

SENATE BILL NO. 664

July 3, 1997, Introduced by Senators BULLARD, EMMONS,
DUNASKISS, STILLE and CARL and referred to the Committee
on Finance.

A bill to amend 1943 PA 20, entitled
"An act relative to the investment of surplus funds of political
subdivisions of the state; and to validate certain investments,"
by amending the title and sections 1 and 3 (MCL 129.91 and
129.93), the title as amended by 1988 PA 285 and section 1 as
amended by 1988 PA 239, and by adding sections 5 and 6; and to
repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1

TITLE

2

An act relative to the investment of ~~surplus~~ funds of

3

~~political subdivisions~~ PUBLIC CORPORATIONS of the state; and to

4

validate certain investments.

5

Sec. 1. (1) ~~The legislative or~~ NOT MORE THAN 180 DAYS

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AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT REPEALED

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SECTION 2, THE governing body, ~~of a county, city, village,~~

~~1 township, or special assessment district, or an agency, board, or~~
~~2 commission of a county, city, village or township, by resolu-~~
~~3 tion, may authorize its treasurer or other chief fiscal officer~~
~~4 to invest surplus funds belonging to and under the control of the~~
~~5 political subdivision, special assessment district, or agency,~~
~~6 board, or commission of a county as follows~~ SHALL ADOPT AN
7 INVESTMENT POLICY THAT AUTHORIZES ITS INVESTMENT OFFICER TO
8 INVEST THE FUNDS OF THAT PUBLIC CORPORATION IN 1 OR MORE OF THE
9 FOLLOWING:

10 (a) ~~In bonds~~ BONDS, securities, and other obligations of
11 the United States, or an agency or instrumentality of the United
12 States. ~~in which the principal and interest is fully guaranteed~~
13 ~~by the United States. This subdivision shall include securities~~
14 ~~issued or guaranteed by the government national mortgage~~
15 ~~association.~~

16 (b) ~~In certificates~~ CERTIFICATES of deposit, savings
17 accounts, deposit accounts, or depository receipts of a bank
18 ~~which~~ OR A SAVINGS AND LOAN ASSOCIATION THAT is a member of the
19 federal deposit insurance corporation, ~~or a savings and loan~~
20 ~~association which is a member of the federal savings and loan~~
21 ~~insurance corporation~~ or a credit union ~~which~~ THAT is insured
22 by the national credit union administration, but only if the
23 bank, savings and loan association, or credit union complies with
24 subsection (2).

25 (c) ~~In commercial~~ COMMERCIAL paper rated at the time of
26 purchase within the ~~3~~ 2 highest classifications established by
27 not less than 2 standard rating services and which matures not

1 more than 270 days after the date of purchase. ~~Not more than~~
2 50% of any fund may be invested in commercial paper at any time.

3 (d) ~~In United States government or federal agency obliga-~~
4 ~~tion repurchase~~ REPURCHASE agreements CONSISTING OF INSTRUMENTS
5 LISTED IN SUBDIVISION (A).

6 (e) ~~In bankers'~~ BANKERS' acceptances of United States
7 banks.

8 (f) ~~In mutual~~ MUTUAL funds composed of investment vehicles
9 ~~which~~ THAT are legal for direct investment by ~~local units of~~
10 ~~government in Michigan~~ A PUBLIC CORPORATION.

11 (G) OBLIGATIONS OF THIS STATE OR ANY OF ITS POLITICAL SUBDI-
12 VISIONS THAT AT THE TIME OF PURCHASE ARE RATED AS INVESTMENT
13 GRADE BY NOT LESS THAN 1 STANDARD RATING SERVICE.

14 (2) A ~~county, city, village, township, or special assess-~~
15 ~~ment district investing~~ PUBLIC CORPORATION THAT INVESTS ITS
16 funds under subsection (1) shall not deposit or invest the funds
17 in a bank, savings and loan association, or credit union ~~which~~
18 THAT is not eligible to be a depository of ~~surplus~~ funds
19 belonging to the state under ~~section 5 or 6 of Act No. 105 of~~
20 ~~the Public Acts of 1855, as amended, being sections 21.145 and~~
21 ~~21.146 of the Michigan Compiled Laws~~ A LAW OR RULE OF THIS STATE
22 OR THE UNITED STATES.

23 (3) AS USED IN THIS ACT:

24 (A) "GOVERNING BODY" MEANS THE LEGISLATIVE BODY, COUNCIL,
25 COMMISSION, BOARD, OR OTHER BODY HAVING LEGISLATIVE POWERS OF A
26 PUBLIC CORPORATION.

