

## INVESTMENT POLICY OF THE CITY OF BOSCOBEL

Approved: May 21, 2012

### **Purpose:**

The purpose of this policy is to establish the investment guidelines for the investment activities of the City of Boscobel ("City"). The guidelines are intended to be broad enough to allow the investment officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

### **Scope:**

This investment policy applies to all financial assets of the City. These assets are accounted for in the City's annual financial statements. This policy is limited in its application to funds that are not immediately needed and are available for investment. Unless prohibited by law or contract, the City may pool cash from several different funds for investment purposes should it meet the objectives of the investment program.

### **Objectives:**

The primary objectives, in order of priority, of all investment activities involving the financial assets of the City shall be the following:

Safety: Safety and preservation of principal in the overall portfolio is the foremost investment objective. Investments made by the City shall be undertaken in a manner that seeks to insure that capital losses are avoided.

Liquidity: Maintain the necessary liquidity to match expected liabilities is the second investment objective.

Return: Obtaining a reasonable return is the third investment objective.

### **Authority:**

Authority to manage the City's investment program is derived from the State of Wisconsin Statutes and City ordinances. The City Clerk/Treasurer is the investment officer and is responsible for investment decisions and activities. The Clerk/Treasurer and Boscobel Common Council Finance Committee shall be responsible for all transactions undertaken, and shall establish investment procedures consistent with this policy, and a system of controls to regulate the activities of subordinate officials and employees.

### **Prudence:**

Investment officer of the City, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the objectives listed above (the "prudent person" standard). This standard requires that when making investment decisions, the investment officer shall consider the role that the investment or deposit plays within the portfolio of assets of the City and the investment objectives listed above, and shall be applied in the context of managing the overall investment portfolio.

### **Institutions:**

The City Clerk/Treasurer shall maintain a list of financial institutions authorized to be public depositories and/or provide investment services.

**Investment Types:**

The investment of City funds shall be in accordance with Wisconsin statutes section 66.0603 (see excerpt attached as Exhibit A).

Prohibited Investments-In addition to the limitations on investment types according to Wisconsin statutes, City funds will not be invested in derivative type investments such as collateralized mortgage obligations, strips, floaters, etc. Certain types of such investments may qualify under state statute but are not deemed appropriate for use by the City.

**Collateralization And Insurance:**

The Federal Deposit Insurance Corporation (FDIC) protects deposits up to a certain limit. In addition, public deposits are protected against losses by the State Deposit Guarantee Fund in the amount of \$400,000 for any one public depositor in any individual public depository. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. The City will seek to collateralize certificates of deposit or any other time deposit in an amount equal to 100% of the investment less the amount insured by the FDIC with appropriate collateral instruments. Where practicable, collateral shall be held by the City. Where this is not practicable, verifiable evidence of specific pledged securities must be supplied to the City.

The City will seek to protect its interests in all other securities purchased by the City via appropriate insurance coverage from broker/dealers and evidenced by safekeeping receipts.

**Maximum Maturities:**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase.

**Performance Standards:**

The investment portfolio will be designed to obtain a market average rate of return during a market/economic environment of stable interest rates, and taking into account the City's investment risk constraints and cash flow needs. Given the passive nature of the City's investment strategy, the basis used to determine whether market yields are being achieved shall be the average Federal Funds rate.

**Investment Policy Considerations:**

Any investment currently held that would not meet the guidelines of this policy shall be exempt from the requirements of the policy. At maturity or liquidation, such monies shall be reinvested only as provided under this policy.

The investment policy will be reviewed at the discretion of the City Administrator or City Clerk/Treasurer

## Exhibit A

### 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.
- 66.0603(1m)(a)3u.**
- 3u.** Bonds issued by the Wisconsin Aerospace Authority.
- 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.
- 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.