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Minnesota Bill to Expand Municipal Investment Authority Advances.

Bill would allow limited investment with the State Board of Investment or index mutual funds.

The [House State and Local Government Finance and Policy Committee](#) on Jan. 24 will consider HF 159 (Rep. Mike Freiberg, DFL-Golden Valley). The bill would extend investment options available to cities with credit ratings of at least AA by a national rating organization (e.g., Moody's, S&P, and Fitch) to include certain long-term equity investments like index mutual funds and available investments with the Minnesota State Board of Investment.

Background on the bill

In 2017, the Legislature authorized local governments with populations over 100,000 and those with ratings of AAA to invest up to 15% of certain reserves, including unassigned cash, cash equivalents, deposits, and investment in these additional equity options.

The bill would extend the expanded 2017 authorization to AA-rated jurisdictions and also allow local government insurance pools that provide property insurance and workers' compensation insurance to many local governments, including the League of Minnesota Cities Insurance Trust, to invest in the same type of investments that the state of Minnesota invests in through the State Board of Investment.

Long-term investment options needed for local government

Currently, cities and counties under [Chapter 118A](#) have a limited number of investment options such as U.S. Treasuries, highly rated U.S. Government Agencies, highly rated state and local municipal bonds, and certificates of deposit (CDs) from banks that are FDIC-insured.

These investments work well for short-term investments of a few months to a few years for purposes such as cash to pay operating expenses between the time a local government receives property tax payments.

However, these fixed income bonds and CDs do not work as well for long-term investments; for example, when a city is setting aside long-term capital funds to pay for replacing a water treatment plant or for local government insurance pools that are paying workers' compensation benefits to an injured employee over 15 or more years.

League of Minnesota Cities

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