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May 19, 2023

Via email

Village of Kronenwetter
c/o Dan Mahoney, Interim Administrator
1582 Kronenwetter Drive
Kronenwetter, WI 54455
dmahoney@kronenwetter.org

Re: Village Finance Authorization Papers

Dear Mr. Mahoney:

As you are aware, this firm serves as Village Attorney and was tasked with redrafting a Village investment policy, no. FIN-005, and a resolution on public depositories for the Village. This occurred after discussion of the topics at the Village Board meeting on April 25, 2023 and a follow up meeting between the Village Attorney, Finance/Director Treasurer, Interim Finance Director/Treasurer, and Interim Administrator. This letter is to summarize a few related points.

There has been significant interest in use of the Local Government Pooled-Investment Fund ("LGIP") due to what appear to be attractive interest rates and relative safety. LGIP reported an annualized rate of 4.26% in January of 2023 (*see* enclosed *The Pool Page*). Our understanding is that the Village may be able find competitive rates with other investments, however. The Finance Director/Treasurer needs to be consulted as to the current state of the market.

What seemed most important about the LGIP was its perceived safety and that it acts to insure up to \$400,000 in deposits, in effect enlarging the normal amount of \$250,000 coverage per account provided by U.S. agencies. But note that the legislature acted in 1985 Wis. Act 25 to limit the amount of money that would support any losses in the LGIP. The fund that supports losses from LGIP is in fact substantially limited to a current total of less than eighty million dollars (*see* enclosed letter). In the event of a loss, a municipality must report it to LGIP within 60 days and losses would be paid out on a first come-first served basis and only until the existing fund is depleted. (*See* notes to Wis. Stat. § 34.08.) Wisconsin had 1,926 counties, towns, cities, and villages as of 2018. Eighty million dollars would not go very far in case of real losses at LGIP given the number of municipalities investing in LGIP, even if far fewer than 1,926. As a result, LGIP is a useful investment tool but not a place of unparalleled safety for a municipality to keep a large amount of deposits.

There have been questions regarding the use of "sweep accounts," or an insured cash sweep service. (*See* enclosed flyer.) Legal authority for this practice is Wis. Stat. § 34.05(4) which was created by 2011 Wis. 204. Therefore, if the Village's designated public depositories offer this service it is lawful for the Village to take advantage of it. This redeposit system to keep all public deposits insured negates the need for a collateralization security to be required or provided. *See* Wis. Stat. § 34.07. If the additional cost of a security is not needed then this cost of doing business is avoided to save both the Village and public depository money.

{07924436.DOCX.1}

Fond du Lac
10 Forest Avenue, Suite 200
Fond du Lac, WI 54935
920-922-0470

De Pere
2079 Lawrence Drive
De Pere, WI 54115
920-235-7300

Waupun
95 S Harris Avenue
Waupun, WI 53963
920-324-9736

Wausau
500 3rd Street, Suite 420,
Wausau, WI 54403
715-848-2966

Black River Falls
132 Main Street
Black River Falls, WI, 54615
715-670-0048

Oshkosh
210 N. Main Street, Suite 100
Oshkosh, WI 54901
920-235-7300

Public deposits that are more immediately needed are generally kept in demand accounts, such as checking and saving. For funds that are not immediately needed, available investments are stated in Wis. Stat. § 66.0603. These include time deposits and LGIP. Everything else involves either Village money held and invested in trust by a third party or some sort of bond. Our understanding is that Village policy has already moved away from trust investment activity and that bonds are not ever utilized, either buying them or selling them. The Finance Director/Treasurer is not a bond trader nor does this person deal with bond traders.

Village Policy FIN-005 has been edited accordingly. The policy retains the same assigned responsibilities of the Finance Director/Treasurer, Administrator, and Administrative Policy Committee. The policy also retains its direction to utilize demand accounts, time accounts, and LGIP. The boiler plate language on the unused, undesired, and far riskier use of trusts and bonds has been removed.

The other document is a redrafted resolution designating public depositories and authorized signatures. The public depositories are now accurate and a security is only required to the extent that deposits would exceed insurance coverage. *See* Wis. Stat. § 34.07. The use of sweep accounts makes a security most likely unnecessary.

The other issue on the current Resolution No. 2013-006 is the signatures. This issue should be reviewed before continuing as is. The general statutory duties related to paying the Village's bills require the signature of both the Clerk and Treasurer (or an authorized deputy, if any). Wis. Stat. §§ 34.105(1) & 66.0607(3). The resolution can also clarify whether or not the Village desires the President to have to co-sign Village checks. § 66.0607(3). That is not necessarily required.

