

STATE OF WISCONSIN MILWAUKEE COUNTY VILLAGE OF RIVER HILLS

RESOLUTION NO. 2021 – 08

RESOLUTION TO ESTABLISH INVESTMENT POLICY

WHEREAS, the Village of River Hills, Milwaukee County, State of Wisconsin (Village) desires to implement policies to outline policy and procedures related to financial matters; and

WHEREAS, the Village of River Hills, Milwaukee County, State of Wisconsin (Village) has proposed to establish an Investment Policy.

NOW, THEREFORE, BE IT RESOLVED by the Village Board of the Village of River Hills, Milwaukee County, State of Wisconsin that:

INVESTMENT POLICY

**General Objectives:** The purpose of these investment guidelines is to formalize the framework for the Village's daily investment activities. The primary objectives, in order of priority, of all investment activities involving the financial assets shall be the following:

- A. Safety. Safety and preservation of principal in the overall portfolio is the foremost investment objective. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
  1. Credit Risk. The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
    - a. Limiting investments to the types of securities listed in Section III of this policy.
    - b. Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the Village will do business.
    - c. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
  2. Interest Rate Risk. The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
    - a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
    - b. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see Section III).
- B. Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).
- C. Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:
  1. A security with declining credit may be sold early to minimize loss of principal.
  2. A security swap would improve the quality, yield, or target duration in the portfolio.

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3. Liquidity needs of the portfolio require that the security be sold.
- D. **Diversification.** It is the policy of the Village to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss and balance the effect of interest rate changes affecting different types of securities. The Village's portfolio shall be diversified by market sector and maturity in order to avoid market risk.

### I. DELEGATION OF INVESTMENT AUTHORITY

- A. Management and administrative responsibility for the investment program of the Village is entrusted to the Treasurer under the direction of the Village Board of Trustees. Individuals authorized to engage in investment transactions on behalf of the Village are the Treasurer, Village Manager, and any other individual designated by the Board.
- B. The Treasurer shall be responsible for all transactions undertaken. The Treasurer shall establish and maintain an internal control structure which will be reviewed annually with the independent auditor of the Village. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Village. The internal controls shall address the following points at a minimum:
  - Control of collusion
  - Separation of transaction authority from accounting and recordkeeping
  - Custodial safekeeping
  - Clear delegation of authority
  - Authentication of wire transfers
  - Documentation of all transactions

### II. PUBLIC DEPOSITS

- A. **Depository.** The Village Board hereby designates BMO Harris Bank, Inc. as its public depository in which the Fiscal Agent shall deposit all public monies received by him/her. Public deposits shall include all funds maintained in demand deposit accounts, including interest and non-interest -bearing checking accounts. In addition, see Appendix A for additional public designated depositories.
- B. The Village's investments are restricted in accordance with Wisconsin Statutes sec. 66.0603 (See Appendix B).
- C. **Limitations:** Village deposits will be protected through insurance:
  - The Federal Deposit Insurance Corporation (FDIC) currently protects deposits up to \$250,000 for checking and \$250,000 for savings accounts.
  - The Wisconsin State Deposit Guarantee Fund protects public deposits under sections 20.144(a) and 34.08(2) Wis. Stats. up to \$400,000, after FDIC coverage, for any one public depositor in any individual public depository.
  - Collateralization has been waived by the Village Board for property tax deposits.
- D. **Deposit of Tax Payments.** In addition to the public depository denoted in Section II (A) above, the Treasurer, at his/her discretion, shall be authorized to establish and maintain accounts with local financial institutions for the purpose of accepting tax payments on behalf of the Village of River Hills.
- E. **Withdrawals.** Withdrawals or disbursements by the Clerk/Treasurer of monies deposited in a public depository shall be made as provided by sec. 66.0607, Wisconsin Statutes. The Treasurer is authorized at his/her discretion, to process periodic payments through the use of money transfer techniques as set forth in sec. 66.0607(3m), Wisconsin Statutes.

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- F. **Liability.** Notwithstanding, any other provisions of law, the Treasurer who deposits public monies in any public depository, in compliance with sec. 34.05, Wis. Stats. is, under the provisions of Sec. 34.06, Wis. Stats. relieved of any liability for any loss of public monies which results from the failure of any public depository to repay to the public depositor the full amount of its deposits, thus causing a loss as defined in sec. 34.01(2) Wis. Stats.

