

<b>NORTH SHORE FIRE DEPARTMENT</b>	
<b>STANDARD OPERATING PROCEDURES</b>	<b>SECTION: 100 S.O.P.#104</b>
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<b>SUBJECT: POLICY REGARDING PUBLIC DEPOSITS AND INVESTMENTS</b>	<b>PAGE 1 OF 8</b>

1

2 **PURPOSE**

3 It is in the interest of the North Shore Fire Department to adopt a policy to insure continuous  
4 prudent deposits and investments of available funds.

5

6 **SCOPE**

7 For the deposit and investment of available Fire Department funds.

8

9 **PROCEDURES**

10 The primary objectives, in order of priority of all investment activities involving the financial  
11 assets shall be the following:

12 a. Safety: Safety and preservation of principal in the overall portfolio is the foremost  
13 investment objective. Investments shall be undertaken in a manner that seeks to ensure  
14 the preservation of capital in the overall portfolio. The objective will be to mitigate credit  
15 risk and interest rate risk.

16

17 b. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all  
18 operating requirements that may be reasonably anticipated. This is accomplished by  
19 structuring the portfolio so that securities mature concurrent with cash needs to meet  
20 anticipated demands (static liquidity). Furthermore, since all possible cash demands  
21 cannot be anticipated, the portfolio should consist largely of securities with active  
22 secondary or resale markets (dynamic liquidity).

23

24 c. Diversification: It is the policy of the Department to diversify its investment portfolio.  
25 Assets shall be diversified to eliminate the risk of loss and balance the effect of interest  
26 rate changes affecting different types of securities. The Department's portfolio shall be  
27 diversified by market sector and maturity in order to avoid market risk.

28

29 d. Return: The investment portfolio shall be designed with the objective of attaining a  
30 market rate of return throughout budgetary and economic cycles, taking into account the  
31 investment risk constraints and liquidity needs. Return on investment is of secondary  
32 importance compared to the safety and liquidity objectives described above. The core of  
33 investments is limited to relatively low risk securities in anticipation of earning a fair  
34 return relative to the risk being assumed. Securities shall generally be held until maturity  
35 with the following exceptions:

- 36                   • A security with declining credit may be sold early to minimize loss of  
37                   principal.  
38                   • A security swap would improve the quality, yield, or target duration in the  
39                   portfolio.  
40                   • Liquidity needs of the portfolio require that the security be sold.

41 I. Delegation of Investment Authority

42       a. Management and administrative responsibility for the investment program of the  
43       Department is entrusted to the Finance Director under the direction of the Board of  
44       Directors. Individuals authorized to engage in investment transactions of behalf of the  
45       Department are the Finance Director, the Fire Chief and any other individuals designated  
46       by the Board of Directors.

47  
48       b. The Finance Director shall be responsible for all transactions undertaken. The  
49       Finance Director shall establish and maintain in internal control structure which will be  
50       reviewed annually with the independent auditor of the Department. The controls shall be  
51       designed to prevent loss of public funds due to fraud, employee error, misrepresentation  
52       by third parties, unanticipated market changes, or imprudent actions by employees of the  
53       Department. The internal controls shall address the following points at a minimum.

- 54                   • Control of collusion,  
55                   • Separation of transaction authority from accounting and record keeping,  
56                   • Custodial safekeeping,  
57                   • Clear delegation of authority,  
58                   • Documentation of all transactions,

59

60 II. Public Deposits

61       a. The Board of Directors hereby designates Cornerstone Community Bank as the public  
62       depository in which the Fiscal Agent shall deposit all public monies received by the  
63       Department. Public deposits shall include all funds maintained in demand deposit  
64       accounts, including interest and non-interest bearing checking accounts. In addition, See  
65       (Appendix A) for additional public designated depositories.

66

67       b. The Department's investments are restricted in accordance with Wisconsin Statutes  
68       section 66.0603 (Appendix B).

69

70       c. Limitations: Department deposits will be protected through insurance:

- 71                   • The Federal Deposit Insurance Company (FDIC) currently protects  
72                   deposits up to \$250,000 for checking and \$250,000 for savings accounts.  
73                   • The Wisconsin State Deposit Guarantee Fund protects public deposits  
74                   under Wisconsin Statutes 20.144 a) and 34.08 (2) up to \$400,000, after  
75                   FDIC coverage, for any one public depositor in any individual public  
76                   depository.

77

78       d. Liability: Notwithstanding, any other provisions of law, the Finance Director who  
79       deposits public monies in any public depository, in compliance with Sec. 34.05, Stats. is  
80       under the provisions of Sec. 34.06, Stats. relieved of any liability for any loss of public  
81       monies which results in the failure of any public depository to repay the public depositor

82 the full amount of its deposits, thus causing a loss as defined in Sec. 34.01 (2), Stats.

83

### 84 III. Investments

85 a. Subject to the provisions of this policy, the Finance Director shall have control of and  
86 discretion in the investment of all North Shore Fire Department funds that are not  
87 immediately needed and are available for investment.

88

89 b. Scope: The policy is limited in its application to funds which re not immediately  
90 needed and are available for investment. Other funds, the investment of which is subject  
91 to special federal and/or state laws and regulations, shall be invested in accordance with  
92 such laws and regulations to the extent they may be inconsistent with the provisions of  
93 this policy.

94

95 c. Responsibility: In exercising his/her investment responsibilities, the Finance Director  
96 shall exercise the care, skill, prudence and diligence under the circumstances then  
97 prevailing that a prudent person acting in a similar capacity, with the same resources, and  
98 familiar with like matters in the management of a similar activity, with a like purpose.  
99 The Finance Director shall report all investments to the Finance Committee of the NSFD  
100 Board on a semiannual basis.

101

102 d. Investment Advisory Agreement. The North Shore Fire Department has a contract  
103 with Ehlers Investment Partners, LLC (“Ehlers”) to provide investment account services.  
104 All investments of funds that are subject to Ehlers’ Schedule of Fees shall require the  
105 advance written approval of the Fire Chief. If advance approval is not practical at the  
106 time of the investment, then the approval shall be obtained as soon as it is practical.  
107 Written approval may be in the form of emails or any other form that can be preserved in  
108 the North Shore Fire Department’s records.

109

110 e. Investments: The investment of funds shall be in accordance with Wisconsin Statutes  
111 34.01 (5) and 66.0603 (Appendix B) and chooses to further limit cash investments to the  
112 following:

113

- 114 1. Checking and saving accounts;
- 115 2. Local government investment pools either state-administered or developed  
116 through joint powers statues and other intergovernmental agreement legislation,  
117 such as the Local Government Investment Pool and Wisconsin Investment Series  
118 Cooperative;
- 119 3. Certificates of deposits (fully FDIC insured for principal ) and certificates of  
120 deposit purchased through the Certificate of Deposit Account Registry Service  
121 (CDARS);
- 122 4. Money market mutual funds regulated by the Securities and Exchange  
123 Commission and whose portfolios consist of only of dollar-denominated  
124 securities;
- 125 5. Bonds and securities issued by the federal government of a commission, board  
126 or other instrumentality of the federal government;
- 127 6. Bonds of any county, city, drainage district, technical college, village, town or

- 128 school district of this state;
- 129 7. Commercial paper if rated in the highest tier (e.g. A-1, P-1, AAA) or second
- 130 highest category by a nationally recognized rating agency; and
- 131 8. Overnight repurchase agreements with a public depository as defined in statute
- 132 34.01 (5), provided that the agreement is secured by bonds or securities issued or
- 133 guaranteed as to principal and interest by the federal government and held by a
- 134 third party custodian. The Department shall be informed of the specific collateral
- 135 and investments in the repurchase agreements and the agreement shall be
- 136 collateralized at 105% of the value of the Department's investments.
- 137 9. Prohibited Investments: Department funds will not be invested in derivative
- 138 type investments such as collateralized mortgage obligations, strips, floaters, etc.
- 139 Certain types of such investments may qualify under state statute but are not
- 140 deemed appropriate for use by the Department.

141

#### 142 IV. Investment Committee

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

150

#### 151 V. Miscellaneous

- 152 a. Any surplus shall be invested by the Finance Director in compliance with this Policy
- 153 and Wisconsin Statutes in any of the public depositories designated herein such a manner
- 154 that is consistent with the objectives of this investment policy.
- 155 b. Definitions: Words and phrases shall, insofar as applicable, have the meanings set
- 156 forth in section 34.01, Stats. as amended.
- 157 c. Duration. This policy shall continue in force until repealed or superseded by further
- 158 Policy of the North Shore Fire Department Board of Directors. The Director of Finance
- 159 and the Investment Committee shall review the Investment Policy and Strategy on an
- 160 annual basis.

161

#### 162 Appendix A

163

#### 164 Authorized Financial Institutions:

165

166 In addition to any eligible financial institutions according to the Wisconsin Statutes, North Shore

167 Fire/Rescue designates the following institutions as public depositories for the funds as follows:

168

169 Associated Bank

170 Mutual Banker's Bank Chase Bank Guaranty

171 Cornerstone Bank

172 Local Government Investment Pool

173 MBIA Class for Wisconsin investment Management Program

174 M&I Bank (BMO Harris Bank)  
175 MBO Capital Markets (M&I Capital Markets) Morgan Stanley Smith Barney  
176 North Milwaukee State Bank  
177 RBC Dain Rauscher Incorporated – RBC Capital Markets TD Ameritrade Institutional  
178 Tri-City National Bank  
179 US Bank  
180 Wells Fargo Bank Westbury Bank

181

182 Appendix B

183

184 66.0603 Investments.

185 (1g) Definition. In this section, “governing board” has the meaning given under s. 34.01 (1) but  
186 does not include a local exposition district board created under subch. II of ch. 229 or a local  
187 cultural arts district board created under subch. V of ch. 229.

188 NOTE: Sub. (1g) is shown as renumbered from sub. (1g) (a) by the legislative reference bureau  
189 under s. 13.92 (1) (bm) 2.

190 (1m) Investments.

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

195 1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan  
196 association which is authorized to transact business in this state if the time deposits mature in not  
197 more than 3 years.

198 2. Bonds or securities issued or guaranteed as to principal and interest by the federal government,  
199 or by a commission, board or other instrumentality of the federal government.

200 3. Bonds or securities of any county, city, drainage district, technical college district, village,  
201 town or school district of this state.

202 3m. Bonds issued by a local exposition district under subch. II of ch. 229.

203 3p. Bonds issued by a local professional baseball park district created under subch. III of ch. 229.

204 3q. Bonds issued by a local professional football stadium district created under subch. IV of ch.  
205 229.

206 3s. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

207 3t. Bonds issued by a local cultural arts district under subch. V of ch. 229.

208 3u. Bonds issued by the Wisconsin Aerospace Authority.

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

214 5. Securities of an open-end management investment company or investment trust, if the  
215 investment company or investment trust does not charge a sales load, if the investment company  
216 or investment trust is registered under the investment company act of 1940, 15 USC 80a-1 to  
217 80a-64, and if the portfolio of the investment company or investment trust is limited to the  
218 following:

219 a. Bonds and securities issued by the federal government or a commission, board or other

220 instrumentality of the federal government.

221 b. Bonds that are guaranteed as to principal and interest by the federal government or a  
222 commission, board or other instrumentality of the federal government.

223 c. Repurchase agreements that are fully collateralized by bonds or securities under subd. 5. a. or  
224 b.

225 (b)

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

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

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

239 a. Post-employment health care benefits provided either separately or through a defined benefit  
240 pension plan.

241 b. Other post-employment benefits provided separately from a defined benefit pension plan.

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

245 5. A city, village, town, county, drainage district, technical college district, or other governing  
246 board as defined by s. 34.01 (1) may invest and reinvest funds that are held in trust, other than  
247 funds held in the public employee trust fund, solely to provide any of the following benefits, in  
248 the same manner as is authorized for investments under s. 881.01:

249 a. Post-employment health care benefits provided either separately or through a defined benefit  
250 pension plan.

251 b. Other post-employment benefits provided separately from a defined benefit pension plan.

252 6. Funds that are held in trust to provide the benefits described in subds. 3. and 5. shall be held in  
253 a trust fund that is separate from all other trust funds created by, or under the control of, the local  
254 governmental unit.

255 (c) A local government, as defined under s. 25.50 (1) (d), may invest surplus funds in the local  
256 government pooled-investment fund. Cemetery care funds, including gifts where the principal is  
257 to be kept intact, may also be invested under ch. 881.

258 (d) A county, city, village, town, school district, drainage district, technical college district or  
259 other governing board as defined by s. 34.01 (1) may engage in financial transactions in which a  
260 public depository, as defined in s. 34.01 (5), agrees to repay funds advanced to it by the local  
261 government plus interest, if the agreement is secured by bonds or securities issued or guaranteed  
262 as to principal and interest by the federal government.

263 (e) Subject to s. 67.11 (2) with respect to funds on deposit in a debt service fund for general  
264 obligation promissory notes issued under s. 67.12 (12), a county having a population of 500,000  
265 or more, or a person to whom the county has delegated investment authority under sub. (5), may

266 invest and reinvest in the same manner as is authorized for investments and reinvestments under  
267 s. 881.01, any of the following:

- 268 1. Moneys held in any stabilization fund established under s. 59.87 (3).
- 269 2. Moneys held in a fund or account, including any reserve fund, created in connection with the  
270 issuance of appropriation bonds under s. 59.85 or general obligation promissory notes under s.  
271 67.12 (12) issued to provide funds for the payment of all or a part of the county's unfunded prior  
272 service liability.
- 273 3. Moneys appropriated or held by the county to pay debt service on appropriation bonds or  
274 general obligation promissory notes under s. 67.12 (12).
- 275 4. Moneys constituting proceeds of appropriation bonds or general obligation promissory notes  
276 described in subd. 2. that are available for investment until they are spent.
- 277 5. Moneys held in an employee retirement system of the county.

278 (f) Subject to s. 67.11 (2) with respect to funds on deposit in a debt service fund for general  
279 obligation promissory notes issued under s. 67.12 (12), a 1st class city, or a person to whom the  
280 city has delegated investment authority under sub. (5), may invest and reinvest in the same  
281 manner as is authorized for investments and reinvestments under s. 881.01, any of the following:

- 282 1. Moneys held in any stabilization fund established under s. 62.622 (3).
- 283 2. Moneys held in a fund or account, including any reserve fund, created in connection with the  
284 issuance of appropriation bonds under s. 62.62 or general obligation promissory notes under s.  
285 67.12 (12) issued to provide funds for the payment of all or a part of the city's unfunded prior  
286 service liability.
- 287 3. Moneys appropriated or held by the city to pay debt service on appropriation bonds or general  
288 obligation promissory notes under s. 67.12 (12).
- 289 4. Moneys constituting proceeds of appropriation bonds or general obligation promissory notes  
290 described in subd. 2. that are available for investment until they are spent.
- 291 5. Moneys held in an employee retirement system of the city.

292 (2) Delegation of investment authority. A county, city, village, town, school district, drainage  
293 district, technical college district or other governing board, as defined in s. 34.01 (1), may  
294 delegate the investment authority over any of its funds not immediately needed to a state or  
295 national bank, or trust company, which is authorized to transact business in this state if all of the  
296 following conditions are met:

- 297 (a) The institution is authorized to exercise trust powers under s. 221.0316 or ch. 223.
- 298 (b) The governing board renews annually the investment agreement under which it delegates its  
299 investment authority, and reviews annually the performance of the institution with which its  
300 funds are invested.

301 (3) Additional delegation of investment authority.

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

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

311 (c)

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

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

322 (4) Invested fund proceeds in populous cities, use. In a 1st class city, all interest derived from  
323 invested funds held by the city treasurer in a custodial capacity on behalf of any political entity,  
324 except for pension funds, is general revenue of the city and shall revert to the city's general fund  
325 upon the approval by the political entity evidenced by a resolution adopted for that purpose.

326 (5) Delegation of investment authority in connection with pension financing in populous cities  
327 and counties. The governing body of a county having a population of 500,000 or more, or a 1st  
328 class city, may delegate investment authority over any of the moneys described in sub. (1m) (e)  
329 or (f) to any of the following persons, which shall be responsible for the general administration  
330 and proper operation of the county's or city's employee retirement system, subject to the  
331 governing body's finding that such person has expertise in the field of investments:

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

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

334 History: 1999 a. 9 ss. 1607, 1608; 1999 a. 65 ss. 15 to 17; 1999 a. 150 ss. 93, 95, 168; 1999 a.  
335 167 ss. 31, 32; 1999 a. 186 ss. 43, 44; 2001 a. 30; 2003 a. 264; 2005 a. 99, 335; 2007 a. 82, 115;  
336 2009 a. 28; 2015 a. 60; s. 13.92 (1) (bm) 2.

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

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