

<b>City of New Berlin General Financial Policy</b>	TITLE: <b>Deposit &amp; Investment of City Funds Policy</b>
AUTHORIZATION DATE: 4/27/10	LAST UPDATE: 4/27/10, 10/13/15, 1/8/19
POLICY SOURCE: Resolution 10-12	SCOPE: City-wide
Reviewed by City Attorney n/a	Board/Commission Approval: Finance Committee: 09/10/15, 11/8/18 Common Council: 10/13/15, 1/8/19

**General**

It is in the interest of the City of New Berlin to adopt a policy to insure continuous prudent deposits and investments of available City funds.

**Policy**

I. Public Deposit

1. The Common Council shall, by resolution, designate one or more public depositories, organized and doing business under the laws of this state or federal law, and located in Wisconsin, in which the Finance Director shall deposit all public monies received by him/her.
2. Limitations. The resolution designating one or more public depositories shall specify whether the monies shall be maintained in time deposits subject to the limitations of sec. 66.0603(1m), Stats., demand deposits or savings deposits, and whether a surety bond or other security shall be required to be furnished under sec. 34.07, Stats., by the public depository to secure the repayment of such deposits. Not more than Five Hundred Thousand Dollars (\$500,000) shall be deposited in any one public depository, unless specifically authorized by the Common Council.
3. Deposits. The Finance Director shall deposit public monies in the name of the City of New Berlin in such public depository designated by the Common Council and subject to the limitations herein above set forth.
4. Withdrawals. Withdrawals or disbursements by the Finance Director of monies deposited in a public depository shall be made as provided by sec. 66.0607 Stats. The Finance Director is authorized, at his discretion to process periodic payments through the use of money transfer techniques as set forth in sec. 66.0607(3m), Stats.

II. Investments

- 1) Policy. It is the policy of the City of New Berlin to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash

flow demands of the city and conforming to all state and local statutes governing the investment of public funds.

- 2) Scope. The investment policy applies to all financial assets of the City. These funds are accounted for in the City's Annual Financial Report and include:
  - A. General Fund
  - B. Special Revenue Funds
  - C. Capital Projects Funds
  - D. Enterprise Funds
  - E. Trust & Agency Funds
  - F. Internal Service Funds
  - G. Debt Service Funds
  
- 3) Prudence. Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
  - A. The standard of prudence to be used by the investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
  
- 4) Objective. The primary objectives, in priority order, of the City's investment activities shall be:
  - A. 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. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
  - B. Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
  - C. Return on Investment. The City's investment portfolio shall be designed with the objective of attaining a market 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.

- 5) Delegation of Authority. Authority to manage the City's investment program is derived from the following: City Ordinance and Wisconsin State Statutes. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.
- 6) Ethics and Conflicts of Interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the city's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales.
- 7) Authorized Financial Dealers and Institutions. The Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Wisconsin. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1. No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director with the following:

- Audited financial statements
  - Proof of National Association of Security Dealers certificate
  - Proof of state registration
  - Certification of having read city's investment policy
- 8) Authorized & Suitable Investments. The City is empowered by statute 66.0603 to invest in the following types of securities.
    - a. Certificates of Deposit
    - b. U.S. Government bonds and securities
    - c. U.S. Government agency bonds and securities
    - d. Repurchase agreements

- e. Commercial securities of the highest or second highest ratings
  - f. State of Wisconsin Local Government Investment Pool
  - g. Wisconsin Municipal bonds or securities
  - h. Investment trusts permitted under 66.0603
- 9) Collateralization. Except as provided for in Resolution 05-40 collateralization will be required on two types of investments: certificates of deposit and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained.

Collateral should be valued at least quarterly by the City of its investment advisor. Evidence of ownership and market value must be supplied to the City by an independent third party custodian.

The right of collateral substitution is granted.

- 10) Safekeeping and Custody. All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a deliver-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director and evidenced by safekeeping receipts.
- 11) Diversification. The City will diversify its investments by security type & institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity's total investment portfolio will be invested in a single security type or with a single financial institution.
- 12) Maximum Maturities. To the extent possible, the City will 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 (50%) percent of the total investments should extend beyond 3 years, and under no circumstances should any extend beyond 5 years.
- 13) Internal Control. The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.
- 14) Performance Standards. The investment portfolio will be designated to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risks, constraints and cash flow needs.

A. Market Yield (Benchmark): The City's investment strategy is passive. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the LGIP and the average of Fed Funds rate.

- 15) Reporting. The Finance Director is charged with the responsibility of including a market report on investment activity and returns in the City's Financial Report. Reports will include performance, market sector breakdown, number of trades, interest earnings, and average maturity.
- 16) Investment advisor. Should the City deem it appropriate to retain an investment advisor, the following procedures will be followed with respect to the investment advisor relationship:
- A. Investment Procedures – Once an investment advisor is selected, the City will at all times be responsible for establishing the investment, responsible for providing advice and developing and implementing strategies for carrying out such objectives. The investment advisor will have no authority to take possession of City monies, or, investment securities, nor to execute investment transactions on behalf of the city, except where investment authority may be delegated (e.g. “discretionary” authority) as per Wisconsin Statutes 66.0603 (2). For those investments under management in a “non-discretionary” account, all investment transactions shall be approved by City staff.
  - B. Periodic Reporting – The investment advisor shall provide periodic reports regarding the composition, performance level and accounting treatment of the City's investment portfolio. Such reports shall be made quarterly to the Director of Finance for inclusion in the quarterly investment report to the Common Council. Annually, the Director of Finance shall provide a report to the Common Council for review of (a) investment performance and (b) the agreement under which the City has delegated investment authority (if applicable).
  - C. Portfolio Maturities – Certain strategies recommended by the investment advisor(s) may involve purchase of U.S. government securities with stated maturities longer than 10 years, which conflicts with section 12 of this policy. Specific examples include mortgage-backed securities issued by certain U.S. agencies supported by adjustable rate mortgages. For these securities, the effective maturity will be defined as the time to coupon reset. For any other proposed securities with maturities in excess of the limits established elsewhere in this policy, any such intent will be reported to the Common Council for its review and approval.
  - D. Compensation and Term of Agreement – Investment advisory fees shall be established in advance. All compensation shall be disclosed in a written agreement. The relationship between the advisor and the City may be terminated at any time at the discretion of the City.
- 17) Investment Policy Adoption. The City's investment policy shall be adopted by resolution of the City of New Berlin Common Council. The policy shall be reviewed on an annual basis by the Finance Committee and any modifications made thereto must be approved by the Common Council.

### III. MISCELLANEOUS

1. Liability. Notwithstanding any other provision of law, the Finance Director who deposits public monies in any public depository, in compliance with sec 34.05, Stats is under the provisions of sec 34.06, Stats., 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), Stats.
2. Definitions. Words and phrases shall, insofar as applicable, have the meaning set forth in sec 34.01, Stats as amended.
3. Conflict. This policy is enacted in accordance with the provisions of Chapter 34 and sec. 66.0603, Stats. In case of conflict, the state law shall prevail.
4. Duration. This policy shall continue in force until repealed or superseded by further resolutions of the Common Council.

This policy was reviewed and approved by the Finance Committee and Common Council and signed by Mayor David Ament on the 15<sup>th</sup> day of Jan, 2019 as evidenced by his signature hereon. Three signed originals of this policy have been generated. One original is maintained in the City Clerk's office, the second original is maintained in the Finance Department, and the third original is maintained in the Mayor's Office. This policy may only be modified by the Finance Committee with Common Council approval.



David A. Ament, Mayor