

ORDINANCE NO. 2023-103

**ORDINANCE BY THE FINANCE AND HUMAN RESOURCES COMMITTEE
AMENDING THE RACINE COUNTY CODE OF ORDINANCES – CHAPTER 7,
ARTICLE VII – INVESTMENT OF FUNDS**

To the Honorable Members of the Racine County Board of Supervisors:

The Racine County Board of Supervisors does ordain as follows:

Part 1

Section 7-196 of the Racine County Code of Ordinances relating to the Investment policy is hereby amended to read as follows:

Sec. 7-196. – Investment policy.

- 1. *Statement of purpose.*
 - (a) The purpose of the investment policy set out in this article is to establish guidelines for investments which are broad enough to allow the finance director to function properly within the parameters of responsibility and authority. It is also intended to be specific enough to establish a prudent set of basic procedures to assure that investment assets are adequately safeguarded. It assures that the fundamental principles concerning any investment program involving public moneys has four (4) basic ingredients: Legality, safety, liquidity and yield.
 - (b) The goals of this investment policy are to ensure that the county's investment portfolio is managed for maximum return, both long and short term, in a manner that is consistent with good cash management practices and the safety of principal.
 - (c) Specifically, this investment policy shall offer the necessary guidelines to attain the following goals and objectives:
 - (1) Legality of investments and instruments.
 - (2) Safety of funds invested.
 - (3) Adequate liquidity through marketability.
 - (4) Maximizing yield on all funds invested.
 - (5) Full investment of all available funds.

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(6) Investments must be consistent with the county's cash flow needs so as to avoid penalty for early liquidation.

2. *Investment guidelines.*

(a) *Purpose.* To establish the county's cash investment objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments, selection process for investments, investment management and advisory firms, diversification, and safekeeping requirements. This investment policy applies to all investment transactions and related activities of the county, except the investment of other post-employment benefits held for employees' retirement funds.

(b) *Definitions.*

- (1) *Credit risk* means the risk that all or part of the principal of, or interest due on, an investment will be lost due to the failure of the security issue or backer.
- (2) *Interest rate risk* means the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.
- (3) *High grade* means securities rated in the highest or second highest rating category assigned by Standard and Poor's Corporation, Moody's Investors Service, Inc., or some other nationally recognized rating agency.
- (4) *Reinvestment risk* means the risk that cash flows from securities will be reinvested at a lower interest rate than the original investment.
- (5) *Investment officer* means the officer or employee of the county to whom is delegated the county board's investment authority pursuant to W.S.A. § 59.62(1).
- (6) *Designee* refers to a qualified individual appointed by the county executive.
- (7) *Finance committee* refers to the Racine County Finance and Human Resources Committee.
- (8) *LGIP* means the local government investment pools administered by the State of Wisconsin Investment Board.

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4 (c) *Objectives.* The primary objectives of county investment activities
5 shall be the following in order of importance:

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7 (1) *Safety of principal.* To preserve capital in the overall
8 portfolio, to protect investment principal, and to mitigate
9 credit risk, interest rate risk, and reinvestment rate risk.

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11 (i) *Credit risk.* The county will minimize credit risk by
12 limiting investments to the safest types of securities,
13 pre-qualifying financial institutions and investment
14 advisors with which the county will do business, and
15 diversifying the investment portfolio so that the
16 impact of potential losses from any one (1) type of
17 security or from any one (1) individual will be
18 minimized.

19 (ii) *Interest rate risk.* The county will minimize interest
20 rate risk by structuring the investment portfolio so
21 that securities mature to meet cash requirements for
22 ongoing operations, thereby avoiding the need to sell
23 securities on the open market prior to maturity, and
24 investing the county's operating funds primarily in
25 shorter-term securities, money market mutual funds,
26 or similar investment pools. Investments should be in
27 high grade, actively traded securities.

28 (iii) *Reinvestment risk.* The county will minimize
29 reinvestment risk by carefully evaluating the use of
30 callable securities within the overall portfolio.

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32 (2) *Liquidity.* The investment portfolio shall remain sufficiently
33 liquid to meet operating requirements which might be
34 reasonably anticipated. The portfolio shall be structured so
35 that securities mature concurrent with cash needs in order
36 to meet anticipated operational demands.

37 (3) *Yield.* To manage the investment portfolio to maximize
38 return consistent with the objectives and other risk
39 limitations described in this policy. The core of investments
40 is limited to relatively low risk securities in anticipation of
41 earning a fair return relative to

3 the risk assumed. Securities shall not be sold prior to
4 maturity with the following exceptions:

- 5
- 6 (i) A security with declining credit may be sold early to
7 minimize loss of principal.
- 8 (ii) A security swap may be entered into if it would
9 improve the quality, yield, or target duration in the
10 portfolio.
- 11 (iii) Liquidity needs of the portfolio require that the
12 security be sold.

