

Introduced by:	Mayor
Date:	11/17/98
Shortened Hearing:	12/08/98
Action:	Enacted
Vote:	9 Yes, 0 No

**KENAI PENINSULA BOROUGH
ORDINANCE 98-65**

AN ORDINANCE AMENDING KPB 5.10 - INVESTMENT OF MONIES, BY ADDING TO THE LIST OF AUTHORIZED INVESTMENTS, EXTENDING THE MAXIMUM MATURITY FOR SOME INVESTMENTS, AND INCREASING THE MAXIMUM ALLOWABLE INVESTMENT IN SPECIAL ASSESSMENTS

WHEREAS, the yield available on investments authorized under Chapter 5.10 of the borough code have declined during the past year; and

WHEREAS, adding investment grade medium term corporate notes and mortgage backed securities to the list of authorized investments may in certain situations allow the borough to obtain a higher yield on investments without incurring any significant increased risk of principal; and

WHEREAS, increasing the maximum allowable maturity for some investments from three to five years may in certain situations allow the borough to obtain a higher yield on investments without incurring any additional risk of principal; and

WHEREAS, borough investments in special assessment districts help facilitate the expansion of desired services while providing the borough with an attractive investment opportunity, but are currently limited to no more than \$1,000,000 at the end of any fiscal year; and

WHEREAS, increasing the maximum allowable borough investment in special assessment districts will remove a potential obstacle to future borough investment in special assessment districts; and

WHEREAS, hearing on shortened time is requested so that the borough might begin realizing higher yields on some investments at the earliest possible date;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That section 5.10.040 is hereby amended as follows:

5.10.040. Authorized investments.

- A. Borough monies shall be invested only in the following instruments. All securities purchased by the borough, and all other borough investments, must mature not later than the time indicated below, measured from the date of the borough's investment transaction:
1. U.S. Treasury securities--[3] 5 years;
 2. Other obligations by the U.S. Government, its agencies and instrumentalities--[3] 5 years;
 3. Repurchase agreements of acceptable securities listed in subsections 1 and 2 of this section which meet a margin requirement of 102%; provided, however, the maturity limitations specified in those subsections do not apply if the securities in the repurchase agreement are marked to market daily;
 4. Certificates of deposit and other deposits at banks and savings and loan associations collateralized as provided in Sec. 5.10.070--3 years;
 5. Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation--3 years;
 6. Bonds and notes which are issued by any state or political subdivision thereof, and which are graded A or higher by Moody's Investor's Service, Inc., or Standard and Poor's Corporation--[3] 5 years;
 7. Prime commercial paper graded A1 or higher by Moody's Investor's Service, Inc., [or] and P1 or higher by Standard and Poor's Corporation--270 days;
 8. Prime bankers' acceptances offered by the 50 largest banks--180 days; [and]
 9. Medium term corporate notes issued by corporations organized and operated within the United States--5 years. Medium term corporate notes shall be rated as follows:

<u>1 year or less</u>	<u>A rated by two major rating agencies</u>
<u>1 - 2 years</u>	<u>AA rated by at least one major rating agency</u>
<u>2 - 4 years</u>	<u>AA rated by two major rating agencies</u>
<u>4 - 5 years</u>	<u>AAA rated by two major rating agencies;</u>
 10. Agency mortgage backed securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or Government National Mortgage Association;

[9] 11. Money market mutual funds whose portfolios consist entirely of instruments specified in subsections 1 , 2, and 3 above maturity date not applicable.

[10] 12. The Alaska Municipal League Investment Pool, Inc., made in accordance with the terms of that pool's "Common Investment Agreement".

[11] 13. Special assessments of the borough or one of its political subdivisions authorized by Chapter 5.35, 14.31 or 14.32. Total principal investment is not to exceed [\$1,000,000] \$2,000,000 at the end of any fiscal year.

B. No person shall invest any borough monies in any instrument which is not listed in Subsection A. This prohibition includes but is not limited to, investment of borough monies in any mutual fund (except as otherwise provided in Subsection A([9] 11)), common or preferred stock, precious metals, [ZERO COUPON BONDS, CORPORATE BONDS,] option contracts, or futures contracts.

C. This chapter represents the maximum amount of authority and discretion which the finance director may utilize in investing borough monies. Nothing in this chapter shall be construed, however to prohibit the finance director from adopting standards, rules, policies and procedures which are more restrictive than those contained in this chapter. The enumeration in this chapter of instruments which are authorized for borough investments shall not be construed as requiring the finance director to invest in all, or any particular, instrument contained in said list at any given time. The finance director may invest in some or all of said instruments as he deems appropriate. Similarly, the enumeration of instruments which are acceptable as collateral for borough investments shall not be construed as requiring the finance director to accept all or any particular, instrument contained in said list at any given time. The finance director may accept some of said instruments, and reject others, in his discretion.

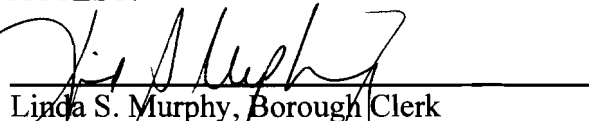
SECTION 2. That this ordinance takes effect immediately.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 8TH DAY OF DECEMBER, 1998.



Ronald Wm. Drathman, Assembly President

ATTEST:



Linda S. Murphy, Borough Clerk