

Investment of Public Funds

January 13, 2009

With the volatile financial markets, many governmental entities are concerned about their investment of public funds. While Miller Canfield does not offer investment advice, we can help you understand the options available to your entity and keep you informed about changes made to the law which may affect your investments.

Act 20, Public Acts of Michigan, 1943 (MCL 129.91 et seq.), and the Revised School Code, Act 451, Public Acts of Michigan, 1976 (MCL 380.1 et seq.), list permitted investments for municipalities and school districts, respectively. These acts authorize municipalities and school districts to invest in any of the listed securities, but provide no assurance that the choices are financially prudent. Keep in mind the following as you consider investment options:

- Be aware of recent changes to Michigan law that provide municipalities and school districts an additional investment option. Act 307, Public Acts of Michigan, 2008, and Act 308, Public Acts of Michigan, 2008, which amend the Revised School Code and Act 20, respectively, were enacted on December 18, 2008. This new legislation allows municipalities, school districts and intermediate school districts to invest certain funds in certificates of deposit (CDs) with banks that participate in the Certificate of Deposit Account Registry Program ("CDARS"). The CDARS program allows governmental entities to invest in CDs through a single local financial institution which will then place the funds among several CDARS network institutions around the country. By keeping the sum at each institution below the FDIC's limit on deposit insurance coverage, the investor's entire deposit may be fully insured against loss. At the same time, the investor does not control which banks participate in the investment.
- As you research programs like CDARS, stay informed about federal changes to investment insurance such as the FDIC's temporary increase in the basic deposit insurance coverage limit from \$100,000 to \$250,000.
- Research banks and other depositories through which you make investments. Ask a bank for its most current ratings, and if it is on the FDIC watch list identifying institutions in poor financial condition. Use bank rating services to gather information. Two free commercial websites are bankrate.com and finance.yahoo.com. Information on the health of individual financial institutions may also be found in "call reports" at the FDIC's website.
- Visit the Securities and Exchange Commission's website which provides investment information in response to volatile market conditions and information on government sponsored mortgage-backed securities agencies Fannie Mae and Freddie Mac. See www.sec.gov.

We encourage you to thoroughly review the substance of all available investment tools in order to make informed investment decisions appropriate to your entity.

Miller Canfield would be happy to discuss investment options available to public entities.