**III. INVESTMENTS**

- A. Subject to the provisions of this policy, the Treasurer or his/her designee shall have control of and discretion in the investment of all Village funds that are not immediately needed and are available for investment.
- B. **Scope.** The policy is limited in its application to funds that are not immediately needed and are available for investment. Other funds, the investment of which is subject to special federal and/or state laws and regulations, shall be invested in accordance with such laws and regulations to the extent they may be inconsistent with the provisions of this policy.
- C. **Responsibility.** In exercising his/her investment responsibilities, the Treasurer shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity, with the same resources, and familiar with like matters in the management of a similar activity, with a like purpose. The Treasurer shall report all investments to the Village Board on a semi-annual basis.
- D. **Investments.** The investment of Village funds shall be in accordance with Wis. Stats. sections 34.01(5) & 66.0603 (see Appendix B) and chooses to further limit our cash and investments to the following:
1. **Checking and saving accounts;**
  2. **Local Government Investment Pools** either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation, such as the Local Government Investment Pool and Wisconsin Investment Series Cooperative;
  3. **Certificates of Deposit** (fully FDIC insured for principal) and certificates of deposit purchased through the Certificate of Deposit Account Registry Service (CDARS);
  4. **Money market mutual funds** regulated by the Securities and Exchange Commission and whose portfolios consist of only of dollar-denominated securities;
  5. **Bonds and securities** issued by the federal government or a commission, board or other instrumentality of the federal government;
  6. **Bonds** of any county, city, drainage district, technical college, village, town or school district of this state;
  7. **Commercial paper** if rated in the highest tier (e.g. A-1, P-1, AAA) or second highest category by a nationally recognized rating agency;
  8. **Overnight Repurchase Agreements** with a public depository as defined by section 34.01 (5), Wis. Stats., provided that the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the feral government and held by a third-party custodian. The Village shall be informed of the specific collateral and investments in the prepurchase agreements and the agreement shall be collateralized at 105% of the value of the Village's investment; and

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9. **Prohibited Investments.** Village funds will not be invested in derivative type investments such as collateralized mortgage obligations, strips, floaters, etc. Certain types of such investments may qualify under state statute but are not deemed appropriate for use by the Village.

### **IV. INVESTMENT COMMITTEE**

- A. An Investment Committee, consisting of the Treasurer, and at least three members appointed by the Village President for a minimum duration of one year, shall meet at least semiannually to determine operational strategies and to monitor results. The Investment Committee shall discuss things such as economic outlook, portfolio diversification, maturity structure, and any potential risk of the Village's funds. In addition, this committee shall review investment activity that occurred since the last investment committee meeting.

### **V. MISCELLANEOUS**

- A. Any surplus funds of the Village shall be invested by the Treasurer in compliance with this Policy and Wisconsin Statutes in any of the public depositories designated herein in such a manner that is consistent with the objectives of this investment policy.
- B. **Definitions.** Words and phrases shall, insofar as applicable, have the meanings set forth in sec. 34.01, Wis. Stats. as amended.
- C. **Duration.** This policy shall continue in force until repealed or superseded by further policy of the Village of River Hills. The Treasurer and the Investment Committee shall review the Investment Policy every three years or sooner at their discretion.

### **APPENDIX A**

#### **Authorized Financial Institutions:**

In addition to any eligible financial institutions according to the Wisconsin Statutes, the Village of River Hills Board of Trustees designates the following institutions as public depositories for the funds as follows:

Associated Bank

First Business Bank

Mutual Banker's Bank Chase Bank Guaranty

Local Government Investment Pool

Tri-City National Bank

U.S. Bank

Wells Fargo Bank Westbury Bank

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**APPENDIX B**

**66.0603 INVESTMENTS.**

**(1g)** DEFINITION. In this section, “governing board” has the meaning given under s. 34.01 (1) but does not include a local exposition district board created under subch. II of ch. 229 or a local cultural arts district board created under subch. V of ch. 229.

**(1m)** INVESTMENTS.

**(a)** A county, city, village, town, school district, drainage district, technical college district or other governing board, other than a local professional football stadium district board created under subch. IV of ch. 229, may invest any of its funds not immediately needed in any of the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in this state.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state.

**3m.** Bonds issued by a local exposition district under subch. II of ch. 229.

**3p.** Bonds issued by a local professional baseball park district created under subch. III of ch. 229.

**3q.** Bonds issued by a local professional football stadium district created under subch. IV of ch. 229.

**3s.** Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

**3t.** Bonds issued by a local cultural arts district under subch. V of ch. 229.

**3u.** Bonds issued by the Wisconsin Aerospace Authority.

**4.** Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.

**5.** Securities of an open-end management investment company or investment trust, if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following:

- a.** Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
- b.** Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
- c.** Repurchase agreements that are fully collateralized by bonds or securities under subd. 5. a. or b.

**(b)**

**1.** A town, city, or village may invest surplus funds in any bonds or securities issued under the authority of the municipality, whether the bonds or securities create a general municipality liability or a liability of the property owners of the municipality for special improvements, and may sell or hypothecate the bonds or securities. Funds of an employer, as defined by s. 40.02 (28), in a deferred compensation plan may also be invested and reinvested in the same manner authorized for investments under s. 881.01.