Separately, the Village can authorize other persons, such as other officers or employees, to withdraw or disburse from Village accounts. Wis. Stat. §§ 34.105(2) & 66.0607(6). The Village has to ask itself whether this is necessary and/or desired. These other persons are not bonded like Clerks, Treasurers, and their deputies, if any. Additional persons could be made deputies. The Village meets and has the opportunity to authorize withdrawals and disbursements through regular channels every two weeks. Directly removing deposits from Village accounts is different than e.g., utilizing an authorized credit card.

For miscellaneous issues, we reviewed policy No. FD-001 on the expenditure of funds donated to the Fire Department. Note that Wis. Stat. § 66.0608(2) requires an ordinance, and we did not locate one. We also did not locate an ordinance on an alternative claim procedure under Wis. Stat. § 66.0609, so we assume that Village bills are paid only with the traditional method of Board approval followed by required signatures on a check (other than electronic methods under Wis. Stat. § 66.0607(3m)).

We hope this letter helps to clarify the accompanying drafts of the resolution designating public depositories and the investment policy no. FIN-005. Please let us know of any questions or concerns. Thank you.

Sincerely,

DEMPSEY LAW FIRM, LLP



Lee D. Turonie

ldt@dempseylaw.com

Wausau Office

Enclosures

{07924436.DOCX.1}

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Fond du Lac, WI 54935
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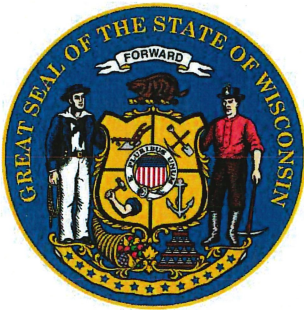
Oshkosh
210 N. Main Street, Suite 100
Oshkosh, WI 54901
920-235-7300

The Pool Page

A Monthly Publication for State of Wisconsin LGIP Participants

JANUARY 2023

VOL 28, ISS 1



The Annualized Earnings
Rate for January 2023:
4.26%

LGIP Holidays

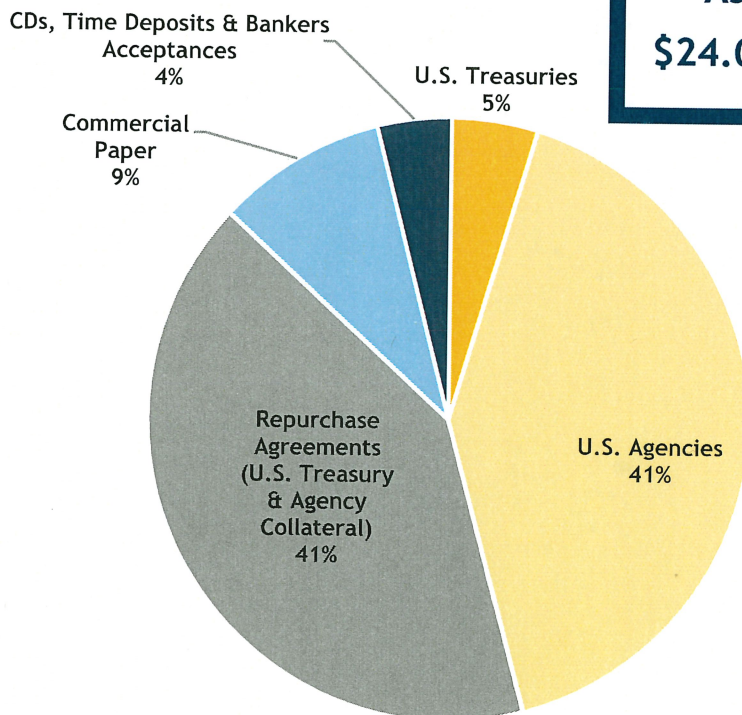
The LGIP will be closed
for business on:

