

CITY OF LEAWOOD, KANSAS

INVESTMENT POLICY

May, 2010

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I. **Statement of Purpose**

The City Council ("the Council") of the City of Leawood, Kansas has authority to invest all funds of the City of Leawood, Kansas ("the City") pursuant to K.S.A. § 12-1675. The purpose of this investment policy is to identify the investment objectives of the City and to establish procedures to achieve those objectives. The objectives of this investment policy are as follows: Safety of Principal; Maintenance of Adequate Liquidity; and Maximizing Earnings on the Investment Portfolio.

1. **Policy Statement**

It is the policy of the Council that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with legal and administrative guidelines and, to the maximum extent possible, at the highest rates obtainable at the time of investment. The City may utilize the services of a consultant/registered investment advisor to assist the City with proper cash and investment management procedures and for the purpose of training City personnel.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as a viable and material revenue source for all operating and capital funds. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

Earnings from investments will be used in a manner that will best serve the interests of the City and that will comply with applicable law.

2. **Application of the Investment Policy**

The investment policy adopted by the Council shall apply uniformly to all employees, officials, departments, agencies, boards, commissions, representatives and authorized agents in the performance of their official duties and to the processing and management of all investment transactions on behalf of the Council. This policy shall apply to all funds eligible for investment by the City pursuant to K.S.A. § 12-1675 or other applicable law. The City Pension Fund, and other funds are expressly excluded from this policy and shall be subject to the investment objectives and a policy adopted by the other fund's governing body.

II. General Objectives

The primary objectives of investment activities, in order of priority, shall be safety, liquidity, and yield:

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to reduce credit risk and interest rate risk.

a. Credit Risk

The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- i. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and
- ii. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

b. Interest Rate Risk

The City will minimize the risk that the market value of securities in the portfolio will decline due to the changes in general interest rates by:

- i. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby minimizing the need to sell securities on the open market prior to maturity;
- ii. Investing cash funds primarily in securities with maturities of one year or less or in the Kansas Municipal Investment Pool (MIP); and
- iii. Limiting investments to a maximum stated maturity of two years.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the investment portfolio will contain securities with active secondary resale markets. A portion of the portfolio may be placed in investments which offer one-day liquidity for short-term funds, such as repurchase agreements, sweep investment arrangements, collateralized interest bearing accounts, or the Kansas Municipal Investment Pool.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is a lower priority than the safety and liquidity objectives described above.

4. Competitive Placement of Funds.

To the extent required by the City's Purchasing Policy or applicable law, all investments made pursuant to this policy should be bid to insure competitive pricing. Investments with the Kansas Municipal Investment Pool, collateralized interest bearing accounts, and sweep repurchase agreements are not considered biddable securities.

III. Standards of Care

1. Prudence

Investment officials acting pursuant to this policy shall be subject to the "prudent investor rule," as set forth in the Uniform Prudent Investors Act, K.S.A. 58-24a01 *et seq.* and amendments thereto. Except as provided by the Kansas Tort Claims Act, K.S.A. 75-6101 *et seq.* and amendments thereto, investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could be perceived as a conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Employees and officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. Delegation of Authority

Responsibility for the operation of the investment program is delegated to the Finance Director, who shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

1. Authorized Financial Dealers and Institutions

The Finance Director shall maintain a list of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers who provide services to institutions, not retail dealers, selected by creditworthiness. These will include "primary" dealers and regional dealers that are qualified to execute transactions for the City. The Finance Director shall approve this list annually. It is the intent of the City to have no more than five (5) qualified institutional oriented dealers/banks located in the area with which it will transact investment business, because of the size of the investment portfolio. At least one of the financial dealers will be considered a primary dealer to ensure competitive pricing and quality execution of transactions.

All financial institutions and broker/dealers who desire to become qualified for investment transactions shall provide the following:

- a. Their most recent audited financial statements;
- b. Proof of National Association of Securities Dealer (NASD) certification or registration with a bank regulatory agency if a bank is providing broker/dealer services;
- c. Proof of state registration with the Kansas Securities Commission;
- d. Copy of the Institution's Code of Ethics;
- e. Documentation showing qualifications of individuals who will provide services to the City; and
- f. Certification of having read, understood, and agrees to comply with this policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Finance Director.

2. Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the investments of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The investment program shall be subject to an annual independent review by an external auditor to assure adequate internal controls. The internal controls should address the following points:

- a. Control of collusion;
- b. Separation of transaction authority from accounting and record keeping;
- c. Custodial safekeeping;
- d. Avoidance of physical delivery securities other than certificates of deposit;
- e. Clear delegation of authority to subordinate staff members;
- f. Written confirmation of transactions for investments and wire transfers; and
- g. Development of a wire transfer agreement with the lead bank and third-party custodian

3. Delivery vs. Payment

All trades involving marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution simultaneously with the release of funds. Securities will be held by a third-party custodian, as evidenced by safekeeping receipts, held in the City's name.

4. Safekeeping of Securities

- a. To protect against potential fraud or embezzlement, the investments of the City shall be secured through third-party custody and safekeeping procedures. Ownership shall be protected through third-party custodial safekeeping. The City's external auditor shall review safekeeping procedures annually.
- b. The City shall contract with a single financial institution for custodial and safekeeping services for the City's investment portfolio.

- c. All securities owned by the City shall be held by a single safekeeping agent in the name of the City of Leawood. The exception to this may be when participating in Tri-party repurchase agreements by which the broker and the City jointly select a safekeeping agent.
- d. Collateral securities for deposits with financial institutions will be held in a third-party entity and registered jointly to the City and to the depository financial institution as required by Kansas law.
- e. Securities which serve as security for repurchase agreements must be delivered to a third-party custodian with whom the City has established a third-party safekeeping agreement.
- f. The authorization to release City securities and transfer City funds will be accomplished by authorized City finance staff.
- g. Verification of securities and collateral will be part of the City's annual independent audit.

V. Suitable and Authorized Investments

Cash Funds

The investments authorized for cash funds under this policy shall be in conformance with K.S.A. 12-1675 (Appendix B), and any other applicable statutes and amendments thereto.

Bond Proceeds

The investments authorized for the proceeds of bonds or temporary notes under this policy shall be in conformance with K.S.A. 10-131 (Appendix C) and amendments thereto.

Collateral Requirements

To qualify as a depository, a bank, trust company, savings and loan association, or savings bank must collateralize City deposits (the amount of money on deposit with an institution at any given time) with either securities, Federal Home Loan Bank letters of credit, or corporate surety bonds at the cost to the depository.

1. Securities

The financial institution may pledge or assign for the City's benefit sufficient securities, the market value of which is at least 105% of the total deposits. The allowable securities acceptable to the City are limited to:

- a. Direct obligations of, or obligations insured by, the U.S. Government or any AAA rated Agency thereof.
- b. Mortgage backed securities that are guaranteed by the U.S. Government or any AAA rated agency thereof, are acceptable collateral. No collateralized debt obligations (CDO's) are permitted for collateral.
- c. Bonds of the State of Kansas.
- d. General Obligation temporary notes of the City of Leawood, Kansas.

2. Corporate Surety Bond

The financial institution may provide a corporate surety bond of a surety corporation with an "AAA" investment grade rating authorized to do business in Kansas in an amount equal to the amount on deposit including interest accrued.

3. Federal Home Loan Bank Letters of Credit.

The financial institution may provide a letter of credit from any Federal Home Loan Bank in an amount equal to the funds on deposit including interest accrued.

VI. Investment Parameters

1. Diversification

- a. The investments should be diversified by:
 - i. Limiting investments to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities);
 - ii. Limiting investment in securities that have higher credit risks;
 - iii. Investing in securities with varying maturities; and
 - iv. Continuously investing a portion of the portfolio in readily available funds such as the Kansas Municipal Investment Pool, collateralized interest bearing accounts, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- b. No single financial institution should hold certificates of deposits or time deposits which will constitute more than 10% of the City's portfolio value.

