

SENATE BILL NO. 141—COMMITTEE ON
GOVERNMENT AFFAIRS

(ON BEHALF OF THE COUNTY FISCAL
OFFICERS ASSOCIATION)

FEBRUARY 18, 2003

Referred to Committee on Government Affairs

SUMMARY—Revises provisions relating to certain investments made by local governments. (BDR 31-458)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

~

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to local government finance; revising provisions relating to the investment by certain local governments of collateral obtained by the local government in exchange for lending securities from its investment portfolio; revising provisions relating to the investment and reinvestment by certain municipalities of the proceeds of bonds or other municipal securities; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 355.178 is hereby amended to read as follows:
2 355.178 1. The governing body of a city whose population is
3 150,000 or more or a county whose population is 100,000 or more
4 may lend securities from its investment portfolio if:
5 (a) The investment portfolio has a value of at least
6 \$100,000,000;
7 (b) The treasurer of the city or county:
8 (1) Establishes a policy for investment that includes
9 provisions which set forth the procedures to be used to lend
10 securities pursuant to this section; and



* S B 1 4 1 R 1 *

- 1 (2) Submits the policy established pursuant to subparagraph
2 (1) to the city or county manager and prepares and submits to the
3 city or county manager a monthly report that sets forth the securities
4 that have been lent pursuant to this section and any other
5 information relating thereto, including, without limitation, the terms
6 of each agreement for the lending of those securities; and
7 (c) The governing body receives collateral from the borrower in
8 the form of cash or marketable securities that are:
9 (1) Authorized pursuant to NRS 355.170, if the collateral is
10 in the form of marketable securities; and
11 (2) At least 102 percent of the value of the securities
12 borrowed.
- 13 2. The governing body of a city or consolidated municipality
14 whose population is 60,000 or more but less than 150,000 may lend
15 securities from its investment portfolio if:
16 (a) The investment portfolio has a value of at least \$50,000,000;
17 (b) The governing body is currently authorized to lend securities
18 pursuant to subsection 5;
19 (c) The treasurer of the city or consolidated municipality:
20 (1) Establishes a policy for investment that includes
21 provisions which set forth the procedures to be used to lend
22 securities pursuant to this section; and
23 (2) Submits the policy established pursuant to subparagraph
24 (1) to the manager of the city or consolidated municipality and
25 prepares and submits to the manager of the city or consolidated
26 municipality a monthly report that sets forth the securities that have
27 been lent pursuant to this section and any other information relating
28 thereto, including, without limitation, the terms of each agreement
29 for the lending of those securities; and
30 (d) The governing body receives collateral from the borrower in
31 the form of cash or marketable securities that are:
32 (1) Authorized pursuant to NRS 355.170, if the collateral is
33 in the form of marketable securities; and
34 (2) At least 102 percent of the value of the securities
35 borrowed.
- 36 3. The governing body of a city, county or consolidated
37 municipality may enter into such contracts as are necessary to
38 extend and manage loans pursuant to this section.
- 39 4. ~~Any~~ *The total of* investments made *by a particular city,*
40 *county or consolidated municipality* with collateral received
41 pursuant to subsection 1 or 2 must ~~mature not later~~ *have an*
42 *average weighted maturity of not more* than 90 days . ~~after the date~~
43 ~~on which the securities are lent.~~
- 44 5. The governing body of a city or consolidated municipality
45 whose population is 60,000 or more but less than 150,000 shall not



1 lend securities from its investment portfolio unless it has been
2 authorized to do so by the State Board of Finance. The State Board
3 of Finance shall adopt regulations that establish minimum standards
4 for granting authorization pursuant to this subsection. Such an
5 authorization is valid for 2 years and may be renewed by the State
6 Board of Finance for additional 2-year periods.

7 *6. As used in this section, "average weighted maturity"*
8 *means the average length of time until the securities in which a*
9 *particular city, county or consolidated municipality has invested*
10 *with collateral received pursuant to subsection 1 or 2 will mature*
11 *or be redeemed by their issuers, with the length of time of each*
12 *individual security proportionally weighted according to the total*
13 *dollar amount that the particular city, county or consolidated*
14 *municipality has invested in that individual security with collateral*
15 *received pursuant to subsection 1 or 2.*

16 **Sec. 2.** NRS 350.659 is hereby amended to read as follows:

17 350.659 The governing body of a municipality whose
18 population is 50,000 or more, subject to any contractual limitations
19 from time to time imposed upon the municipality by any ordinance
20 authorizing the issuance of outstanding securities of the
21 municipality or by any trust indenture or other proceedings
22 appertaining thereto, may cause to be invested and reinvested,
23 except as otherwise provided in NRS 350.698, any proceeds of
24 taxes, any pledged revenues and any proceeds of bonds or other
25 municipal securities issued hereunder for which the amount of the
26 principal of the original issuance was ~~[\$40,000,000]~~ *\$10,000,000* or
27 more in an investment contract that is collateralized with securities
28 issued by the Federal Government or agencies of the Federal
29 Government if:

30 1. The collateral has a market value of at least 102 percent of
31 the amount invested and any accrued unpaid interest thereon;

32 2. The municipality receives a security interest in the collateral
33 that is fully perfected and the collateral is held in custody for the
34 municipality or its trustee by a third-party agent of the municipality
35 which is a commercial bank authorized to exercise trust powers;

36 3. The market value of the collateral is determined not less
37 frequently than weekly and, if the ratio required by subsection 1 is
38 not met, sufficient additional collateral is deposited with the agent of
39 the municipality to meet that ratio within 2 business days after the
40 determination; and

41 4. The party with whom the investment contract is executed is
42 a commercial bank, or that party or a guarantor of the performance
43 of that party is:

44 (a) An insurance company which has a rating on its ability to
45 pay claims of not less than "Aa2" by Moody's Investors Service,



- 1 Inc., or "AA" by Standard and Poor's Ratings Services, or their
- 2 equivalent; or
- 3 (b) An entity which has a credit rating on its outstanding long-
- 4 term debt of not less than "A2" by Moody's Investors Service, Inc.,
- 5 or "A" by Standard and Poor's Ratings Services, or their equivalent.
- 6 **Sec. 3.** This act becomes effective upon passage and approval.

