

Tenn. Code Ann. § 5-8-301

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*** Current through the 2012 Regular Session ***

Title 5 Counties
Chapter 8 Receipt and Management of Funds
Part 3 Investment in Bonds or Notes

Tenn. Code Ann. § 5-8-301 (2012)

5-8-301. Authorized investments.

(a) It is the policy of the state of Tennessee and the several counties that all idle county funds shall be invested to the maximum extent practical according to the following:

(1) Idle county funds derived from bond proceeds shall be invested in accordance with subsection (b);

(2) Idle county funds derived from sales of assets, settlements, or other infrequent and unusual occurrences shall be invested in accordance with subsection (b) and subdivisions (c)(2) and (3); and

(3) All other idle county funds shall be invested in accordance with subsections (b) and (c).

(b) In order to provide a safe temporary medium for investment of idle funds, counties are authorized to invest in the investment instruments noted in this section or as otherwise provided in the charter of those counties that have adopted a charter form of government pursuant to chapter 1, part 2 of this title. Any investments made pursuant to subdivisions (b) (3), (5) and (6) shall either be approved by the county legislative body, be in compliance with an investment policy adopted by the county legislative body, or approved by an investment committee established pursuant to § 5-8-302. Counties are authorized to invest idle funds in any of the following:

(1) Bonds, notes or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;

(2) Certificates of deposit and other evidence of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations. Prior to making these investments, the county official shall obtain and document at least two (2) proposals from banks or other financial institutions to assure the county receives the highest and best rate of return. The documentation shall be retained in the official's office for a period of not less than three (3) years. Notwithstanding any other public or private act to the contrary, all investments made pursuant to this subdivision (b)(2) shall be secured by collateral in the same manner and under the same conditions as state deposits under title 9, chapter 4, parts 1 and 4, or as provided in a collateral pool created under title 9, chapter 4, part 5;

(3) Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested. Counties may invest in repurchase agreements only if the comptroller of the treasury or the comptroller's designee approves repurchase agreements as an authorized investment and if such investments are made in accordance with procedures established by the state funding board;

(4) The pooled investment fund established by title 9, chapter 4, part 7;

(5) (A) (i) Bonds of this state, including any revenue bond issued by any agency of the state of Tennessee, specifically including institutions under the control of the state board of education, the board of trustees for the University of Tennessee and bonds issued in the name of the state school bond authority;

(ii) Bonds of any county or municipal corporation of this state, including bonds payable from revenues, but expressly excluding bonds of any road, levee or drainage district; and

(iii) Bonds of any other state or political subdivision thereof;

(B) Any funds invested pursuant to this subdivision (b)(5) shall be invested only in bonds rated A or higher by any nationally recognized rating service;

(6) Nonconvertible debt securities of the following federal government sponsored enterprises that are chartered by the United States congress; provided, that the securities are rated in the highest category by at least two (2) nationally recognized rating services:

(A) The federal home loan bank;

(B) The federal national mortgage association;

(C) The federal farm credit bank;

(D) The federal home loan mortgage corporation; and

(E) Any other obligations that are guaranteed as to principal and interest by the United States or any of its agencies; and

(7) The county's own bonds or notes issued in accordance with title 9, chapter 21.

(c) (1) Not more than twenty percent (20%) of the lowest idle fund balance in the last five (5) years or twenty percent (20%) of the idle funds available at the time of investment, whichever is less, may be invested in maturities of greater than two (2) years but not greater than five (5) years from the date of investment.

(2) No idle funds are to be invested for a maturity of greater than two (2) years, unless first the county legislative body shall appoint an investment committee as authorized by § 5-8-302 or § 5-21-105, and such investment committee shall give its prior approval. Such investment committee may approve investments in maturities of up to five (5) years.

(3) Under subdivision (a)(2), the investment committee may approve investment in maturities of greater than five (5) years. Any such investments shall also be approved by the comptroller of the treasury or the comptroller's designee. The individual designated to invest the funds shall submit to the director in writing the infrequent and unusual occurrence that generated idle funds under subdivision (a)(2), the medium of investment and the maturity approved by the investment committee.

(d) (1) In addition to the investments authorized in subsection (a), those counties having a population in excess of one hundred fifty thousand (150,000), according to the 1980 federal census or any subsequent federal census, may also permit investment of idle funds in the investment instruments in subdivisions (d)(1)(A) and (B) in accordance with the provisions of subdivision (d)(3);

(A) Prime banker's acceptances that are eligible for purchase by the federal reserve

system; and

(B) Prime commercial paper that is rated at least A1 or equivalent by at least two (2) nationally recognized rating services.

(2) In addition to the investments authorized in subsection (a), those counties having a population of not less than twenty thousand (20,000) nor more than one hundred fifty thousand (150,000), according to the 1990 federal census or any subsequent federal census, may also permit investment of idle funds in prime commercial paper in accordance with the following:

(A) Such paper shall be rated in the highest category by at least two (2) commercial paper rating services; and

(B) The paper shall have a remaining maturity of ninety (90) days or less.

(3) Investment in the instruments set forth in subdivisions (d)(1) and (2) shall first be authorized by the county legislative body, acting by resolution duly adopted or otherwise provided in the charter of those counties that have adopted a charter form of government, pursuant to the provisions of chapter 1, part 2 of this title. In addition, investment in the instruments set forth in subdivisions (d)(1) and (2) shall be prohibited until the investment committee has adopted written policies to govern the use of such instruments, with such policies being no less restrictive than those established by the state funding board to govern state investment in the instruments set forth in subdivisions (d)(1) and (2).

HISTORY: Acts 1943, ch. 23, § 1; mod. C. Supp. 1950, § 1044.1 (Williams, § 1080.1); T.C.A. (orig. ed.), § 5-819; Acts 1983, ch. 389, § 1; 1985, ch. 298, § 1; 1986, ch. 636, § 1; 1988, ch. 593, §§ 1-3; 1990, ch. 814, § 3; 1992, ch. 592, § 6; 1994, ch. 752, § 3; 1994, ch. 806, § 1; 2000, ch. 996, §§ 1-3; 2006, ch. 693, §§ 1, 2; 2008, ch. 899, § 2; 2010, ch. 868, §§ 10, 11.

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