

RESOLUTION ESTABLISHING A POLICY FOR PUBLIC DEPOSITS AND INVESTMENTS

WHEREAS, it is in the interest of the City of Chetek to adopt a policy to ensure continuous prudent deposits and investments of available City funds in accordance with Wisconsin Statutes; and

NOW THEREFORE BE IT RESOLVED, by the Common Council of the City of Chetek, that it hereby establishes the following policy in the public interest for the deposit and investment of available City funds:

I. Public Depository

- A. **Depository.** The Common Council annually designates its main public depository in which the City Treasurer shall deposit all public monies received by him/her on a daily basis in the name of the City at the Common Council reorganization meeting.
- B. **Limitations.** Not more than five hundred thousand dollars (\$500,000) shall be deposited in any one public depository unless properly collateralized or specifically authorized by the Common Council. The limit shall not include funds held for collection or in transit.
- C. **Deposit of Tax Payments.** In addition to the public depository denoted in Section I (A) above, the City Treasurer at his/her discretion, shall be authorized to establish and maintain accounts with local financial institutions for the purpose of accepting tax payments on behalf of the City of Chetek as long as said financial institutions are designated by the Common Council as approved public depositories.
- D. **Withdrawals.** Withdrawals or disbursements by the Treasurer of said monies deposited in a public depository shall be made as provided by sec. 66.0607, Wisconsin Statutes. The Fiscal Agent is authorized at his/her discretion, to process periodic payments through the use of money transfer techniques as set forth in sec. 66.0607(3m), Wisconsin Statutes.

II. Investments

- A. **Funds.** Subject to the provisions of this policy, the Treasurer or his/her designee shall have control of and discretion in the investment of all City funds that are not immediately needed and are available for investment. These funds are accounted for in the Financial Statements of the Annual Auditor's Report and include: General Fund; Special Revenue Funds; Debt Service Funds; Capital Project Funds; Enterprise Funds; Trust & Agency Funds; TIF Funds; and any new fund created by the legislative body unless specifically exempt. When permitted by law, cash from several different funds will be pooled for investment.
- B. **Intent.** It is the intent of the Common Council that the Treasurer utilize a wise and prudent cash management system within the level of his/her expertise in such a manner to ensure maximum investment earnings, while at the same time be able to respond promptly to authorized expenditures. The primary objectives, in priority order, of the City's investment activities shall be:
 - 1. *Safety:* Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Diversification and collateralization are two methods that may be used to attain the objective. The FDIC protects deposits up to \$100,000. In addition, public deposits are protected against losses by Wisconsin general-purpose revenues under Statutes 20.144(1)(a) and 34.08(2) up to \$400,000 for any one public depositor in any individual public depository.
 - 2. *Liquidity:* The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
 - 3. *Return on Investment:* The City's investment portfolio shall be designed with the objective of attaining a market average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
- C. **Scope.** The policy is limited in its application to funds that are not immediately needed and are available for investment. Other funds, the investment of which is subject to special federal and/or state laws and regulations, shall be invested in accordance with such laws and regulations to the extent they may be inconsistent with the provisions of this policy.
- D. **Responsibility.** In exercising his/her investment responsibilities, the Treasurer shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity, with the same resources, and familiar activity, with a like purpose.
- E. **Diversification.** The City will attempt to diversify its investments according to type, maturity and institution. The portfolio, as much as possible, should contain both short-term and long-term investments. The City shall

attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields, however, no more than fifty percent (50%) of the total investments should extend beyond 5 years and in no circumstance should any extend beyond 10 years. With the exception of U.S. Treasury securities, U.S. Government Agency securities and authorized Local Government Investment Pools, no more than fifty percent (50%) of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

F. Investments. The investment of the City funds shall be in accordance with Secs. 34.01 & 66.0603, Wisconsin Statutes, as follows:

1. *Certificates of Deposit.* City funds may be invested in time deposits in any credit union, bank, savings bank, trust company, or savings and loan association, which is authorized to transact business in the State of Wisconsin if the time deposits mature in not more than 3 years. Preference may be given, within reason, to Chetek area financial institutions. Subject to the exception set forth in paragraph G herein, a maximum of five hundred thousand dollars (\$500,000), the amount of State and FDIC insurance limits, may be invested in each such institution unless collateralized or approved by the Common Council.
2. *Government Bonds & Securities.* City funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and bonds, or securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government or a commission, board or other instrumentality of the federal government. The securities must be purchased through financial institutions authorized to conduct business in the State of Wisconsin and placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution.
3. *Local Government Investment Pool.* City funds may be invested in the Wisconsin Local Government Investment Pool at the discretion of the City Treasurer. Investment limitations shall not apply.
4. *Repurchase Agreements.* City funds may be invested in repurchase agreements, in financial institutions authorized to conduct business in the State of Wisconsin. Repurchase agreements can only be made in securities, which are direct obligations of or guaranteed as to principal and interest by the federal government; and securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. Securities purchased by a repurchase agreement must be placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution.
5. *Wisconsin Investment Trust.* City funds may be invested in the Wisconsin Investment Trust. Investment limitations shall not apply.
6. *Savings Deposit.* City funds may be invested in interest bearing savings, demand deposit, and Money Market accounts.
7. *Securities.* In accordance with 1987 Wisconsin Act 399, City funds may be invested in securities if the security has a rating which is the highest or second highest rating category assigned by Moody's Investor Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.