Feb 20	President's Day
Apr 07	Good Friday
May 29	Memorial Day

State Investment Fund Portfolio Composition

As of 1/31/2023

Total Net
Assets:
\$24.0 billion



Book Value Conversion (FV/BV Factor): 100%

Directory

LGIP Toll Free Number

877-947-7665
877-WIS-POOL

LGIP Account Access

<https://lgip.wisconsin.gov>

LGIP Administrator

Department of Administration

Bridget Asasira

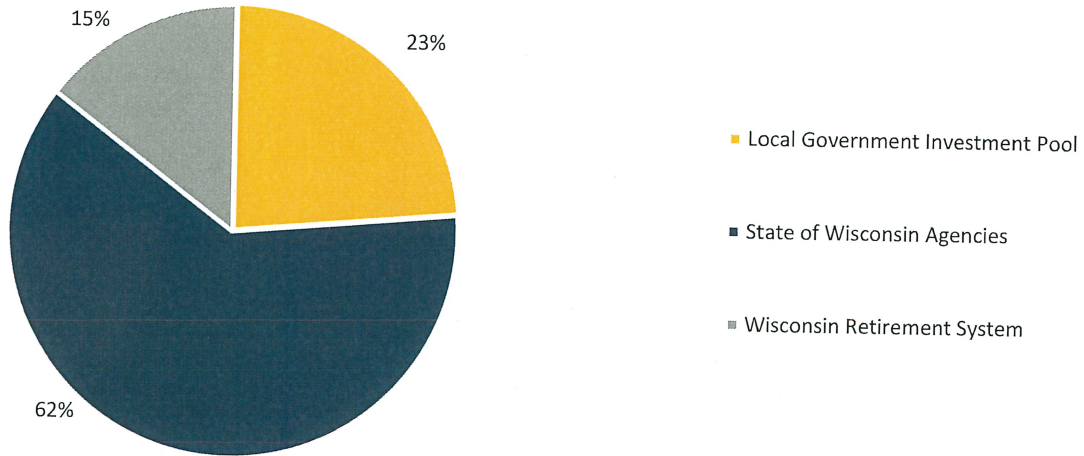
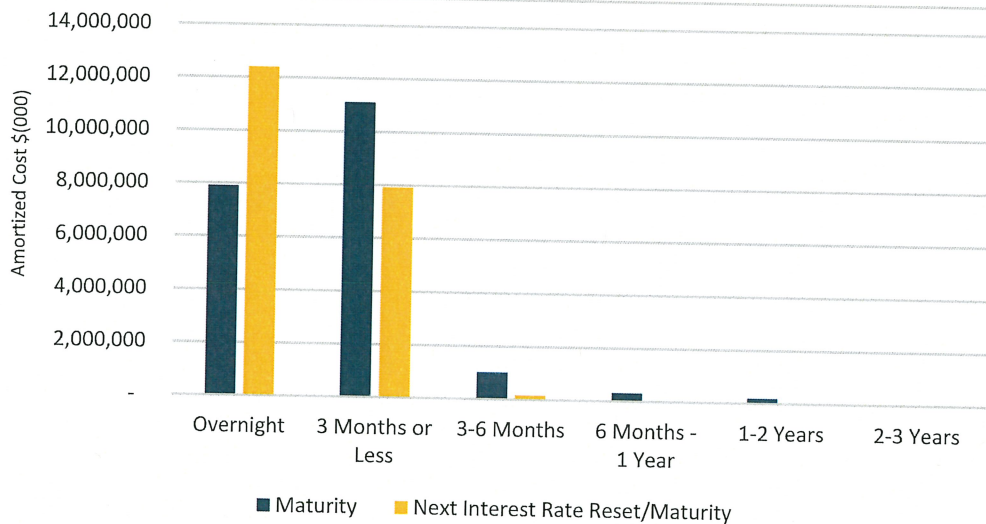
(608) 266-3711
Fax: (608) 223-6578
lgip@wisconsin.gov

LGIP Fund Manager

State of WI Investment Board

Andrea Ruiz, CFA, CPA
Gretchen Wegner, CFA, CPA
Ping Wong, CFA
(608) 266-2045



STATE INVESTMENT FUND PARTICIPANTS**MATURITY DISTRIBUTION & INTEREST SENSITIVITY****Weighted Average Maturity (WAM*):****10 Days**

*WAM represents the average number of days to the earlier of next interest rate reset or maturity.