**2.** Funds of any school district operating under ch. 119, held in trust for pension plans intended to qualify under section 401 (a) of the Internal Revenue Code, other than funds held in the public employee trust fund, may be invested and reinvested in the same manner as is authorized for investments under s. 881.01.

**3.** A school district may invest and reinvest funds that are held in trust, other than funds held in the public employee trust fund, solely to provide any of the following benefits, in the same manner as is authorized for investments under s. 881.01:

- a.** Post-employment health care benefits provided either separately or through a defined benefit pension plan.
- b.** Other post-employment benefits provided separately from a defined benefit pension plan.

**4.** A school board may not discuss or vote on establishing a trust fund to provide the benefits described in subd. 3. unless the notice of the school board meeting at which the discussion or vote may occur includes the issue as a separate agenda item.

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5. A city, village, town, county, drainage district, technical college district, or other governing board as defined by s. 34.01 (1) may invest and reinvest funds that are held in trust, other than funds held in the public employee trust fund, solely to provide any of the following benefits, in the same manner as is authorized for investments under s. 881.01:
  - a. Post-employment health care benefits provided either separately or through a defined benefit pension plan.
  - b. Other post-employment benefits provided separately from a defined benefit pension plan.
6. Funds that are held in trust to provide the benefits described in subds. 3, and 5, shall be held in a trust fund that is separate from all other trust funds created by, or under the control of, the local governmental unit.
- (c) A local government, as defined under s. 25.50 (1) (d), may invest surplus funds in the local government pooled-investment fund. Cemetery care funds, including gifts where the principal is to be kept intact, may also be invested under ch. 881.
- (d) A county, city, village, town, school district, drainage district, technical college district or other governing board as defined by s. 34.01 (1) may engage in financial transactions in which a public depository, as defined in s. 34.01 (5), agrees to repay funds advanced to it by the local government plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (e) Subject to s. 67.11 (2) with respect to funds on deposit in a debt service fund for general obligation promissory notes issued under s. 67.12 (12), a county having a population of 750,000 or more, or a person to whom the county has delegated investment authority under sub. (5), may invest and reinvest in the same manner as is authorized for investments and reinvestments under s. 881.01, any of the following:
  1. Moneys held in any stabilization fund established under s. 59.87 (3).
  2. Moneys held in a fund or account, including any reserve fund, created in connection with the issuance of appropriation bonds under s. 59.85 or general obligation promissory notes under s. 67.12 (12) issued to provide funds for the payment of all or a part of the county's unfunded prior service liability.
  3. Moneys appropriated or held by the county to pay debt service on appropriation bonds or general obligation promissory notes under s. 67.12 (12).
  4. Moneys constituting proceeds of appropriation bonds or general obligation promissory notes described in subd. 2, that are available for investment until they are spent.
  5. Moneys held in an employee retirement system of the county.
- (f) Subject to s. 67.11 (2) with respect to funds on deposit in a debt service fund for general obligation promissory notes issued under s. 67.12 (12), a 1st class city, or a person to whom the city has delegated investment authority under sub. (5), may invest and reinvest in the same manner as is authorized for investments and reinvestments under s. 881.01, any of the following:
  1. Moneys held in any stabilization fund established under s. 62.622 (3).
  2. Moneys held in a fund or account, including any reserve fund, created in connection with the issuance of appropriation bonds under s. 62.62 or general obligation promissory notes under s. 67.12 (12) issued to provide funds for the payment of all or a part of the city's unfunded prior service liability.
  3. Moneys appropriated or held by the city to pay debt service on appropriation bonds or general obligation promissory notes under s. 67.12 (12).
  4. Moneys constituting proceeds of appropriation bonds or general obligation promissory notes described in subd. 2, that are available for investment until they are spent.
  5. Moneys held in an employee retirement system of the city.
- (g) A technical college district that receives funds from participation in an auction of digital broadcast spectrum administered by the federal communications commission may hold those funds in trust and may invest and reinvest those funds in the same manner authorized for investments under s. 881.01. Funds held in trust under this paragraph may only be distributed from the trust in a manner consistent with ch. 38 and in accordance with the terms of the trust. Any trust formed pursuant to this paragraph shall be separate from any other trust created by, or under the control of, the technical college district.
- (2) DELEGATION OF INVESTMENT AUTHORITY. A county, city, village, town, school district, drainage district, technical college district or other governing board, as defined in s. 34.01 (1), may delegate the investment authority over any of its funds not immediately needed to a state or national bank, or trust company, which is authorized to transact business in this state if all of the following conditions are met:
  - (a) The institution is authorized to exercise trust powers under s. 221.0316 or ch. 223.

