



TERRY KATSMMA

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Date: May 3rd, 2017
To: Assembly Committee on Local Government
From: Representative Terry Katsma
Re: AB 229, pertaining to local government investment

Dear Chairman Brooks and Committee Members,

Thank you all for gathering to hear Assembly Bill (AB) 229, a bill which will give greater control to local government officials, and allow more investment in local communities.

Currently, a local government has a variety of options for investing surplus capital: in federal, state, or local bonds; in securities with a rating of at least AA; or in financial institutions such as banks, credit unions, trust companies, savings banks or savings and loan associations. Despite these options for investing, state statute does not treat these investment options equally. Statute places maturation limits on investment in securities and financial institutions. Under current law, a local government may not invest surplus funds in a financial institution for more than three years, a restriction that places an unnecessary burden on local government officials and financial institutions.

Local communities have the ability to elect an official to manage their funds. Current statute takes away from that elected official's ability to make the most prudent financial decisions for the local government by not allowing him or her to save for future projects in local, reliable sources.

In addition to limiting local officials' authority, some scenarios have proven this three-year maximum to be financially burdensome on taxpayers. In one Wisconsin city, this provision cost taxpayers tens of thousands of dollars in revenue that was lost due to the lower interest rate that was accepted for a shorter maturation date. Financial institutions typically offer higher interest rates for longer term loans, which can nearly double the rate of return on an investment—money that can be used for the project, rather than coming from the pockets of taxpayers.

While statute allows investment for more than three years in bonds or securities, it deters a local government from investing money in local financial institutions if they are saving for a project that will not be used for over three years. This takes away business from the local institutions, who often have significant financial presence in the community and are the largest lenders to small businesses in the community. Maintaining this barrier to local investment is bad for the local unit of government, the taxpayer, financial institutions and, therefore, the community.

Thank you for your time, and I hope you will join me in supporting AB 229.



PATRICK TESTIN

STATE SENATOR

DATE: May 3, 2017
RE: Testimony on 2017 Assembly Bill 229
TO: The Assembly Committee on Local Government
FROM: Senator Patrick Testin

Thank you to Chairman Brooks and the members of the committee for accepting my written testimony on Assembly Bill 229 (AB 229). This bill gives local governments more investment flexibility by removing the time limit on duration of investment in banks and credit unions.

Currently, local governments can invest funds in federal, state, or local government bonds for an unlimited period of time, but are limited to three years in banks and credit unions. A few years ago, the City of Stevens Point, which I represent, began saving for a capital project that they planned to undertake around four years in the future. Because of current law, the city had to remove their funds after three years, and place them in an investment with a lower interest rate. This caused the city to lose more than \$85,000 in interest.

AB 229 enables local governmental officials to take advantage of a greater breadth of investment opportunities, and I hope you will join me in support of this bill.



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To: Assembly Committee on Local Government
From: Curt Witynski, J.D., Assistant Director, League of Wisconsin Municipalities
Date: May 3, 2017
Re: AB 229, Allowing Local Governments to invest in Certificates of Deposit that Exceed Three Years in Duration

The League of Wisconsin Municipalities strongly supports AB 229, removing the current three year limit on local government time deposits in banks and credit unions. Essentially, the bill would allow local governments to invest in certificates of deposit that mature in 4 or more years, allowing the community the option of earning a higher rate of interest on such investments.

Municipalities may invest surplus cash or other funds not immediately needed only in those investments specified in state law, specifically Wis. Stat. sec. 66.0603. Currently, one of the permissible investments allowed are time deposits (which typically take the form of certificates of deposit, or CDs) in a credit union, bank, savings bank, trust company, or savings and loan association if the time deposit matures in not more than three years.

This bill eliminates the three-year maturity limitation, allowing a municipality, county, or other local government to invest surplus money in a time deposit in a financial institution regardless of the investment's maturity date.

We urge you to recommend passage of this non-controversial expansion of municipal investment authority. Thanks for considering our comments.

I'm Corey Ladick, Comptroller-Treasurer for the City of Stevens Point.

Intro-Thanks/Best Interests

First of all I want to thank Representative Katsma as well as the other sponsors for bringing this bill forward. The reason why I am asking you to support this bill comes down to one simple request, as a municipality we want to be able to act in the best interests of our community.

Our Situation-Planning for capital project-3 Year Limit-Cash Needed in 4 Years

Some of you may have heard of our situation relating to investing some capital project fund dollars. In 2013, we had \$5 million that we were planning to use for a large capital project 4 years later. Knowing that we would not need the money for 4 years, it would have made sense to take out a 4 year certificate of deposit, timing the maturity to match when the cash was needed. However, under the current statute we were not allowed to take out a 4 year CD, as we are limited to a maximum of 3 years.

Result-3 Year and 1 Year-Lower Interest Rate-Not in Best Interests

As a result, we were forced to take out a 3 year CD instead, at a lower interest rate, so it then matured 1 year too early, and we had to take out a 1 year CD to get us the rest of the way, again at a lower rate. The total amount of interest that we lost out on as a result of the lower rates is over \$73,000 and that is money that could have certainly helped in addressing some of the infrastructure needs in our community. Taking a lower interest rate is not in the best interests of our community.