G. Collateralization. Collateralization will be required on two types of investments: certificates of deposit that exceed the State and FDIC insurance limits and repurchase agreements. In order to anticipate changes and provide a level of security for all funds, the collateralization level will be one hundred two percent (102%) of the market value of principal and accrued interest. Collateral shall be limited to securities of the U.S. Treasury and its agencies. Collateral shall always be held by an independent third party and evidenced by safekeeping receipts.

H. Safekeeping. When investments purchased by the City are held in safekeeping by a broker/dealer they must provide asset protection of \$500,000 through the Securities Investor Protection Corporation (SIPC) and at least another \$49,500,000 supplemental insurance protection.

III. Miscellaneous

A. Bids. Any surplus funds of the City shall be invested by the City Treasurer in compliance with this investment policy and Wisconsin Statutes in any of the public depositories designated by resolution in such a manner that the highest yield can be obtained from these investments. Verbal quotations shall be required of all investments that exceed \$100,000 and a 30-day or longer maturity date. A minimum of three (3) quotes shall be acquired. Exceptions to the quotation process include only the purchase of obligations of the U.S. Treasury and U.S. Government Securities and its agencies, deposits in the Local Government Insurance Investment Pool, deposits in the Wisconsin Investment Trust, Money Market accounts, and interest bearing savings deposits.

- B. Council Approval.** Only financial institutions and brokerage companies approved by Common Council resolution shall be considered public depositories for City funds. In order to safeguard investments and deposits, the City's Budget/Finance Committee shall annually review all depositories utilized by the City.
- C. Liability.** Notwithstanding any other provision of law, the City Treasurer who deposits monies in any public depository, in compliance with Sec. 34.05, Wisconsin Statutes, is under the provisions of Sec. 34.06, Wisconsin Statutes, relieved of any liability for any loss of public monies which results from the failure of any public depository to repay to the public depositor the full amount of its deposits, thus causing a loss as defined in Sec. 34.01(2), Wisconsin Statutes.
- D. Definitions.** Words and phrases shall, insofar as applicable, have the meanings set forth in Sec. 34.01, Wisconsin Statutes, as amended.
- E. Conflict.** This policy is enacted in accordance with the provision of Chapter 34 and sections 66.0603 and 66.0607, Wisconsin Statutes. In case of conflict, the state laws shall prevail.
- F. Signatory Requirements.** All investments will require dual signatures of the Mayor and Treasurer.

BE IT FURTHER RESOLVED THAT, all ordinances and resolutions contravening the provisions of this resolution are hereby repealed.

BE IT FURTHER RESOLVED THAT, a certified copy of this Investment Policy shall be delivered to the financial institutions where City funds will be invested. Certification of having received and read the City's Investment Policy shall be provided to the City by each financial institution.

Dianne K. Knowlton, Mayor

Carmen Newman, clerk/treasurer

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Excerpt from 2000-2001 Wis. Stats.

66.0603 Investments.**(1m) Investments.**

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

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this state if the time deposits mature in not more than 3 years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state.
- 3m. Bonds issued by a local exposition district under **subch. II** of ch. 229.
- 3p. Bonds issued by a local professional baseball park district created under **subch. III** of ch. 229.
- 3q. Bonds issued by a local professional football stadium district created under **subch. IV** of ch. 229.
- 3s. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.
- 3t. Bonds issued by a local cultural arts district under **subch. V** of ch. 229.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating. *(Note: examples of the investments per sub-paragraph 4 include commercial paper and corporate bonds)*

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

- a. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
- b. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
- c. Repurchase agreements that are fully collateralized by bonds or securities under **subd. 5. a.** or **b.**

(Note: subparagraph 5 permits investment in money market mutual funds investing in U.S. government securities and the Wisconsin Investment Trust sponsored by the League of Municipalities)

(b) A town, city or village may invest surplus funds in any bonds or securities issued under the authority of the municipality, whether the bonds or securities create a general municipality liability or a liability of the property owners of the municipality for special improvements, and may sell or hypothecate the bonds or securities. Funds of an employer, as defined by **s. 40.02 (28)**, in a deferred compensation plan may also be invested and reinvested in the same manner authorized for investments under **s. 881.01 (1)**. [Funds of any school district operating under **ch. 119**, held in trust for pension plans intended to qualify under section 401 (a) of the Internal Revenue Code, other than funds held in the public employee trust fund, may be invested and reinvested in the same manner as is authorized for investments under **s. 881.01.**]

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

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

(Note: paragraph (d) permits investments in repurchase agreements with banks)

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

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