INVESTMENT AUTHORITY FOR AA+ and AA RATED CITIES

Minnesota Statute 118A.09 allows:

1. Cities with populations over 100,000; and

2. Cities with the highest bond rating (AAA)

to invest up to 15% of the sum of (1) unassigned cash; (2) cash equivalents; (3) deposits; and (4) investments:

<u>*(1) in index mutual funds based in the United States and indexed to a broad market United States equity index, on the condition that index mutual fund investments must be made directly with the mainsail's office of the fund; or*</u>

<u>*(2) with the Minnesota State Board of Investment subject to such terms and minimum amounts as may be adopted by the board.*</u>

This bill authorizes cities with double AA+ and AA bond ratings to take advantage of this rule that AAA rated and 100,000 population cities can use.

This authority however is limited to 15% of the types of reserves *indicated above in italics* and in <u>*the safe investment methods italicized and underlined above.*</u>

So, the bill allows cities with excellent (but less-than-perfect) bond ratings to do the same thing large cities and AAA rated cities can do. (The United States of America has a AA + bond rating.)

Our Robbinsdale Finance Director estimated that if our small, at that time, less than 15,000 population, city had been able to invest 15% of those certain types of reserves[1] through the Minnesota State Board of investment (which manages more than $140 billion of assets) in 2021, we could have earned more than $300,000 extra for our taxpayers. This money would allow us to lower taxes, provide more services or some combination of both. $300,000 would have a tremendous potential effect on lowering taxes for Robbinsdale. Larger cities could have even more safe, extra income.

Over the years cities with AA and AA+ bond ratings will earn tens of millions of extra dollars for their taxpayers, without any additional cost to those taxpayers.

Like the investments held by the Minnesota State Board of Investment there is always a risk that an investment could go down. Local officials are like you, the state officials. We do not want our taxpayers' investments to go down on our watch. However, **over the years, investment return managed by the Minnesota State Board of Investment, and in large equity indices, have crushed the return of T-Bills and** certain other allowed government securities. AA and AA+ cities will be well-served when you move this nonpartisan bill forward to help citizens from fiscally responsible cities gain this limited, but important investment tool that larger and more well-healed cities have.

Respectfully submitted by *Robbinsdale Mayor Bill Blonigan*

[1] Importantly, Section 3, Subd. 3 of 118A .09 lets qualifying governments invest only 15% of its funds that are held for long-term capital plans or long-term obligations. That not 15% of all of a qualifying government's reserve funds.