



PATRICK TESTIN

STATE SENATOR

DATE: May 30, 2017

RE: Testimony on 2017 Senate Bill 170

TO: The Senate Com. on Economic Development, Commerce, and Local Government

FROM: Senator Patrick Testin

Thank you to Chairman Feyen and the members of the committee for accepting my written testimony on Senate Bill 170 (SB 170). 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.

SB 170 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.



TERRY KATSMAS

STATE REPRESENTATIVE • 26th ASSEMBLY DISTRICT

Phone: (608) 266-0656
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P.O. Box 8952
Madison, WI 53708-8952

Date: May 30th, 2017

To: Senate Committee on Economic Development, Commerce and Local Government

From: Representative Terry Katsma

Re: SB 170, pertaining to local government investment

Dear Chairman Feyen and Committee Members,

Thank you all for gathering to hear Senate Bill (SB) 170, 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, communities 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 SB 170.

City of Stevens Point
1515 Strongs Avenue
Stevens Point, WI 54481-3594
Fax: 715-346-1693



Corey D. Ladick
City Comptroller-Treasurer
715-346-1573

May 30th, 2017

**Testimony in Support of SB 170: Investing of Surplus Money by Local Units of Government
Committee on Economic Development, Commerce, and Local Government**

First of all, I want to thank Senator Testin 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.

I would like to start by providing a little background on State Statute 66.0603, which specifies allowable local government investments. Currently, the statute provides a variety of options for the investment of local government funds, listed below. However, the statute is inconsistent with regard to limits on the maturity or timeframe of the investments, as follows:

- Federal Government/Agency Bonds: No Limit
- Wisconsin State and Local Government Bonds: No Limit
- Any Security With a Rating of at least AA: 7 Year Maximum
- Deposits in Banks and Credit Unions: 3 Year Maximum

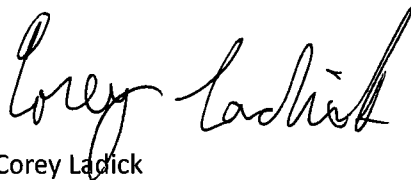
The tightest restriction is on deposits in banks and credit unions, which created a problem for us in 2013. We had \$5 million that we were planning to use for a large capital project 4 years later, and we had several local institutions paying higher rates than what was available in the bond market. 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 (CD), 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.

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.

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.

Finally, I want to stress that we are 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Corey Ladick". The signature is written in a cursive style with a large initial "C".

Corey Ladick
Comptroller-Treasurer
City of Stevens Point

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