

1 **STATE MONEY MANAGEMENT ACT**

2 **AMENDMENTS**

3 2000 GENERAL SESSION

4 STATE OF UTAH

5 **Sponsor: David H. Steele**

6 AN ACT RELATING TO THE STATE MONEY MANAGEMENT ACT; CLARIFYING
7 REQUIREMENTS FOR CERTAIN INVESTMENTS AUTHORIZED BY THE ACT; AND
8 MAKING TECHNICAL CORRECTIONS.

9 This act affects sections of Utah Code Annotated 1953 as follows:

10 AMENDS:

11 **51-7-17**, as last amended by Chapter 133, Laws of Utah 1996

12 *Be it enacted by the Legislature of the state of Utah:*

13 Section 1. Section **51-7-17** is amended to read:

14 **51-7-17. Criteria for investments.**

15 (1) (a) All public treasurers shall consider and meet the following objectives when
16 depositing and investing public funds:

17 (i) safety of principal;

18 (ii) need for liquidity;

19 (iii) yield on investments;

20 (iv) recognition of the different investment objectives of operating and permanent funds;

21 and

22 (v) maturity of investments, so that the maturity date of the investment does not exceed
23 the anticipated date of the expenditure of funds.

24 (b) Each public treasurer shall invest the proceeds of general obligation bond issues, tax
25 anticipation note issues, and all funds pledged or otherwise dedicated to the payment of interest
26 and principal of general obligation bonds and tax anticipation notes issued by the state or any
27 political subdivision of the state in accordance with Section 51-7-11 or in accordance with the

28 terms of the borrowing instrument applicable to those issues and funds if those terms are more
29 restrictive than Section 51-7-11.

30 (c) Each public treasurer shall invest the proceeds of bonds other than general obligation
31 bonds and the proceeds of notes other than tax anticipation notes issued by the state or any political
32 subdivision of the state, and all funds pledged or otherwise dedicated to the payment of interest
33 and principal of those notes and bonds, in accordance with the terms of the borrowing instruments
34 applicable to those bonds or notes, or if none of those provisions are applicable, in accordance with
35 Section 51-7-11.

36 (d) Each public treasurer may invest proceeds of bonds, notes, or other moneys pledged or
37 otherwise dedicated to the payment of debt service on the bonds or notes in investment agreements
38 if:

39 (i) the investment is permitted by the terms of the borrowing instrument applicable to those
40 bonds or notes or the borrowing instrument authorizes the investment as an investment permitted
41 by the State Money Management Act;

42 (ii) either the provider of the investment agreement or an entity fully and unconditionally
43 guaranteeing the provider's obligations under the investment agreement has received a rating of:

44 (A) at least "AA-" from S&P or "Aa3" from Moody's for investment agreements having
45 a term of more than one year; or

46 (B) at least "A-1+" from S&P or "P-1" from Moody's for investment agreements having
47 a term of one year or less;

48 (iii) the investment agreement contains provisions approved by the public treasurer that
49 provide that, in the event of a rating downgrade of the provider or its guarantor, as applicable, by
50 either S&P or Moody's below the "A" category or its equivalent, the provider must, within 30 days
51 after receipt of notice of the downgrade, either:

52 (A) collateralize the investment agreement with direct obligations of or obligations
53 guaranteed by the United States of America having a market value at least equal to 105% of the
54 amount of the monies invested, valued at least quarterly, and deposit the collateral with a
55 third-party custodian or trustee selected by the public treasurer; or

56 (B) terminate the agreement without penalty and, if applicable, repay all of the principal
57 invested and the interest accrued on the investment to the date of termination; and

58 (iv) the public treasurer receives an enforceability opinion from the legal counsel of the

59 investment agreement provider.

60 (2) (a) As used in this Subsection (2), "interest rate contract" means interest rate exchange
61 contracts, interest rate floor contracts, interest rate ceiling contracts, and other similar contracts
62 authorized by resolution of the governing board or issuing authority, as applicable.

63 (b) A public treasurer may:

64 (i) enter into interest rate contracts that the governing board or issuing authority determines
65 are necessary, convenient, or appropriate for the control or management of debt or for the cost of
66 servicing debt; and

67 (ii) use its public funds to satisfy its payment obligations under those contracts.

68 (c) Those contracts:

69 (i) shall comply with the requirements established by council rules; and

70 (ii) may contain payment, security, default, termination, remedy, and other terms and
71 conditions that the governing board or issuing authority considers appropriate.

72 (d) Neither interest rate contracts nor public funds used in connection with these interest
73 rate contracts may be considered a deposit or investment.

74 (3) It is the intent of the Legislature that all public funds invested in deposit instruments
75 be invested with qualified depositories within Utah, except that if national market rates on
76 instruments of similar quality and term exceed those offered by qualified depositories, investments
77 in out-of-state deposit instruments may be made only with those institutions that meet quality
78 criteria set forth by the rules of the council.

Legislative Review Note
as of 12-29-99 2:16 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel