

# CITY OF RACINE WISCONSIN

## INVESTMENT POLICY

### **POLICY**

It is the policy of the City of Racine Wisconsin to invest public funds in a manner which will provide the highest investment return with 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.

### **SCOPE**

This Investment Policy applies to all financial assets of the government of the City of Racine Wisconsin. These assets are accounted for in the City's Financial Statements within the following funds:

- General fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Permanent Funds
- Trust and Agency Funds

This Investment Policy shall also include any new funds(s) created by the Common Council of the City of Racine, unless specifically exempted.

This Investment Policy shall exclude assets held by the Wisconsin Retirement System and assets held by the City's designated deferred compensation plan providers. This policy also excludes assets held by the Racine Water and Wastewater Utilities which are covered under a separate policy.

This Investment Policy shall exclude Trust Fund Investments of the Racine Public Library that are covered under a separate investment policy.

### **OBJECTIVES**

The Investment Policy of the City of Racine Wisconsin seeks to attain five goals:

1. Safety – Investments by the government of the City of Racine Wisconsin shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To this end each investment transaction shall seek to first ensure that capital losses are avoided.
2. Legality – Investments by the government of the City of Racine Wisconsin shall be made in accordance with Federal Law, Wisconsin Revised Statutes (particularly, WISSTATS 34.07, 66.04, 67.11 and 219.05), the Municipal Code of the City of Racine and this Investment Policy.

3. Liquidity – Investments by the government of the City of Racine Wisconsin shall be of sufficient liquidity to meet the cash requirements of the City.
4. Yield – Investments by the government of the City of Racine Wisconsin shall be designed to attain 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.
5. Public Trust – Investments by the government of the City of Racine Wisconsin shall be designed and managed with a degree of professionalism worthy of the public trust.

## **AUTHORITY**

In accordance with Wisconsin Revised Statute 62.09(9) and the Municipal Code of the City of Racine Wisconsin, authority to conduct investment transactions resides with the City Treasurer-Comptroller, known as the City Finance Director.

In accordance with Wisconsin Revised Statute 62.09(9)(f), the Deputy City Treasurer (Assistant Finance Director) shall have authority to act on behalf of the City Finance Director in his/her absence or at his/her direction.

Management responsibility for the investment program is delegated to the Finance Director, who shall establish procedures for the operation of the investment program, consistent with the objectives herein described. No person may engage in an investment transaction except as provided under the terms of this Policy, and under the procedures established by the Finance Director and approved by the Finance and Personnel Committee. The Finance Director shall be responsible to the City Administrator, the Mayor and the Common Council for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The Investment Committee for the City of Racine shall be the Finance and Personnel Committee of the Common Council. The Committee shall exercise oversight of the investment process, and shall review this Investment Policy every three years. This Investment Policy document shall not be altered without the permission of the Common Council of the City of Racine.

## **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. The standard of prudence to be used by investment officials shall be the “prudent person” rule and shall be applied in the context of managing an overall portfolio.

## **ETHICS**

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 Common Council any material financial interests in financial institutions that conduct business within the City of Racine and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Racine’s portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City with regard to the timing of purchases and sales.

## **INDEMNIFICATION**

Investment officers, acting in accordance with this Investment Policy, following approved investment procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price of changes, provided deviations from expectations are reported to the Finance and Personnel Committee in a timely fashion and appropriate action is taken to control adverse developments.

## **MONITORING AND ADJUSTING THE PORTFOLIO**

The Finance Director shall routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments and will adjust the portfolio accordingly.

## **INTERNAL CONTROLS**

The Finance Director shall establish a system of internal controls, under the oversight of the Finance and Personnel Committee of the Common Council, which shall be reviewed annually by the City's independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

## **AUTHORIZED INVESTMENTS**

The Finance Director is authorized to purchase securities for investment which are permissible investments from money in his/her custody which is not required for the immediate needs of the City as he/she deems wise and expedient (to the extent allowed by this Investment Policy document), and to sell or exchange for other eligible securities and re-invest the proceeds of the securities sold or exchanged.