- 13
- 14 (4) *Legal restrictions.* To manage the portfolio in conformity
15 with all applicable federal, state, and local laws as well as
16 Racine County's internal administrative procedures.
- 17 (5) *Other.* To allow deviation from Racine County Investment
18 Policy objectives when authorized by the county board, with
19 recommendation from the finance committee.

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21 (d) *Standard of prudence.*

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- 23 (1) The standard of prudence to be applied by the investment
24 officer to management of the overall portfolio shall be the
25 "prudent person rule" which can generally be stated in
26 terms of the following broad principle: Investments shall be
27 made with the judgment and care, under circumstances
28 then prevailing, which persons of prudence, character, and
29 intelligence exercise in the management of their own
30 affairs, not for speculation, but for investment, considering
31 the probable safety of their capital as well as the probable
32 income to be derived.
- 33 (2) The investment officer shall, in accordance with W.S.A., ch.
34 34, this investment policy, and county procedures, exercise
35 due diligence and ensure compliance with all regulations.
- 36 (3) Officers and employees involved in the investment process
37 shall refrain from personal business activity that could
38 conflict, or appear to conflict, with the proper execution and
39 management of the investment program, or that could
40 impair their ability to make impartial decisions. Officers and
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4 employees shall disclose any material interests in financial
5 institutions with which they conduct business. They shall
6 further disclose any personal financial/investment positions
7 that could be related to the performance of the investment
8 portfolio.

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10 (e) *Delegation of authority.*

- 11
12 (1) Pursuant to W.S.A., §§ 59.62 and 59.61(3), the county
13 board delegates to the finance director the authority to act
14 as the investment officer. The investment officer shall act in
15 accordance with established written procedures and
16 internal controls for the operation to oversee investment
17 transactions conducted on behalf of the county. The
18 investment officer may contract with one (1) or more
19 investment advisors with prior approval of the finance
20 committee and with sufficient funds available within the
21 county budget.
- 22 (2) The investment officer, or their designee appointed by the
23 county executive, shall have the authority to direct the
24 transfer of funds between accounts established for
25 investments as prescribed in administrative procedures.
- 26 (3) The investment officer, or their designee appointed by the
27 county executive, shall have the authority to sign
28 agreements and contracts related to investments on behalf
29 of the county as prescribed in administrative procedures.
- 30 (4) Pursuant to W.S.A., § 59.61(2), the county board delegates
31 the responsibility for designating approved county financial
32 depositories, broker/dealers, and investment advisors to the
33 finance committee. The finance committee delegates the
34 monitoring of these approved financial depositories,
35 broker/dealers, and investment advisors to the investment
36 officer. The investment officer shall bring forth any concerns
37 or recommended changes of approved institutions and
38 vendors to the finance committee as needed.
- 39 (5) The county treasurer shall ensure timely transfer of
40 appropriate funds in accordance with authorized investment
41 transactions and pursuant to all county policies.

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- (6) The county treasurer is responsible for maintaining adequate levels of cash in the county's operating account necessary for day-to-day cash flow. Any requirement for large or non-recurring disbursements of cash shall be reported by the county treasurer to the investment officer in order to provide sufficient notice of investment impact.
- (7) The county board authorizes any two (2) of either the county clerk, county executive, and/or investment officer to sign cash and investment authorization agreements and contracts with approved depositories.

(f) *Reporting requirements.*

- (1) The investment officer shall provide the finance committee with copies of a portfolio performance report on a quarterly basis and when a specific request is made. The report shall summarize the investment strategies employed; describe the portfolio in terms of investment securities, maturity dates, risk characteristics; and indicate any areas of policy concern and suggested or planned revision of investment strategies. Between reporting periods, the investment officer shall notify the finance committee of any unusual investment activities or events. The report will provide an analysis of the status of the current investment portfolio and transactions made over the last quarter prepared in a manner that will allow the finance committee to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall include the following:
 - (i) A listing of individual securities held at the end of the reporting period;
 - (ii) Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over a one-year duration that are not intended to be held until maturity;

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- 4 (iii) Average weighted yield to maturity of portfolio on
- 5 investments as compared to applicable benchmarks;
- 6 (iv) Listing of investment by maturity date; and
- 7 (v) Percentage of the total portfolio which each type of
- 8 investment represents.

- 9
- 10 (2) The investment officer, or their designee appointed by the
- 11 county executive, shall be responsible for projecting cash
- 12 flows for a minimum of five (5) years for use in evaluating
- 13 investment options. The county treasurer shall provide to
- 14 the investment officer, on a timely basis, all information
- 15 necessary to maintain a current cash projection.
- 16 (3) The investment officer shall immediately report any/all
- 17 investment issues or concerns to the county executive. The
- 18 county executive shall report any significant investment
- 19 issues or concerns to the finance committee, as
- 20 appropriate.

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22 (g) *Internal controls.*

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- 24 (1) The finance director shall establish a system of internal
- 25 controls which shall be reviewed by the county's
- 26 independent auditor during the annual audit. The controls
- 27 shall be designed to prevent loss of public funds due to
- 28 fraud, error, misrepresentation by another party, or
- 29 imprudent actions by an employee or employees of the
- 30 county. Adherence to these procedures will be monitored
- 31 by the assistant finance director or designee appointed by
- 32 the county executive.

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34 (h) *Eligible investments.*

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- 36 (1) *Allowable investments.* Subject to limitations as may be
- 37 imposed by law, funds will only be invested in any of the
- 38 following investments:
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- 40 (i) U.S. Treasury obligations and government securities.
- 41 Obligations of the United States of America, its

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4 agencies and instrumentalities, provided that the
5 payment of the principal and interest is fully
6 guaranteed by the issuer.

7 (ii) Certificates of deposit. Certificates of deposit and
8 other evidences of deposit at credit unions, banks,
9 savings banks, trust companies or savings and loan
10 associations. No collateral is required for DTC
11 eligible certificates of deposit rated in one (1) of the
12 two (2) highest rating categories by at least one (1)
13 nationally recognized rating agency at purchase.

14 (iii) Municipal debt instruments. Municipal debt
15 instruments of any county, city, drainage district,
16 vocational college, village, town or school district of
17 the State of Wisconsin, if the bond, note, or security
18 is rated in one (1) of the two (2) highest rating
19 categories assigned by Standard and Poor's
20 Corporation, Moody's Investors Service, Inc., or
21 other similar nationally recognized rating agency.

22 (iv) Local government investment pools, either state-
23 administered, the State of Wisconsin Investment
24 Board's Local Government Investment Pool (LGIP),
25 or created through joint powers statutes and/or other
26 intergovernmental agreement legislation.

27 (v) Repurchase agreements. Investment agreements
28 pursuant to which a federal or state credit union,
29 federal or state savings and loan association, state
30 bank, savings and trust company, mutual savings
31 bank, or national bank in the state agrees to repay
32 funds advanced to it by the issuer, plus interest.
33 Repurchase agreements are to be secured by
34 investment securities fully guaranteed by the U.S.
35 government.

36 (vi) Reserved.

37 (vii) Money market funds. Open ended money market
38 funds, restricted to investments permitted by W.S.A.,
39 § 66.0603(1m)(c), and limited to a maximum average
40 maturity of one hundred twenty (120) days or less.
41 This limit does not apply to the LGIP investments.

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- (viii) Corporate bonds. Must be rated in one (1) of the two (2) highest rating categories by at least one (1) nationally recognized rating agency at purchase. Bonds downgraded should be reviewed regularly to determine if they remain appropriate for the county's portfolio. It is not necessary to immediately sell the security if doing so would disadvantage the overall performance of the portfolio.
- (ix) Foreign securities. Investments in securities issued by foreign entities must be denominated in U.S. dollars, and must be rated in one (1) of the two (2) highest rating categories by at least one (1) nationally recognized rating agency at purchase.
- (x) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven (7) years of the date it was acquired, if that security has a rating in one (1) of the two (2) highest rating categories by at least one (1) nationally recognized rating agency at purchase or if that security is senior to, or in parity with, a security of the same issuer which has such a rating.
- (xi) Any other investment that is permissible under W.S.A. § 66.0603 must first be approved by the finance committee.

(2) *Eligible amounts.* The investment officer shall ensure amounts on deposit do not exceed collateralized amounts guaranteed by the financial institution, consistent with this written policy.

(i) *Prohibited investments.* In addition to the limitations placed on investment types by state statutes, the following additional restrictions will apply to any investment made by the county:

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- (1) County funds will not be invested in derivative investments such as collateralized mortgage obligations (other than those issued and guaranteed by government sponsored enterprise, Fannie Mae and Freddie Mac, or Ginnie Mae), strips, or floaters.
- (2) Leveraged investments. No investments shall be made in reverse repurchase agreements nor shall any investments be made with funds borrowed through the use of county investment assets as collateral.

(j) *Collateralization.* Any deposit(s) invested over the Federal Deposit Insurance Corporation insured amount are to be fully collateralized under the specific requirements set forth below at subsection (k) – *Safekeeping*, except for those high grade DTC eligible certificates of deposit referenced above in subsection (h)(1)ii – Certificates of deposit.

