

Assembly Bill No. 96—Committee on Government Affairs

CHAPTER.....

AN ACT relating to the financial administration of local governments; authorizing additional types of investments by certain local governments; revising the authority of county treasurers to deposit county money in time accounts; revising the requirements for annual accountings by tax receivers to county auditors; and providing other matters properly relating thereto.

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

Section 1. Chapter 355 of NRS is hereby amended by adding thereto a new section to read as follows:

1. Except as otherwise provided in this section, a board of county commissioners, a board of trustees of a county school district or the governing body of an incorporated city may purchase for investment:

(a) Notes, bonds and other unconditional obligations for the payment of money issued by corporations organized and operating in the United States that:

(1) Are purchased from a registered broker-dealer;

(2) At the time of purchase have a remaining term to maturity of no more than 5 years; and

(3) Are rated by a nationally recognized rating service as “A” or its equivalent, or better.

(b) Collateralized mortgage obligations that are rated by a nationally recognized rating service as “AAA” or its equivalent.

(c) Asset-backed securities that are rated by a nationally recognized rating service as “AAA” or its equivalent.

2. With respect to investments purchased pursuant to paragraph (a) of subsection 1:

(a) Such investments must not, in aggregate value, exceed 20 percent of the total portfolio as determined on the date of purchase;

(b) Not more than 25 percent of such investments may be in notes, bonds and other unconditional obligations issued by any one corporation; and

(c) If the rating of an obligation is reduced to a level that does not meet the requirements of that paragraph, the obligation must be sold as soon as possible.

3. Subsections 1 and 2 do not:

(a) Apply to a:

(1) Board of county commissioners of a county whose population is less than 100,000;

(2) Board of trustees of a county school district in a county whose population is less than 100,000; or

(3) Governing body of an incorporated city whose population is less than 100,000,

unless the purchase is effected by the state treasurer pursuant to his investment of a pool of money from local governments or by an investment advisor who is registered with the Securities and Exchange Commission and approved by the state board of finance.

(b) Authorize the investment of money administered pursuant to a contract, debenture agreement or grant in a manner not authorized by the terms of the contract, agreement or grant.

Sec. 2. NRS 355.170 is hereby amended to read as follows:

355.170 1. Except as otherwise provided in this section , ~~and in~~ NRS 354.750 ~~and~~ *and section 1 of this act*, a board of county commissioners, a board of trustees of a county school district or the governing body of an incorporated city may purchase for investment the following securities and no others:

(a) Bonds and debentures of the United States, the maturity dates of which do not extend more than 10 years after the date of purchase.

(b) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

(c) Bills and notes of the United States Treasury, the maturity date of which is not more than 10 years after the date of purchase.

(d) Obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government, the maturity date of which is not more than 10 years after the date of purchase.

(e) Negotiable certificates of deposit issued by commercial banks, insured credit unions or savings and loan associations.

(f) Securities which have been expressly authorized as investments for local governments or agencies, as defined in NRS 354.474, by any provision of Nevada Revised Statutes or by any special law.

(g) Nonnegotiable certificates of deposit issued by insured commercial banks, insured credit unions or insured savings and loan associations, except certificates that are not within the limits of insurance provided by an instrumentality of the United States, unless those certificates are collateralized in the same manner as is required for uninsured deposits by a county treasurer pursuant to NRS 356.133. For the purposes of this paragraph, any reference in NRS 356.133 to a "county treasurer" or "board of county commissioners" shall be deemed to refer to the appropriate financial officer or governing body of the county, school district or city purchasing the certificates.

(h) Subject to the limitations contained in NRS 355.177, negotiable notes or short-time negotiable bonds issued by local governments of the State of Nevada pursuant to NRS 350.091.

~~(h)~~ *(i)* Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve Banks, and generally accepted by banks or trust companies which are members of the Federal Reserve System. Eligible bankers' acceptances may not exceed 180 days' maturity. Purchases of bankers' acceptances may not exceed 20 percent of the money available to a local government for investment as determined on the date of purchase.

~~(f)(i)~~ (j) Obligations of state and local governments if:

- (1) The interest on the obligation is exempt from gross income for federal income tax purposes; and
- (2) The obligation has been rated “A” or higher by one or more nationally recognized bond credit rating agencies.

~~(f)(ii)~~ (k) Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States that:

- (1) Is purchased from a registered broker-dealer;
 - (2) At the time of purchase has a remaining term to maturity of no more than 270 days; and
 - (3) Is rated by a nationally recognized rating service as “A-1,” “P-1” or its equivalent, or better,
- except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible.