- c. The following maximum limits, by instrument, are established for the City's total investment portfolio. The following maximum limits, by investment type, are established for the City's total investment portfolio, exclusive of bond and note proceeds. It is the intent of the City to invest in the following investment categories. The percentage stated is a "not to exceed" limitation. Investments are not required in every investment type. For example, it is permitted to own 80% in Treasury securities and 20% in Repurchase Agreements, and own no other securities:

INVESTMENT TYPE OF PORTFOLIO	MAXIMUM PERCENTAGE
Repurchase Agreements	40%
Collateralized Time and Demand Deposits	100%
U.S. Treasury Notes and Bills	100%
Kansas Municipal Investment Pool (MIP)	30% *
Bank Trust Department Municipal Pools	10%
Temporary Notes or No-Fund Warrants	10%

* Periodically, for a temporary short-term period, the City may exceed the preferred percentage in collateralized time and demand deposits, repurchase agreements and the Kansas Municipal Investment Pool [MIP]. This may be necessary in order to make semi-annual bond payments or because of timing related to large cash flows or disruptions in the securities markets.

- d. Additional investments established for Bond Proceeds are as follows: Maximum limits are listed by instrument as a percentage of the City's total portfolio value. Invested amounts are not to exceed 20% for money market mutual funds, 15% for financial institution paper, and 100% for US Agency securities. Flexible Repurchase Agreements for bond issues related to construction projects can be up to 100% of the issue.

2. **Portfolios**

The City's funds shall be separated into two portfolios for efficient investment management. The short-term portfolio is defined as maturities less than 1 year and the long-term portfolio as maturities 1 year or greater. Funds will be allocated based on the cash flow needs of the City.

3. Maturities

The City shall attempt to match its investments with anticipated cash flow requirements. The City will not directly invest in securities with stated maturities of more than two (2) years from the date of purchase, in accordance with the Kansas law.

The sale of securities before maturity shall require the prior approval of the Finance Director, who may approve the sale based on the following reasons:

- a. A security with declining credit may be sold early to minimize loss of principal;
- b. A security swap would improve the quality, yield, or target maturity of the portfolio; or
- c. Liquidity needs require that the security be sold.

VII. Reporting

1. Methods

The City finance staff shall prepare a monthly investment report summarizing the month's investment activities. This report shall be provided to the Finance Director.

The City finance staff shall also prepare a detailed quarterly report, including a management summary and analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to this investment policy. The report will be provided to the City Administrator and the City Council. The report will include the following at a minimum:

- a. Listing of individual securities held at the end of the reporting period.
- b. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year maturity that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- c. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- d. Listing of investments by maturity date.

- e. Percentage of the total portfolio which each type of investment represents.
- f. Percentage of the total portfolio which each institution holds.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The investment objective is for the short-term portfolio to exceed the 91-day U.S. Treasury Bill rate and for the long-term portfolio to exceed the 1-year US Treasury Note average rate of return, both of which are benchmarks for risk-free investment transactions.

3. Marking to Market

The market value of the portfolio shall be calculated at least monthly, and a statement of the market value of the portfolio shall be issued at least monthly. The market values of all securities in the portfolio will be obtained from a reputable and independent source. The report will include the market value, book value and unrealized gains or losses of securities in the portfolio. Certificates of Deposit will be valued at cost because there is no active secondary market for these securities.

4. Safekeeping/Custodian Reports

The safekeeping agent shall prepare a holdings report and a transaction summary report monthly. In addition, the safekeeping agent shall value collateral securities on a monthly basis and report values for each bank sub-custodial account.

VIII. Policy Considerations

1. Exemption

Any investment currently held as of the first date of approval of this investment policy, that does not meet the guidelines of this policy shall be exempted from the requirements of this policy, but at maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed on an annual basis. The City Council must approve any changes.

Appendix A: Glossary of Terms

The following is a glossary of key investing terms which may appear in the City of Leawood's Investment Policy.

Agency Securities: A debt security issued by a federal agency.

Appreciation: The increase in value of an asset.

Bond Proceeds: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These monies are used to finance a project.

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides. In the money market, brokers are active in markets in which banks buy and sell money.

Callable Bond: A bond that the issuer has the right to redeem prior to stated maturity.

Cash Flow: Cash receipts minus disbursements from a given asset, or group of assets, for a given period. An analysis of the movement of cash through a venture as contrasted with the earnings of the venture.

Certificate of Deposit: A time deposit with a specific maturity evidenced by a certificate.

Collateralization: A process by which a borrower pledges securities or deposits for the purpose of securing the repayment of a loan and/or security.

Collusion: A secret agreement between two or more persons for a fraudulent purpose.

Commercial Bank: A bank, the principal functions of which are to receive demand deposits and to make short-term loans.