(k) *Safekeeping.*

- (1) All investment institutions acting as a depository for the county must enter into a depository agreement requiring the depository asset to pledge collateral to secure amounts over and above guaranteed amounts. All securities serving as collateral shall be specifically pledged to the county (not as part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution. The custodian shall send statements of pledged collateral to the treasurer's office on a monthly basis.
- (2) Amounts in excess of Federal Deposit Insurance Corporation insured amounts must be fully collateralized and held by a third party or fully insured by an insurance company with an A rating or better by A.M. Best. Acceptable collateral includes the following:

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- (i) Securities of the U.S. Treasury or U.S. Governmental Agency as defined by the Federal Reserve;
- (ii) U.S. government guaranteed securities such as those issued through the Small Business Administration are acceptable as long as they are fully guaranteed;
- (iii) Reserved;
- (iv) General obligations of municipalities are acceptable to the extent that they are rated second highest or higher by Standard and Poor's Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency (i.e., AAA or AA classifications).

(3) Collateral held by a trust institution supporting certain deposits, repurchase agreements, or other qualified investments consistent with this investment policy, and not identified above in subsection (h)(1)i – U.S. Treasury obligations and government securities, and subsection (h)(1)ii – Certificates of deposit, must meet the following requirements:

- (i) Collateral must be equal to at least one hundred (100) percent of market value of the total amount invested plus interest to be earned at the time of investment. Collateral shall be marked to market on a monthly basis;
- (ii) Acceptable collateral includes items identified in subsection (k)(2) above;
- (iii) A detailed statement listing a description of securities pledged and held in safekeeping must be provided on a monthly basis; and
- (iv) Evidence of professional liability insurance and fidelity bonds.

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4 (l) *Investment parameters.*

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6 (1) *Performance standards.* The investment portfolio will be
7 designed to obtain a market average rate of return taking
8 into account the county's investment risk constraints and
9 cash flow needs. Given the nature of the county's
10 investment strategy, the basis used to determine whether
11 market yields are being achieved shall be performance
12 benchmarks recommended by the investment officer and
13 approved by the finance committee.

14 (2) *Maximum maturities.* To the extent possible, the county will
15 attempt to match its investments with anticipated cash flow
16 requirements.

17 (3) *Diversification.* The portfolio shall be diversified to avoid
18 over-concentration in securities from a specific issuer or
19 market sector.

20 (i) No more than five (5) percent of the total portfolio
21 should be invested in any one (1) issuer, excluding
22 obligations of the United States of America, its
23 agencies and instrumentalities;

24 (ii) No more than seventy (70) percent of the portfolio
25 should be invested in corporate bonds, including
26 asset-backed securities; and

27 (iii) No more than twenty (20) percent of the total
28 portfolio should be invested in foreign securities.

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30 (m) *Duty to obtain information.*

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32 (1) The finance director shall communicate with financial
33 institutions and avail him/herself of other financial
34 information on current or pending market conditions in
35 making his/her decision on rates and maturities as well as
36 the securities to be purchased. In making all investment
37 decisions, the finance director shall endeavor to obtain the
38 highest rate of interest offered only in accordance with the
39 stated objectives of this policy.
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4 (n) *Amendments.* The provisions of this policy shall be reviewed on
5 an annual basis by the investment officer and reported to the
6 finance committee in a timely manner. Recommendations for
7 changes shall be submitted to the finance committee.
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9 (Ord. No. 87-218S, pt. 1(5.071), 1-26-88; Ord. No. 2015-25S, pt. 1, 6-23-15; Ord. No.
10 2015-81, pt. 1, 12-1-15)

11 **Part 2**

12
13 Section 7-201 of the Racine County Code of Ordinances relating to Investments is
14 hereby amended to read as follows:

15
16 **Sec. 7-201. – Reserved.**

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18 (Ord. No. 87-218S, pt. 1(5.072(2)), 1-26-88; Ord. No. 2015-25S, pt. 1, 6-23-15)
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21		Respectfully submitted,
22		
23	1st Reading _____	FINANCE AND HUMAN RESOURCES
24		COMMITTEE
25	2nd Reading _____	
26		_____
27	BOARD ACTION	Donald J. Trottier, Chairman
28	Adopted _____	
29	For _____	_____
30	Against _____	Robert N. Miller, Vice-Chairman
31	Absent _____	
32		_____
33	VOTE REQUIRED: <u>Majority M.E.</u>	John Wisch, Secretary
34		
35	Prepared by:	_____
36	Corporation Counsel	Jason Eckman
37		
38		_____
39		Scott Maier
40		
41		_____
42		Nick Demske
43		
44		_____
45		Jody Spencer
46		

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4 **The foregoing legislation adopted by the County Board of Supervisors of**
5 **Racine County, Wisconsin, is hereby:**

6 **Approved:** _____

7 **Vetoed:** _____

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9 **Date:** _____,

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12 _____
Jonathan Delagrave, County Executive