~~(f)(iii)~~ (l) Money market mutual funds which:

- (1) Are registered with the Securities and Exchange Commission;
- (2) Are rated by a nationally recognized rating service as “AAA” or its equivalent; and
- (3) Invest only in ~~securities~~ :

(I) *Securities* issued by the Federal Government or agencies of the Federal Government ~~for in repurchase agreements fully collateralized by such securities.~~ ;

(II) *Master notes, bank notes or other short-term commercial paper rated by a nationally recognized rating service as “A-1,” “P-1” or its equivalent, or better, issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States; or*

(III) *Repurchase agreements that are fully collateralized by the obligations described in sub-subparagraphs (I) and (II).*

2. Repurchase agreements are proper and lawful investments of money of a board of county commissioners, a board of trustees of a county school district or a governing body of an incorporated city for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:

(a) The board of county commissioners, the board of trustees of the school district or the governing body of the city shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements;

(2) The board of county commissioners, the board of trustees of the school district or the governing body of the city has determined to have adequate capitalization and earnings and appropriate assets to be highly credit worthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the board of county commissioners, the board of trustees of the school district or the governing body of the city pursuant to which all

repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the board of county commissioners, the board of trustees of the school district or the governing body of the city and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The board of county commissioners, the board of trustees of the school district or the governing body of the city must enter a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the board of county commissioners, the board of trustees of the school district or the governing body of the city when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the board of county commissioners, the board of trustees of the school district or the governing body of the city concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

3. The securities described in paragraphs (a), (b) and (c) of subsection 1 and the repurchase agreements described in subsection 2 may be purchased when, in the opinion of the board of county commissioners, the board of trustees of a county school district or the governing body of the city, there is sufficient money in any fund of the county, the school district or city to purchase those securities and the purchase will not result in the impairment of the fund for the purposes for which it was created.

4. When the board of county commissioners, the board of trustees of a county school district or governing body of the city has determined that there is available money in any fund or funds for the purchase of bonds as set out in subsection 1 or 2, those purchases may be made and the bonds paid for out of any one or more of the funds, but the bonds must be credited to the funds in the amounts purchased, and the money received from the redemption of the bonds, as and when redeemed, must go back into the fund or funds from which the purchase money was taken originally.

5. Any interest earned on money invested pursuant to subsection 3, may, at the discretion of the board of county commissioners, the board of trustees of a county school district or governing body of the city, be credited to the fund from which the principal was taken or to the general fund of the county, school district or incorporated city.

6. The board of county commissioners, the board of trustees of a county school district or governing body of an incorporated city may invest any money apportioned into funds and not invested pursuant to subsection 3 and any money not apportioned into funds in bills and notes of the United States Treasury, the maturity date of which is not more than 1 year after the date of investment. These investments must be considered as cash for accounting purposes, and all the interest earned on them must be credited to the general fund of the county, school district or incorporated city.

7. This section does not authorize the investment of money administered pursuant to a contract, debenture agreement or grant in a manner not authorized by the terms of the contract, agreement or grant.

8. As used in this section:

(a) “Counterparty” means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a “primary” dealer in United States government securities; and

(3) In full compliance with all applicable capital requirements.

(b) “Repurchase agreement” means a purchase of securities by a board of county commissioners, the board of trustees of a county school district or the governing body of an incorporated city from a counterparty which commits to repurchase those securities or securities of the same issuer, description, issue date and maturity on or before a specified date for a specified price.

Sec. 3. NRS 356.120 is hereby amended to read as follows:

356.120 ~~{With unanimous consent of his bondsmen, a}~~ **A** county treasurer may:

1. When one or more insured banks, insured credit unions or insured savings and loan associations are located in the county, deposit county money in such insured banks, credit unions or savings and loan associations in demand ~~{or time}~~ accounts.

2. When no such banks, credit unions or savings and loan associations exist in the county, deposit county money in any insured bank, insured credit union or insured savings and loan association in the State of Nevada in demand ~~{or time}~~ accounts.

Sec. 4. NRS 356.125 is hereby amended to read as follows:

356.125 1. ~~{All money placed}~~ **A county treasurer may deposit county money** in insured depository banks, insured credit unions or insured savings and loan associations in time accounts ~~{may be deposited}~~ only with the written consent of the board of county commissioners.

2. The time accounts so established are subject to the applicable contract between the depository and the county.

3. The provisions of this section do not require any depository to accept county deposits.

Sec. 5. NRS 356.140 is hereby amended to read as follows:

356.140 1. Demand ~~or~~ *accounts and* time accounts *respectively* authorized by NRS 356.120 and 356.125 must be kept in the name of the county in such manner as the board of county commissioners may prescribe.

2. The balance in each such account, as certified to by the proper officer of the bank, credit union or savings and loan association in which the money is deposited, and by oath of the county treasurer, may be accounted for by the county as cash.

Sec. 6. NRS 361.580 is hereby amended to read as follows:

361.580 1. ~~On the third Monday in June~~ *No later than July 31* of each year following the redemption period as set forth in NRS 361.570, the ex officio tax receiver shall attend at the office of the county auditor with the assessment roll and shall render *for the period ending on June 30 of that year* an account under oath to the county auditor as to the amount of the taxes paid on the roll, the amount of taxes stricken by the board of county commissioners and the amount of taxes delinquent on the roll.

2. The county auditor shall audit the account and make a final settlement with the ex officio tax receiver of all taxes charged against him on account of the assessment roll.

Sec. 7. This act becomes effective on July 1, 2001.