Commercial Paper: An unsecured promissory note with a fixed maturity of no more than 270 days which is normally sold at a discount.

Corporate Surety Bond: A contractual arrangement between the surety, the depositor and depository institution, whereby the surety agrees to protect the depositor if the depository institution defaults in performing the depository institution's contractual obligations. The bond is the instrument which binds the surety.

Cost: An amount paid, or required in payment, for a purchase of an investment.

Credit Risk: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Custodial Agent: An entity that holds collateral for deposits with financial institutions, investment securities, or securities underlying repurchase agreements.

Demand Deposit: A bank deposit that can be withdrawn by the depositor immediately and without advance notice.

Depository Financial Institution (Depository): The place where a deposit is placed and kept.

Depository Security: Collateral pledged by a financial institution to guarantee deposits on hand that exceeds depository insurance.

Diversification: A process of investing assets among a range of security types by sector, maturity and quality rating.

Delivery Versus Payment (DVP): A type of securities transaction in which the purchaser pays for the securities when they are delivered to either the purchaser or his/her custodian.

Fannie Mae: Fannie Mae (the Federal National Mortgage Association) is a private stockholder-owned corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. Fannie Mae's securities are also highly liquid and are widely accepted. Fannie Mae assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Home Loan Bank (FHLB): Government-sponsored wholesale banks, which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB is to liquefy the housing-related assets of its members who must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC): A federal agency which purchases first mortgages from members of the Federal Reserve System and the Federal Home Loan Bank System. Commonly called "Freddie Mac."

GASB 31: Statement No. 31 of the government Accounting Standards Board establishes accounting standards for securities owned by governmental entities.

General Obligation (G.O.) Bonds or Notes: Bonds or notes secured by the "full faith and credit" of the issuing government and backed by revenues from its taxing power.

Governmental Accounting Standards Board (GASB): The authoritative accounting and financial reporting standard-setting body for government entities.

Idle Funds: Money which is not immediately required for the purposes for which it was collected or received.

Industrial Revenue Bonds: A specific type of revenue bond whose proceeds are used to finance the purchase or construction of facilities or equipment to be leased to a private corporation. The bonds are backed by the credit of the corporation.

Interest Rate: The annual rate of interest received by an investor from the issuer of fixed-income securities. The percentage of an amount of money which is paid for its use for a specified time.

Interest Rate Risk: The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Investment: Commitment of money to gain profit or interest, such as by purchasing securities.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain terms and conditions regarding collateralization, liquidity and interest rates.

Kansas Municipal Investment Pool (MIP): The State of Kansas offers a Local Government Investment Pool (LGIP) entitled "State of Kansas Municipal Investment Pool," which is governed by the State of Kansas Pooled Money Investment Board.

Kansas Statutes: A written law enacted by the Kansas State Legislature.

Liquidity: Refers to the ability of an instrument to be converted into cash rapidly without substantial loss of value.

Market Value: The price at which a security is trading and could be purchased or sold on a given day.

Marking to Market: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Maturity: The length of time an investment is held.

Maturity Date: The date on which payment of a financial obligation is due. The final stated maturity date is the date on which the issuer must retire a bond and pay the face value to the bondholder.

Money Market Fund: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repurchase agreements, agency securities, and federal funds.)

Municipal Note: Short-term notes issued by municipalities in anticipation of tax receipts, proceeds from a bond issue, or other revenues.

Par Value: The amount of principal which must be paid at maturity, also referred to as the face amount of a bond.

Portfolio: Collection of securities held by an investor.

Principal: (1) The face amount or par value of a debt security. (2) One who acts as a dealer buying and selling for his own account.

Primary Dealer: Government securities dealers included in the "List of Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York (NY Fed)" that submit daily reports of market activity and positions and monthly financial statements to the NY Fed and are subject to its informal oversight. Primary dealers include SEC-registered securities broker-dealers, banks and a few unregulated firms.

Realized gain or loss: The amount of realized gain from the sale or other disposition of property is the excess of the amount realized over the adjusted basis of the property. The amount of realized loss is the excess of the property's adjusted basis over the amount realized.

Repurchase agreement (Repo): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price at a specified later date.

Revenue Bonds: A municipal bond secured by revenue from tolls, user charges, or rents derived from the facility financed.

