

ORDINANCE NO. 2016-17

**AN ORDINANCE ADOPTING AMENDMENTS
TO THE VILLAGE OF BRISTOL ORDINANCES
ON INVESTMENTS OF PUBLIC FUNDS**

The Village Board of the Village of Bristol, Kenosha County, Wisconsin, do ordain as follows:

SECTION I. REPEAL AND ADOPTION OF PROVISIONS.

Section 3-1-12 of the Village of Bristol Code of Ordinances is repealed and re-adopted to read as follows:

Sec. 3-1-12 Temporary Investment of Funds Not Immediately Needed.

- (a) The Village Clerk-Treasurer, in cooperation with the Village Board and under general guidance from the Village Administrator, may invest any Village long-term funds and temporary funds not immediately needed, pursuant to Sections 66.0605 and 219.05, Wis. Stats.
- (b) The Village Board and the Village Clerk-Treasurer shall use the following criteria in determining the financial options available for investing the financial assets of the Village:
 - (1) The investment protocols established in Section 3-1-22.
 - (2) The safety of the investment.
 - (3) The maturity of the investment.
 - (4) The liquidity of the investment.
 - (5) The yield of the investment.
 - (6) The other services available to the Village with the investment.

State Law References: Secs. 66.0605 and 219.05, Wis. Stats.

Cross-References: Section 3-1-11 and 3-1-22.

SECTION II. REPEAL AND ADOPTION OF PROVISIONS.

Section 13-1-22 of the Village of Bristol Code of Ordinances is repealed and re-adopted to read as follows:

Sec. 3-1-22 Policy for Public Deposits and Investments.

(a) Purpose.

(1) **Purpose; Establishment of Policies.** Cash and investments generally represent the largest asset on the Village's balance sheet, and the Village frequently has cash available for short-term, intermediate and long-term investments. Therefore, it is important that the Village establish a policy to ensure continuous prudent investment of available Village funds. It is in the interest of the Village of Bristol to adopt a policy to insure continuous prudent deposits and investments of available Village funds. The Village Board of the Village of Bristol establishes the following policies in the public interest for the deposit and investment of available Village funds.

(2) **Objectives.** The primary objectives, in priority order, of the Village's investment activities shall be:

a. **Safety.** Safety in principal is the foremost objective of the investment program. Investments of the Village of Bristol shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Primary objectives shall be to mitigate credit, interest rate and custodial risks.

b. **Liquidity.** The Village investment portfolio will remain sufficiently liquid to enable the Village to meet all operating requirements which might be reasonably anticipated.

c. **Return on Investments.** The Village investment portfolio shall be designated with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the Village's investment risk constraint and cash flow characteristics of the portfolio.

(b) Public Depositories.

(1) **Designation of Depositories.** The Village Board shall, pursuant to Section 3-1-11, designate one (1) or more public depositories, organized and doing business under the laws of this state or federal law, and located in Wisconsin, in which the Village Clerk-Treasurer shall deposit all public monies received by her/him.

(2) **Limitations.** The resolution or ordinance designating one (1) or more public depositories shall specify whether the monies shall be maintained in time deposits subject to the limitations of Sec. 66.0603(1m), Wis. Stats., demand deposits or savings deposits, and whether a surety bond or other security shall be required to be furnished under Sec. 34.07, Wis. Stats., by the public depository to secure the repayment of such deposits. Not more than Five Hundred Thousand Dollars (\$500,000) shall be deposited in any one (1) public depository, unless specifically authorized by the Village Board; however, there will be no deposit limit on funds deposited in the Wisconsin Local Government Pooled Investment Fund.