1 (B) "FUNDS" MEANS THE MONEY OF A PUBLIC CORPORATION, THE
 2 INVESTMENT OF WHICH IS NOT OTHERWISE SUBJECT TO A PUBLIC ACT OF
 3 THIS STATE OR BOND AUTHORIZING ORDINANCE OR RESOLUTION OF A
 4 PUBLIC CORPORATION THAT PERMITS INVESTMENT IN FEWER THAN ALL OF
 5 THE INVESTMENT OPTIONS LISTED IN SUBSECTION (1) OR IMPOSES 1 OR
 6 MORE CONDITIONS UPON AN INVESTMENT IN AN OPTION LISTED IN SUBSEC-
 7 TION (1).

8 (C) "INVESTMENT OFFICER" MEANS THE TREASURER OF A PUBLIC
 9 CORPORATION OR OTHER PERSON OR PERSONS DESIGNATED BY THE STATUTE
 10 OR CHARTER OR THE GOVERNING BODY OF A PUBLIC CORPORATION TO ACT
 11 AS THE INVESTMENT OFFICER.

12 (D) "PUBLIC CORPORATION" MEANS A COUNTY, CITY, VILLAGE,
 13 TOWNSHIP, PORT DISTRICT, OR METROPOLITAN DISTRICT OF THIS STATE,
 14 OR ANOTHER AUTHORITY CREATED BY OR UNDER AN ACT OF THE LEGISLA-
 15 TURE OF THIS STATE.

16 Sec. 3. Investments ~~heretofore~~ made BEFORE THE EFFECTIVE
 17 DATE OF THE AMENDATORY ACT THAT REPEALED SECTION 2 of the surplus
 18 funds, sinking funds, or insurance funds of ~~any such~~ A politi-
 19 cal ~~subdivisions of the~~ SUBDIVISION OF THIS state in bonds and
 20 other obligations of the United States ~~,~~ or ~~the several~~ ITS
 21 instrumentalities ~~thereof~~ or certificates of deposit or deposi-
 22 tory receipts of ~~any~~ A bank ~~which~~ THAT is a member of the
 23 federal deposit insurance corporation ~~,~~ ~~in the manner~~ AS pro-
 24 vided under ~~sections~~ SECTION 1 and FORMER SECTION 2 of this act
 25 are hereby ratified and validated.

26 SEC. 5. AN INVESTMENT POLICY ADOPTED UNDER SECTION 1 SHALL,
 27 AT A MINIMUM, INCLUDE ALL OF THE FOLLOWING:

1 (A) A STATEMENT OF THE PURPOSE, SCOPE, AND OBJECTIVES OF THE
2 POLICY, INCLUDING SAFETY, DIVERSIFICATION, LIQUIDITY, AND RETURN
3 ON INVESTMENT.

4 (B) A DELEGATION OF AUTHORITY TO MAKE INVESTMENTS.

5 (C) A LIST OF AUTHORIZED INVESTMENT INSTRUMENTS.

6 (D) A STATEMENT CONCERNING SAFEKEEPING, CUSTODY, AND
7 PRUDENCE.

8 SEC. 6. (1) SUBJECT TO SUBSECTION (2), BEFORE EXECUTING AN
9 ORDER TO PURCHASE OR TRADE THE FUNDS OF A PUBLIC CORPORATION, A
10 FINANCIAL INTERMEDIARY, BROKER, OR DEALER SHALL BE PROVIDED WITH
11 A COPY OF THE PUBLIC CORPORATION'S INVESTMENT POLICY AND SHALL DO
12 BOTH OF THE FOLLOWING:

13 (A) ACKNOWLEDGE RECEIPT OF THE INVESTMENT POLICY.

14 (B) AGREE TO COMPLY WITH THE TERMS OF THE INVESTMENT POLICY
15 REGARDING THE BUYING OR SELLING OF SECURITIES.

16 (2) A PUBLIC CORPORATION IS SUBJECT TO SUBSECTION (1) BEGIN-
17 NING ON THE DATE THAT THE INVESTMENT POLICY OF A PUBLIC CORPORA-
18 TION TAKES EFFECT OR 180 DAYS AFTER THE EFFECTIVE DATE OF THE
19 AMENDATORY ACT THAT REPEALED SECTION 2, WHICHEVER IS EARLIER.

20 (3) THE INVESTMENT OFFICER ANNUALLY SHALL PROVIDE A WRITTEN
21 REPORT TO THE GOVERNING BODY CONCERNING THE INVESTMENT OF THE
22 FUNDS.

23 Enacting section 1. Sections 2 and 4 of 1943 PA 20, MCL
24 129.92 and 129.94, are repealed.