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(b) The governing board renews annually the investment agreement under which it delegates its investment authority, and reviews annually the performance of the institution with which its funds are invested.

**(3) ADDITIONAL DELEGATION OF INVESTMENT AUTHORITY.**

(a) In addition to the authority granted under sub. (2), a school district operating under ch. 119 may delegate the investment authority over any of its funds not immediately needed and held in trust for its qualified pension plans to an investment manager who meets the requirements and qualifications specified in the trust's investment policy and who is registered as an investment adviser under the Investment Advisers Act of 1940, 15 USC 80b-3.

(b) In addition to the authority granted under sub. (2), a school district may delegate the investment authority over the funds described under sub. (1m) (b) 3. to an investment manager who meets the requirements and qualifications specified in the trust's investment policy and who is registered as an investment adviser under 15 USC 80b-3.

**(c)**

1. In addition to the authority granted under sub. (2), a city, village, town, county, drainage district, technical college district, or other governing board as defined by s. 34.01 (1) may delegate the investment authority over the funds described under sub. (1m) (b) 5. to an investment manager who meets the requirements and qualifications specified in the trust's investment policy and who is registered as an investment adviser under 15 USC 80b-3.

2. If a unit of government described under subd. 1. has established a trust described in sub. (1m) (b) 5., it shall annually publish a written report that states the amount in the trust, the investment return earned by the trust since the last report was published, the total disbursements made from the trust since the last report was published, and the name of the investment manager if investment authority has been delegated under subd. 1.

**(d)**

1. In addition to the authority granted under sub. (2), a technical college district may delegate the investment authority over the funds described under sub. (1m) (g) to an investment manager who meets the requirements and qualifications specified in the trust's investment policy and who is registered as an investment adviser under the Investment Advisers Act of 1940, 15 USC 80b-3.

2. If a technical college district has established a trust described in sub. (1m) (g), it shall annually publish a written report that states the amount in the trust, the investment return earned by the trust since the last report was published, the total disbursements made from the trust since the last report was published, and the name of the investment manager if investment authority has been delegated under subd. 1.

**(4) INVESTED FUND PROCEEDS IN POPULOUS CITIES, USE.** In a 1st class city, all interest derived from invested funds held by the city treasurer in a custodial capacity on behalf of any political entity, except for pension funds, is general revenue of the city and shall revert to the city's general fund upon the approval by the political entity evidenced by a resolution adopted for that purpose.

**(5) DELEGATION OF INVESTMENT AUTHORITY IN CONNECTION WITH PENSION FINANCING IN POPULOUS CITIES AND COUNTIES.** The governing body of a county having a population of 750,000 or more, or a 1st class city, may delegate investment authority over any of the moneys described in sub. (1m) (e) or (f) to any of the following persons, which shall be responsible for the general administration and proper operation of the county's or city's employee retirement system, subject to the governing body's finding that such person has expertise in the field of investments:

(a) A public board that is organized for such purpose under county or city ordinances.

(b) A trustee, investment advisor, or investment banking or consulting firm.

**History:** 1999 a. 9 ss. 1607, 1608; 1999 a. 65 ss. 15 to 17; 1999 a. 150 ss. 93, 95, 168; 1999 a. 167 ss. 31, 32; 1999 a. 186 ss. 43, 44; 2001 a. 30; 2003 a. 264; 2005 a. 99, 335; 2007 a. 82, 115; 2009 a. 28; 2015 a. 60; 2017 a. 59, 78; 2017 a. 207 s. 5; 2017 a. 366 s. 99.

**Cross-reference:** See also s. 157.50 (6) as to investment of municipal care funds.

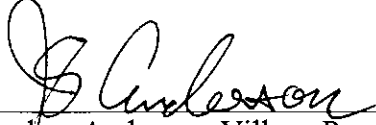
Based on the plain meaning of the word "investment," the exchange of surplus county funds for U.S. gold coins would be an investment within the meaning of s. 59.61 (3). This section provides the authorized list of investments that a county can make with county funds, and the statute does not authorize an investment in U.S. gold coins. OAG 2-13.

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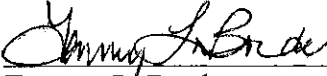
**Section 4. Effective Date.** This Resolution shall be effective upon its adoption and approval.

**PASSED AND ADOPTED** by the Village Board of the Village of River Hills, Milwaukee County, State of Wisconsin on this 21<sup>st</sup> day of July, 2021.

VILLAGE OF RIVER HILLS

  
\_\_\_\_\_  
J. Stephen Anderson, Village President

Countersigned:

  
\_\_\_\_\_  
Tammy LaBorde  
Village Manager/Clerk/Treasurer