

SENATE

STATE OF MINNESOTA

EIGHTY-EIGHTH SESSION

S.F. No. 2255

(SENATE AUTHORS: KENT)

DATE	D-PG	OFFICIAL STATUS
03/03/2014	5938	Introduction and first reading Referred to State and Local Government
03/20/2014	6398 6408	Comm report: To pass Second reading
05/09/2014	9002	Special Order
05/16/2014	9002	Third reading Passed Returned from House with amendment Senate concurred and repassed bill Third reading

1.1

A bill for an act

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relating to deposits and investments of public funds; granting the Metropolitan

1.3

Council additional investment authority; making certain conforming technical

1.4

changes; amending Minnesota Statutes 2012, sections 118A.03, subdivision 5;

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118A.04, subdivisions 7, 8; 118A.07; 473.543, subdivision 3.

1.6

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

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Section 1. Minnesota Statutes 2012, section 118A.03, subdivision 5, is amended to read:

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Subd. 5. **Withdrawal of excess collateral.** A financial institution may withdraw

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excess collateral or substitute other collateral after giving written notice to the

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~~governmental~~ government entity and receiving confirmation. The authority to return any

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delivered and assigned collateral rests with the government entity.

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Sec. 2. Minnesota Statutes 2012, section 118A.04, subdivision 7, is amended to read:

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Subd. 7. **Temporary general obligation bonds.** Funds may be invested in general

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obligation temporary bonds of the same ~~governmental~~ government entity issued under

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section 429.091, subdivision 7, 469.178, subdivision 5, or 475.61, subdivision 6.

1.16

Sec. 3. Minnesota Statutes 2012, section 118A.04, subdivision 8, is amended to read:

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Subd. 8. **Debt service funds.** Funds held in a debt service fund may be used to

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purchase any obligation, whether general or special, of an issue which is payable from the

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fund, at such price, which may include a premium, as shall be agreed to by the holder, or

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may be used to redeem any obligation of such an issue prior to maturity in accordance

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with its terms. The securities representing any such investment may be sold by the

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~~governmental~~ government entity at any time, but the money so received remains part of

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the fund until used for the purpose for which the fund was created. Any obligation held in

a debt service fund from which it is payable may be canceled at any time unless otherwise provided in a resolution or other instrument securing obligations payable from the fund.

Sec. 4. Minnesota Statutes 2012, section 118A.07, is amended to read:

**118A.07 ADDITIONAL INVESTMENT AUTHORITY.**

Subdivision 1. **Authority provided.** As used in this section, "governmental entity" means a city with a population in excess of 200,000 ~~or~~, a county that contains a city of that size, or the Metropolitan Council. If a governmental entity meets the requirements of subdivisions 2 and 3, it may exercise additional investment authority under subdivisions 4, 5, and 6.

Subd. 2. **Written policies and procedures.** Prior to exercising any additional authority under subdivisions 4, 5, and 6, the governmental entity must have written investment policies and procedures governing the following:

(1) the use of or limitation on mutual bond funds or other securities authorized or permitted investments under law;

(2) specifications for and limitations on the use of derivatives;

(3) the final maturity of any individual security;

(4) the maximum average weighted life of the portfolio;

(5) the use of and limitations on reverse repurchase agreements;

(6) credit standards for financial institutions with which the ~~government~~ governmental entity deals; and

(7) credit standards for investments made by the ~~government~~ governmental entity.

Subd. 3. **Oversight process.** Prior to exercising any authority under subdivisions 4, 5, and 6, the governmental entity must establish an oversight process that provides for review of the ~~government~~ governmental entity's investment strategy and the composition of the financial portfolio. This process shall include one or more of the following:

(1) audit reviews;

(2) internal or external investment committee reviews; and

(3) internal management control.

Additionally, the governing body of the governmental entity must, by resolution, authorize its treasurer to utilize the additional authorities under this section within their prescribed limits, and in conformance with the written limitations, policies, and procedures of the governmental entity.

If the governing body of a governmental entity exercises the authority provided in this section, the treasurer of the governmental entity must annually report to the governing body on the findings of the oversight process required under this subdivision. If the

governing body intends to continue to exercise the authority provided in this section for the following calendar year, it must adopt a resolution affirming that intention by December 1.

Subd. 4. **Repurchase agreements.** A ~~government~~ governmental entity may enter into repurchase agreements as authorized under section 118A.05, provided that the exclusion of mortgage-backed securities defined as "high-risk mortgage-backed securities" under section 118A.04, subdivision 6, shall not apply to repurchase agreements under this authority if the margin requirement is 101 percent or more.

Subd. 5. **Reverse repurchase agreements.** Notwithstanding the limitations contained in section 118A.05, subdivision 2, the ~~county~~ governmental entity may enter into reverse repurchase agreements to:

(1) meet cash flow needs; or

(2) generate cash for investments, provided that the total securities owned shall be limited to an amount not to exceed 130 percent of the annual daily average of general investable monies for the fiscal year as disclosed in the most recently available audited financial report. Excluded from this limit are:

(i) securities with maturities of one year or less; and

(ii) securities that have been reversed to maturity.

There shall be no limit on the term of a reverse repurchase agreement. Reverse repurchase agreements shall not be included in computing the net debt of the governmental entity, and may be made without an election or public sale, and the interest payable thereon shall not be subject to the limitation in section 475.55. The interest shall not be deducted or excluded from gross income of the recipient for the purpose of state income, corporate franchise, or bank excise taxes, or if so provided by federal law, for the purpose of federal income tax.

Subd. 6. **Options and futures.** A ~~government~~ governmental entity may enter into futures contracts, options on futures contracts, and option agreements to buy or sell securities authorized under law as legal investments for ~~counties~~ governmental entities, but only with respect to securities owned by the governmental entity, including securities that are the subject of reverse repurchase agreements under this section that expire at or before the due date of the option agreement.

Sec. 5. Minnesota Statutes 2012, section 473.543, subdivision 3, is amended to read:

Subd. 3. **Where to deposit; how to invest.** The moneys on hand in said funds and accounts may be deposited in the official depositories of the council or invested as hereinafter provided. The amount thereof not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of

4.1 public funds by ~~section 118A.04~~ chapter 118A. Such moneys may also be held under  
4.2 certificates of deposit issued by any official depository of the council.

4.3 Sec. 6. **APPLICATION.**

4.4 Section 5 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey,  
4.5 Scott, and Washington.