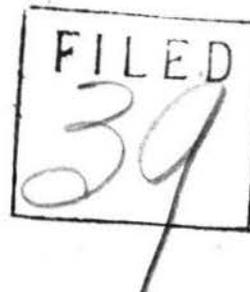


CITIES, TOWNS AND VILLAGES: ) City officers may purchase  
MUNICIPAL PLANTS: ) securities with customers' deposit  
funds.

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Mr. J. F. Hensley  
Mayor  
City of Fulton  
Fulton, Missouri

Dear Sir:

This is to acknowledge your letter of May 23d, in which you request the opinion of this Department on the question therein submitted. Your letter of request is as follows:

"As Mayor of the City of Fulton, Missouri, a City of the third class, I desire to obtain some legal advice.

"The City of Fulton owns and operates Municipal Gas, Light and Water Systems. A deposit is required from all consumers before these services are connected for use. At the present time we have balances of approximately \$1726 in the Gas Deposit Fund, \$3622 in the Electric Deposit Fund and \$2781 in the Water Deposit Fund. As the new deposits during any one month balance or nearly balance off the withdrawals, the money is lying in the bank drawing no interest, while at the same time we are paying interest to the consumers on their deposits.

"My question is whether or not the City has a legal right to

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invest this money in good security in order to obtain a little revenue. Such securities as I have in mind would be our own Municipal Bonds, or tax bills for Street Improvements, leaving a small revolving fund sufficient to take care of all withdrawals that might occur."

We note that the City of Fulton is a city of the third class and also that it does not have a board of public works. The management of the various municipally owned utilities, we assume, are managed and operated directly by the City Council through its agents.

In your letter of request you state that the City has more than \$8000.00, which money has been deposited by the users of gas, electricity and water, and that same remains approximately at that sum at all times. You desire to know whether, in our opinion, you may purchase high grade securities with this money so deposited with the City authorities and obtain some revenue, in view of the fact that you pay interest to the various depositors of the above money.

The direct management, operation and control of the above utilities being directly under the supervision of the Mayor and the City Council, and they having the responsibility of the operation of same, we can see no good reason why, in the exercise of their discretion and best judgment, they would not be permitted to invest this fund in high grade securities. Of course, they should keep on hands in cash a sufficient amount to take care of the withdrawals at all times. If we understand the situation correctly, the retaining of this fund by the City under the present conditions is at a loss to the City for the reason that it pays interest on this fund to the depositors and receives no income, so that either the various municipal plants pay the interest or it is paid out of city revenue.

Mr. J. F. Hensley

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It is, therefore, our opinion that the City Council may, in its discretion, buy high grade gilt-edged securities and thereby derive some interest from the fund. The city authorities should exercise extreme care in choosing the securities so purchased.

Very truly yours

COVELL R. HEWITT  
Assistant Attorney-General

APPROVED:

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J. E. TAYLOR  
(Acting) Attorney-General

CRH:EG