- (3) **Deposits.** The Village Clerk-Treasurer shall deposit public monies in the name of the Village of Bristol in such public depositories designated by the Village Board and subject to the limitations hereinabove set forth.
 - (4) **Withdrawals.** Withdrawals or disbursements by the Village Clerk-Treasurer of monies deposited in a public depository shall be made as provided by Sec. 66.0607, Wis. Stats. The Village Clerk-Treasurer is authorized, at her/his discretion, to process periodic payments through the use of money transfer techniques as set forth in Sec. 66.0607, Wis. Stats.
- (c) **Investment Management.**
- (1) **Management.** Authority to manage the Village's investment program is derived from the Village Board. Management responsibility for the investment program is hereby delegated to the Village Clerk-Treasurer, under general guidance from the Village Administrator, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the subordinate officials, and their procedures in the absence of the Treasurer. Subject to the provisions of this policy, the Village Clerk-Treasurer, under general guidance from the Village Administrator, shall have management of and discretion in the investment of all Village funds that are not immediately needed and are available for investment.
 - (2) **Intent.** It is the intent of the Village Board that the Village Clerk-Treasurer utilize a wise and prudent cash management system within the level of her/his expertise in such a manner to insure maximum investment earnings, while at the same time be able to respond promptly to authorized expenditures. Safety, liquidity and yield will be the prime requisites for the investment of Village funds.
 - (3) **Scope.** This policy is limited in its application to funds which 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.
 - (4) **Responsibility.** In exercising her/his investment responsibilities, the Village Clerk-Treasurer shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity, having the same resources, and familiar with like matters in the management of a similar activity, with a like purpose.
 - (5) **Ethics and Conflicts of Interest.** Village officials and employees involved in the investment process shall disclose personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Clerk-Treasurer and Village Board any material

financial interest in financial institutions that conduct business within their jurisdiction.

(d) **Mitigating Investment Risks.**

- (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 permitted under Sec. 66.0603, Wis. Stats., and this Section.
 - b. The Village Board shall by approve the public depositories that are deemed appropriate for use under Wisconsin and Federal law.
 - c. Diversify 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 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.
- (3) **Custodial Risk.** The Village will minimize custodial risk, which is the risk that in the event of a financial institution's failure, the Village's deposits may not be returned to it, by:
 - a. Maintaining a list of public depositories, financial institutions, investment advisors and broker/dealers authorized to provide deposit and investment services.
 - b. All public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services shall supply, as appropriate, audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.

(e) **Permissible Investment Types.** The Village Clerk-Treasurer is authorized and directed to utilize investment options as set forth within these guidelines, and that the Village Clerk-Treasurer shall take into consideration the following factors which are listed in order of priority to the investment decision:

- (1) **Certificates of Deposit.** Village funds may be invested in certificates of deposit maturing within three (3) years or less from the date of investment issued by any banks, savings and loan associations or credit unions which are authorized to transact business in the State of Wisconsin. The financial institutions must have been designated as a public depository of the Village by resolution or ordinance of the Village Board.
- (2) **Government Bonds and Securities.** Village funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, bonds or securities which are obligations of any agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal

government. The securities must be purchased through financial institutions authorized to conduct business in the State of Wisconsin and placed in safekeeping in a segregated account in the Village's name at any designated public depository or approved financial institution.

- (3) **Government Investment Pool.** Village funds may be invested in the Wisconsin Local Government Pool Investment Fund without restriction as to the amount of deposit or collateralization.
 - (4) **Repurchase Agreements.** Village funds may be invested in repurchase agreements, in financial institutions authorized to conduct business in the State of Wisconsin. Repurchase agreements can only be made in securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. Securities purchased by a repurchase agreement must be placed in safekeeping in a segregated account in the Village's name at any designated public depository, approved financial institution, or designated custodian.
 - (5) **Savings Deposits.** Village funds may be temporarily invested in savings deposits.
 - (6) **Securities.** The Village Clerk-Treasurer may invest in private securities which are senior to, or on a parity with, a security of the same issuer which is rated highest or second highest by Moody's Investors Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.
 - (7) **Other Investments.**
 - a. The Village Clerk-Treasurer may utilize any other form of investment permitted by Sec. 66.0603, Wis. Stats.
 - b. Investments considered or defined as derivatives are prohibited as investments, including, but not limited to, mortgage bank securities (MBS), collateralized mortgage obligations (CMO), asset backed securities (ABS), and interest rate swaps.
- (f) **Safety.**
- (1) **Annual Financial Statements.** In order to safeguard investments and deposits, the Village shall acquire of each public depository its annual financial statements and evaluate such statements as to the financial soundness of the depository. Also to be reviewed are other pertinent financial information filed with regulatory agencies.
 - (2) **Pledged Collateral.** The Village shall require, when investing in repurchase agreements, that collateral be pledged by the depository in an amount equal to or greater than the amount of the repurchase agreements the Village has with such depository. In excess of FDIC coverage, the collateral shall be direct obligations of the United States, or of its agencies if the payment of principal and interest is guaranteed by the federal government, or obligations of the State of Wisconsin, or

of the Village of Bristol. Evidence of such collateral shall be provided by the depository.

- (3) **Amount of Existing Deposits.** Consideration shall also be given to the total amount of existing Village funds which are already in such depository and/or the capacity of the depository to handle the size of the deposit or investment with consideration of federal depository insurance and State of Wisconsin Guarantee Fund requirements. The Village will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than fifty percent (50%) of the Village's total investment portfolio will be invested in a single security type or with a single financial institution.

(g) **Liquidity.**

- (1) **Maturity Determination.** The maturity of any investment shall be determined by analyzing the following factors:
 - a. Immediate cash requirements.
 - b. Projected expenditures.
 - c. Available funds on hand.
 - d. Maturing investments.
 - e. Anticipated revenues.
- (2) **Consideration of Other Municipal Cash Requirements.** Investments shall not extend beyond any recognized unfunded cash needs of the Village. Major consideration of maturity dates should be given to requirements of the payroll, debt service, and the bi-monthly bills and claims.

- (h) **Yield.** Competitive bids shall be required of all investments. A minimum of three (3) bids from the Village's public depository list shall be acquired. Exceptions to the bid process include only deposits in the Wisconsin Local Government Investment Pool, which shall be registered in the Village's name.

(i) **Miscellaneous.**

- (1) **Liability.** Notwithstanding any other provision of law, the Village Clerk-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.
- (2) **Definitions.** Words or phrases shall, insofar as applicable, have the meaning set forth in Sec. 34.01, Wis. Stats., as amended.
- (3) **Conflicts.** This Section is enacted in accordance with the provisions of Chapter 34 and Sec. 66.0603, Wis. Stats. In case of conflict, the state laws shall prevail.

(j) **Definitions.** The following definitions shall be applicable in this Section:

- (1) **Benchmark.** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should

represent a close correlation to the level of risk and the average duration of the portfolio's investments.

- (2) **Bid.** The price offered by a buyer of securities.
- (3) **Broker.** A securities professional who brings buyers and sellers together for a commission.
- (4) **Collateral.** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan; also refers to securities pledged by a bank to secure deposits of public monies.
- (5) **Coupon.** Either:
 - a. The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; or
 - b. A certificate attached to a bond evidencing interest due on a payment date.
- (6) **Custodian.** A financial institution that holds a customer's securities for safekeeping to minimize the risk of theft or loss.
- (7) **Discount.** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be a discount.
- (8) **Diversification.** Dividing investment funds among a variety of securities offering independent returns.
- (9) **Local Government Investment Pool (LGIP).** The aggregate of all funds from political subdivisions that are placed in the custody of the Wisconsin State Treasurer for investment and reinvestment.
- (10) **Market Value.** The price at which a security is trading and could presumably be purchased or sold.
- (11) **Maturity.** The date upon which the principal or stated value of an investment becomes due and payable.
- (12) **Portfolio.** The collection of securities held by an investor.
- (13) **Rate of Return.** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.
- (14) **Repurchase Agreement.** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate his/her for this.
- (15) **Safekeeping.** A service to customers rendered by financial institutions for a fee whereby securities are valuables of all types and descriptions are held in the financial institution's vaults for protection. [See also "custodian" definition.]
- (16) **Treasury Bills.** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most Treasury bills are issued to mature in three (3) months, six (6) months or one (1) year.

- (17) **Yield.** The rate of annual income return on an investment, expressed as a percentage:
- a. "Income Yield" is obtained by dividing the current dollar income by the current market price of the security.
 - b. "Net Yield" or "Yield to Security" is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Cross-References: Sections 3-1-11 and 3-1-12.

State Law References: Ch. 34 and Secs. 66.00601, 66.0603 and 66.0607, Wis. Stats.

SECTION III. SEVERABILITY.

If any provision of this Ordinance is invalid or unconstitutional or if the application of this Ordinance to any person or circumstance is invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions or applications of this Ordinance which can be given effect without the invalid or unconstitutional provisions or applications.

SECTION III. EFFECTIVE DATE.

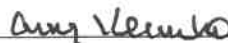
This Ordinance shall take effect upon passage and publication as provided by law.

ADOPTED this 14th day of November, 2016.

VILLAGE OF BRISTOL, WISCONSIN



Village President



Village Clerk-Treasurer

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