Weighted Average Life (WAL):****33 Days**

**WAL represents the average number of days to final maturity.

LGIP PERFORMANCE WITH BENCHMARKS - ANNUALIZED RETURNS %

	January 2023	One Year	Five Year	Ten Year
LGIP	4.26	1.97	1.31	0.81
90 Day Treasury Bill	4.53	2.38	1.33	0.81
Crane Government MMF Average	3.77 (e)	1.45	0.89	0.49
Crane Taxable All MMF Average	4.00 (e)	1.65	1.05	0.60

e = estimate



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary
Brian Pahnke, Division Administrator

April 1, 2023

Cheryll Olson-Collins, Deputy Secretary
Department of Financial Institutions
Hill Farms State Office Building
4822 Madison Yards Way
Madison, WI 53705-9100

Re: Public Deposits Guarantee

Dear Ms. Olson-Collins,

In accordance with 20.144(1)(a), Wis. Stats., the State Controller's Office has certified the balance for which a sum sufficient amount can be appropriated for the payment of losses on public deposits.

The calculation confirming the balance as of 3/31/2023 is as follows:

Balance as of 12/31/2022	\$ 77,283,986.62
Statutory accretion: 5.00% (APY), daily compounding	935,376.47
Balance as of 3/31/2023	<u>\$ 78,219,363.09</u>

Sincerely,

Cory Faber, CPA
State Controller's Office

Cc: Kirsten Grinde – DOA
Karolyn Cassidy – DOA

DOA Local Government Investment Pool
Karl Brinkmeier – DFI

A Sweep You Can Bank On[®]

Why Choose Insured Cash Sweep?

Simply put, with the Insured Cash Sweep[®], or ICS[®], service, you can have it all. Using ICS, you can place your funds into demand deposit accounts and:

- **Rest assured** knowing your ICS funds are eligible for multi-million-dollar FDIC insurance that's backed by the full faith and credit of the U.S. government
- **Earn returns**; put your money to work for you
- **Enjoy unlimited program withdrawals**
- **Support your community** by keeping the full amount of your deposit local so that we can fund more loans here in our backyard¹
- **Eliminate the ongoing tracking burdens** associated with collateralization and the need to footnote uninsured deposits in financial statements if you are accustomed to these practices

What Else Do You Need to Know?

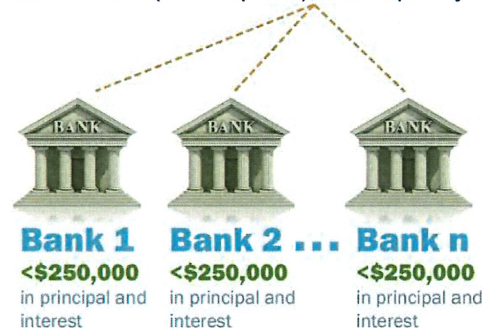
You receive a regular monthly statement from us showing your ICS balances and other key information. And you can check your ICS balances and track other important information of interest to you online, 24/7, through a specially designed Depositor Control Panel. Your confidential information remains protected.

How Does ICS Work?

When our bank places your funds using ICS, your deposit is sent from your transaction account at our bank into deposit accounts at other ICS Network banks in amounts below \$250,000, the standard FDIC insurance maximum. As a result, you can access FDIC insurance coverage from many institutions while working directly with just us. It's that simple.



Sign the agreements, use an existing checking or other transaction account (or set up one), and deposit your funds.



Deposits are sent to demand deposit accounts at other ICS Network banks in amounts under \$250,000, the standard FDIC insurance maximum per insured capacity, per bank. (You still receive just one regular statement from us.)

^[1] When deposited funds are exchanged on a dollar-for-dollar basis with other banks in the ICS Network, a participating institution can use the full amount of a deposit placed through ICS for local lending, satisfying some depositors' local investment goals or mandates. Alternatively, with a depositor's consent to certain types of ICS transactions, the bank may choose to receive fee income instead of deposits from other banks. Under these circumstances, deposited funds would not be available for local lending.

Placement of funds through the ICS service is subject to the terms, conditions, and disclosures in the service agreements, including the Deposit Placement Agreement ("DPA"). Limits and customer eligibility criteria apply. Unlimited program withdrawals are available with ICS only when using the ICS demand option. Although funds are placed at destination banks in amounts that do not exceed the FDIC standard maximum deposit insurance amount ("SMDIA"), a depositor's balances at the relationship institution that places the funds may exceed the SMDIA (e.g., before ICS settlement for a deposit or after ICS settlement for a withdrawal) or be ineligible for FDIC insurance (if the relationship institution is not a bank). As stated in the DPA, the depositor is responsible for making any necessary arrangements to protect such balances consistent with applicable law. If the depositor is subject to restrictions on placement of its funds, the depositor is responsible for determining whether its use of ICS satisfies those restrictions. ICS, Insured Cash Sweep, and A Sweep You Can Bank On are registered service marks of Promontory Interfinancial Network, LLC.