnings are therefore greater due to the fact that the rate changes daily, and are reflective of rising rates.

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