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Sedgwick County

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Legislation Details (With Text)

File #: 18-990 **Version:** 1 **Name:**

Type: Consent **Status:** Consent Agenda

File created: 11/16/2018 **In control:** Board of Sedgwick County Commissioners

On agenda: 12/5/2018 **Final action:**

Title: Resolution affirming the County Investment Policy.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Investment Policy Update 2018, 2. Investment Policy Resolution for 2018

Date	Ver.	Action By	Action	Result
12/5/2018	1	Board of Sedgwick County Commissioners	Approved on the Consent Agenda	Pass

Resolution affirming the County Investment Policy.

Recommended Action: Adopt the Resolution to affirm the County Investment Policy.

The County Investment Policy was originally adopted in 2000 and has been modified several times, most recently in 2017. There are three proposed updates detailed below. The policy has been approved by the State's Municipal Investment Board, which gives the County access to investment vehicles not authorized by state law for local governments whose investment policies are not state-approved. Sedgwick County is one of nine governments throughout Kansas that have state-approved investment policies.

One provision of the investment policy requires an annual review by staff and modification as may be necessitated by changing conditions. The review has been performed, and three changes, as mentioned above, to existing policy are necessary or recommended.

RECOMMENDED CHANGE 1

On page 9 of the attached policy; the chart of Investment Type, Under Agency Securities, the percentage for callable obligations changed from 40.0 percent to 60.0 percent. Over the last year as the rates have been rising, the County has been purchasing step-up bonds. A step-up bond is a bond that pays an initial coupon rate for the first period, and then a higher coupon rate for the following periods. These bonds are often purchased by individuals or portfolio managers who wish to hold fixed-income securities with similar features to Treasury Inflation-Protected Securities (TIPS) but with a higher coupon. Because the coupon payment increases over the life of the bond, a step-up bond lets investors take advantage of the stability of bond payments while benefiting from interest rate increases. Since the County has been purchasing these step-up bonds, they are considered callable obligations. In order to continue to take advantage of these types of bonds, the County needs to increase the policy limit so they can be included in the County's portfolio.

RECOMMENDED CHANGE 2

On page 9 of the attached policy; Item #3, Competitive Placement of Funds, the last two sentences in paragraph one have been changed. First, the sentence starting with "For Certificate of Deposits," the line saying the County will solicit bids from at least three authorized financial institutions has been added, prior policy says the County will solicit bids from authorized institutions. Also, the last sentence has been changed from saying "For other competitive investment transactions, the County will solicit bids from at least three financial institutions or broker/dealers." The requirement of soliciting from three broker/dealers has been removed. The County has access to see what the pricing is on each bond. The County also has a site where all the bonds available in the market can be looked at and purchased directly through this site and not go through an actual broker/dealer. In order to use this site and purchase directly from the inventory available, the County would have no need to solicit from three broker/dealers.

RECOMMENDED CHANGE 3

On page 11 of the attached policy, Item #2, Amendments, under IX Policy Considerations the words "reviewed and" have been added. Previous policies just stated that the policy would be approved by the Board. This change will say that the policy shall be reviewed and approved.

Nevertheless, as a condition of continued state approval, the Municipal Investment Board requires that the governing body take action each year to affirm or readopt the policy.

Alternatives: Reject the resolution, in which case the Pooled Money Investment Board has said it will revoke state approval of the policy. That in turn would narrow the list of authorized investment vehicles available to the County, which would have the dual effects of (1) increasing risk because of the reduced diversification of the investment portfolio; and (2) reducing the County's yield on investments because the remaining authorized investment vehicles typically offer lower yields than those approved for governments having a state-approved policy.

Financial Considerations: The recommended action imposes no cost on the County. Failure to take the recommended action likely would result in reduced investment income, but the amount of lost revenue is not known.

Legal Considerations: The resolution was drafted and has been approved as to form by the County Counselor.

Policy Considerations: The County Investment Policy has been adopted and would remain in effect whether or not BOCC adopts the resolution, unless BOCC takes subsequent action to rescind or modify it. However, certain policy provisions pertaining to authorized investments would cease to be valid if the BOCC does not adopt the resolution.