Safekeeping: The holding of securities by a financial institution on behalf of the securities owners.

Safety: Freedom from risk.

Security: Documents that can be traded for value; an instrument of ownership or debt used to finance government and corporate entities.

Securities Swap: Trading one asset for another.

Time Deposit: Another term for a savings account or certificate of deposit in a commercial bank.

Trust Department: A department of a bank, which is authorized to serve in a fiduciary capacity.

United States Government Securities (Treasuries): Bonds, notes, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to the full and timely payment by, the United States of America.

Unrealized Gain or Loss: A profit or loss that has not yet materialized. An example of an unrealized profit would be an appreciated stock in which the price has increased but, if the stock is not sold, the profit is considered an unrealized gain.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield: The current rate of return on an investment security generally expressed as a percentage of the security's current price.

12-1675. Investment of public moneys by governmental subdivisions, units and entities; conditions and limitations.

- (a) The governing body of any county, city, township, school district, area vocational-technical school, community college, firemen's relief association, community mental health center, community facility for the mentally retarded or any other governmental entity, unit or subdivision in the state of Kansas having authority to receive, hold and expend public moneys or funds may invest any moneys which are not immediately required for the purposes for which the moneys were collected or received, and the investment of which is not subject to or regulated by any other statute.
- (b) Such moneys shall be invested only:
- (1) In temporary notes or no-fund warrants issued by such investing governmental unit;
 - (2) in time deposit, open accounts, certificates of deposit or time certificates of deposit with maturities of not more than two years: (A) In banks, savings and loan associations and savings banks, which have main or branch offices located in such investing governmental unit; or (B) if no main or branch office of a bank, savings and loan association or savings bank is located in such investing governmental unit, then in banks, savings and loan associations and savings banks, which have main or branch offices in the county or counties in which all or part of such investing governmental unit is located;
 - (3) in repurchase agreements with: (A) Banks, savings and loan associations and savings banks, which have main or branch offices located in such investing governmental unit, for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof; or (B) (i) if no main or branch office of a bank, savings and loan association or savings bank, is located in such investing governmental unit; or (ii) if no such bank, savings and loan association or savings bank having a main or branch office located in such investing governmental unit is willing to enter into such an agreement with the investing governmental unit at an interest rate equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and amendments thereto, then such repurchase agreements may be entered into with banks, savings and loan associations or savings banks which have main or branch offices in the county or counties in which all or part of such investing governmental unit is located; or (C) if no bank, savings and loan association or savings bank, having a main or branch office in such county or counties is willing to enter into such an agreement

- with the investing governmental unit at an interest rate equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, then such repurchase agreements may be entered into with banks, savings and loan associations or savings banks;
- (4) in United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years. Such investment transactions shall only be conducted with banks, savings and loan associations and savings banks; the federal reserve bank of Kansas City, Missouri; or with primary government securities dealers which report to the market report division of the federal reserve bank of New York, or any broker-dealer engaged in the business of selling government securities which is registered in compliance with the requirements of section 15 or 15C of the securities exchange act of 1934 and registered pursuant to K.S.A. 2005 Supp. 17-12a401, and amendments thereto;
 - (5) in the municipal investment pool fund established in K.S.A. 12-1677a, and amendments thereto;
 - (6) in the investments authorized and in accordance with the conditions prescribed in K.S.A. 12-1677b, and amendments thereto; or
 - (7) in multiple municipal client investment pools managed by the trust departments of banks which have main or branch offices located in the county or counties where such investing governmental unit is located or with trust companies incorporated under the laws of this state which have contracted to provide trust services under the provisions of K.S.A. 9-2107, and amendments thereto, with banks which have main or branch offices located in the county or counties in which such investing governmental unit is located. Public moneys invested under this paragraph shall be secured in the same manner as provided for under K.S.A. 9-1402, and amendments thereto. Pooled investments of public moneys made by trust departments under this paragraph shall be subject to the same terms, conditions and limitations as are applicable to the municipal investment pool established by K.S.A. 12-1677a, and amendments thereto.
- (c) The investments authorized in paragraphs (4), (5), (6) or (7) of subsection (b) shall be utilized only if the banks, savings and loan associations and savings banks eligible for investments authorized in paragraph (2) of subsection (b), cannot or will not make the investments authorized in paragraph (2) of subsection (b) available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and amendments thereto.