The investment activity of Wisconsin public funds is governed by WISSTAT 66.04(2) and other sections of the Wisconsin Statutes. Permissible investments are restricted to the following types of securities:

- U. S Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available.
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value.
- Certificates of deposit and other evidences of deposit at financial institutions
- Commercial paper, rated in the highest tier by a nationally recognized rating agency.
- Investment grade obligations of state and local governments and public authorities
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments.
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities
- Local government investment pools

## **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

Under WISSTAT 34.05(1), the Common Council of the City of Racine shall, by resolution, designate public depositories to be used for the deposit of all public moneys received by the City Treasurer. Approved public depositories are limited by Wisconsin Statute to those authorized to transact business in the State of Wisconsin. The City of Racine further restricts authorized public depositories to financial institutions which are members of the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the Wisconsin Credit Union Savings Insurance Corporation, or those institutions eligible for coverage under the State of Wisconsin deposit guarantee program. The State of Wisconsin Local Government Investment Pool is considered authorized under this Investment policy.

The Finance Director shall maintain a list of financial institutions authorized by the Common Council to serve as approved depositories of the City of Racine. Only approved depositories shall be allowed to provide investment services to the City. In addition, a list will also be maintained of approved security brokers/dealers selected by credit worthiness who are authorized to provide investment services to the City of Racine. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director with audited financial statements, proof of Security Dealers certification (where applicable), and proof of State of Wisconsin registration as requested. A review of the financial condition and registrations of qualified bidders will be conducted by the Finance Director as deemed necessary.

## **COLLATERALIZATION OF FUNDS**

The FDIC insures deposits up to \$250,000 per public depository.

WISSTAT 34.07 provides that a surety bond or other security may be required of a public depository for any public deposit that exceeds the \$250,000 amount insured.

Authorized public depositories in which the City's deposit exceeds the \$250,000 of FDIC insurance amount shall collateralize, where practicable, all certificates of deposit or other time deposits of the City of Racine by obligations of the United States Government or its agencies (if the principal is guaranteed by the United States.) Such securities shall be delivered to a Custodial Bank with which the City has entered into such Custodial Agreement. All collateral agreements will be written so as to preclude release of the assets without the approval of the City of Racine. The Finance Director shall be authorized to sign for agreements with the Custodial Bank for the receipt for any pledge securities.

The City of Racine will not authorize as a public depository any financial institution unwilling or incapable of posting required collateral for funds in excess of insured or guaranteed limits.

The requirements of this Collateralization of Funds section do not apply to overnight investments made in Certain Mutual Funds (as described earlier) where those Certain Mutual Funds form a part of the City's cash management Program.

## **MATURITIES**

To the extent possible, the City of Racine 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 10 years from the date of purchase.

Reserve funds may be invested in securities exceeding 10 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

## **DIVERSIFICATION**

The City of Racine will diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments or individual financial institutions. Diversification goals for the fiscal year end by instrument are as follows:

### **A. Diversification by Instrument**

U.S. Treasury Obligations	Up to 100% of Portfolio
U.S. Government Agency Securities	Up to 75% of Portfolio
Certificates of Deposit (Local Institutions)	Up to 75% of Portfolio
Repurchase Agreements (Local Institutions)	Up to 75% of Portfolio
Local Government Investment Pool	Up to 75% of Portfolio
Commercial Paper (Rated 1 or 2)	Up to 25% of Portfolio

## **PERFORMANCE STANDARDS**

The City of Racine's investment strategy is "active." Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the interest rates of the local government investment pool.

## **REPORTING**

The Finance Director shall establish sufficient records and accounts to detail each investment as to purchase date, cost, term, maturity, date, rate, and yield. The Finance Director shall submit a quarterly investment report to the Finance Committee. The report shall discuss the current portfolio in terms of maturity, rates of return and other features.

## **AUDITS**

In conjunction with the annual examination of the books and records of the City of Racine by an independent certified public accounting firm, all accounts and investments will be confirmed with the financial institutions involved. The annual financial statements will also include information as to the insured and collateralized limits of all public funds examined.

## **INVESTMENT POLICY COSIDERATIONS**

An investment currently held that would not meet the guidelines of this policy shall be exempted 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 every three years by the Finance Committee or sooner at the discretion of the Common Council.

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