Other Options-Bond Market-Out of State-Not in Best Interests

Under the statute, we did have other options for a 4 year investment, or even longer, such as investing in bonds. Legally, we could have invested in a Fannie Mae bond, taken a lower interest rate based on what the bond market was paying at the time, and we would have helped someone in maybe Florida or California buy a house. I have nothing against someone in Florida or California and their need for financing, but our preference would be to keep our money local, as that is in the best interests of our community and our local businesses, and of course our preference would also be to get the highest available interest rate, again that is also in the best interests of our community.

No Additional Risk-Simply Asking-Best Interests

I also want to stress that I am not asking to take on more risk. Deposits in solid local financial institutions are extremely safe, and for the portion above FDIC or NCUA limits, we usually either have collateral pledged or have a guarantee from another institution, such as the Federal Home Loan Bank, so we are not asking to take on risk in any way, shape or form, we are simply asking to be able to make the decisions that are in the best interests of our community.

RESOLUTION

CHANGE TO LOCAL GOVERNMENT INVESTMENT STATUTE

WHEREAS, Wisconsin statute 66.0603 prescribes allowable investments for local units of government; and

WHEREAS, the statute limits the maturities of various investments, but the limits are not consistent; and

WHEREAS, time deposits in Wisconsin financial institutions have the most restrictive limit on maturities, placing those institutions at an unfair disadvantage; and

WHEREAS, such limitations interfere with the ability of local units of government to make rational investment decisions based on plans for cash flow needs; and

WHEREAS, under the statute, the City of Stevens Point was forced to invest for a shorter term and take a lower interest rate, costing the City \$73,589 in lost interest revenue for the period of 2013 to 2017; and

WHEREAS, the City of Stevens Point wants to make the financial decisions that are in the best interests of the City and its residents.

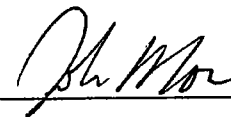
NOW, THEREFORE, BE IT RESOLVED that the City of Stevens Point Common Council urges the Wisconsin State Legislature and Governor to modify Wisconsin statute 66.0603 in order to remove the obsolete maturity restriction on time deposits.

Passed by the Common Council of the City of Stevens Point this 17th day of April, 2017.

APPROVED: _____


Mike Wiza, Mayor

ATTEST: _____


John Moe, City Clerk

Dated: 4-04-2017

Adopted: 4-17-2017

COMMON COUNCIL
CITY OF MILTON, WISCONSIN

RESOLUTION #2017-10

RESOLUTION IN SUPPORT OF ASSEMBLY BILL 229 RELATING TO INVESTMENT
OF SURPLUS MONEY BY LOCAL UNITS OF GOVERNMENT

WHEREAS, Wisconsin statute 66.0603 prescribes allowable investments for local units of government; and

WHEREAS, the statute limits the maturities of various investments, but the limits are not consistent; and

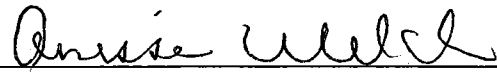
WHEREAS, time deposits in Wisconsin financial institutions have the most restrictive limit on maturities, placing those institutions at an unfair disadvantage; and

WHEREAS, such limitations interfere with the ability of local units of government to make rational investment decisions based on plans for cash flow needs; and

WHEREAS, under the statute, the City of Milton is not able to have an investment ladder greater than 3 years and as a result invest at lower interest rates resulting in an estimated annual loss in interest revenue of \$5,000.

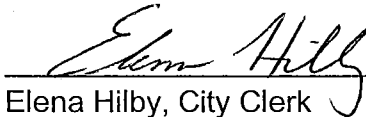
NOW, THEREFORE, BE IT RESOLVED that the City of Milton Common Council urges the Wisconsin State Legislature and Governor to pass Assembly Bill 229 to modify Wisconsin statute 66.0603 in order to remove the obsolete maturity restriction on time deposits.

Adopted this 2nd day of May, 2017



Anissa Welch, Mayor

Attest:



Elena Hilby, City Clerk



Testimony of the Wisconsin Bankers Association
Paul Hoffmann, President/CEO, Monona State Bank
Jon Turke, Director Government Relations, WBA

Assembly Committee on Local Government
Assembly Bill 229

May 3, 2017

Chairman Brooks and members of the committee:

Thank you for the opportunity to testify in support of Assembly Bill 229 relating to the investment of surplus money by local units of government.

My name is Paul Hoffmann and I am president/CEO of Monona State Bank, testifying on behalf of the Wisconsin Bankers Association (WBA). WBA represents approximately 270 commercial banks and savings institutions, their nearly 2,300 branch offices and more than 30,000 employees. With me today I have Jon Turke, WBA's director of government relations.

AB 229 is a common sense reform that creates greater options for local governments to invest surplus dollars. Currently, state law is inconsistent in the timeframe a municipality can invest these funds. Specifically, there is a three-year limit on the amount of time dollars can be deposited in banks and credit unions. Removing this restriction not only creates parity between other investment options, but can help foster a mutually beneficial, local relationship between the bank and community.

Additionally, AB 229 would allow taxpayers to receive a greater benefit from a municipality investing in a bank. For example, the current interest rate on a 3-year certificate of deposit (CD) is 0.75%, while a 5-year CD is 1.25%. Taxpayers would receive more interest over a shorter period on a single 5-year CD than two consecutive 3-year CDs.

I want to again thank Chairman Brooks and members for taking the time to hear this bill today. We would be happy to answer any questions you may have.

Contact:
Jon Turke
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608-441-1215