- (d) In selecting a depository pursuant to paragraph (2) of subsection (b), if a bank, savings and loan association or savings bank eligible for an investment deposit there under has an office located in the investing governmental unit and such financial institution will make such deposits available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and amendments thereto, and such financial institution otherwise qualifies for such deposit, the investing governmental unit shall select one or more of such eligible financial institutions for deposit of funds pursuant to this section. If no such financial institution qualifies for such deposits, the investing governmental unit shall select for such deposits one or more eligible banks, savings and loan associations or savings banks which have offices in the county or counties in which all or a part of such investing governmental unit is located which will make such deposits available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and amendments thereto, and which otherwise qualify for such deposits.
- (e) (1) All security purchases and repurchase agreements shall occur on a delivery versus payment basis.
- (2) All securities, including those acquired by repurchase agreements, shall be perfected in the name of the investing governmental unit and shall be delivered to the purchaser or a third-party custodian which may be the state treasurer.

Appendix C: K.S.A. § 10-131

10-131. Investment of proceeds of bonds or temporary notes and certain funds authorized; disposition of interest received therefrom.

- (a) The governing body of any municipality, as defined in K.S.A. 10-101, and amendments thereto, which has issued or may issue bonds or temporary notes for any purpose, is hereby authorized and empowered to invest any portion of the proceeds of such bonds, notes or funds held pursuant to the resolution or ordinance authorizing the issuance of such bonds or notes, which is not currently needed, in: (1) Investments authorized by K.S.A. 12-1675, and amendments thereto, in the manner prescribed therein; (2) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (3) direct obligations of the United States government or any agency thereof; (4) the municipality's temporary notes issued pursuant to K.S.A. 10-123, and amendments thereto; (5) interest-bearing time deposits in commercial banks located in the county or counties in which the municipality is located; (6) subject to the limitations provided in subsection (b), obligations of the federal national mortgage association, federal home loan banks or the federal home loan mortgage corporation; (7) repurchase agreements for securities described in (3) or (6); (8) investment agreements with or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation; (9) investments in shares or units of a money market fund or trust the portfolio of which is comprised entirely of securities described in (3) or (6); (10) receipts evidencing ownership interests in securities or portions thereof described in (3) or (6); (11) municipal bonds or other obligations issued by any municipality of the state of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which are general obligations of the municipality issuing the same; or (12) bonds of any municipality of the state of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (3) or (6). The interest received on any such investment shall upon receipt thereof be set aside and used for the purpose of paying interest on the bonds or notes issued or used for paying the cost of the project for which the bonds or notes were issued.

- (b) No moneys authorized to be invested pursuant to subsection (a) shall be invested in a derivative.

For the purposes of this section, "derivative" means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

K.S.A. § 58-24a01
Chapter 58. PERSONAL AND REAL PROPERTY
PART 6. MISCELLANEOUS PROVISIONS
Article 24a. UNIFORM PRUDENT INVESTOR ACT

58-24a01. Prudent investor rule.

- (a) Except as otherwise provided in subsection (b), a fiduciary who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in this act.
- (b) The prudent investor rule, a default rule, may be expanded, restricted, eliminated or otherwise altered by the provisions of a trust. A fiduciary is not liable to a beneficiary to the extent that the fiduciary acted in reasonable reliance on the provisions of the trust.
- (c) As used in this act, "fiduciary" means a personal representative or a trustee. The term includes an executor, administrator, successor personal representative, special administrator, and a person performing substantially the same function.

History: L. 2000, ch. 80, § 1; July 1.

75-6101

**Chapter 75. STATE DEPARTMENTS; PUBLIC OFFICERS AND EMPLOYEES
Article 61.--KANSAS TORT CLAIMS ACT**

75-6101. Citation of act; claims to which act applicable; act applicable to municipalities.

- (a) K.S.A. 75-6101 to 75-6115, inclusive, shall be known and may be cited as the Kansas tort claims act.
- (b) The Kansas tort claims act shall be applicable to claims arising from acts or omissions occurring on and after the effective date of this act.
- (c) Municipalities may not exempt themselves from the provisions of the Kansas tort claims act by charter ordinance, charter resolution or other action.

History: L. 1979, ch. 186, § 1; July 1.