Agenda Item #: 14

Memo

To: Village Board

From: Carrie Zittlow, Clerk/Treasurer

Date: March 4, 2025

Re: Investment Policy

The Village adopted an investment policy to provide guidelines for the prudent investment of all financial assets of the Village. Changes are included in the attached policy to better stay in line with current practice. Village Counsel has reviewed and approved the proposed amendments.

VILLAGE OF ALLOUEZ
INVESTMENT POLICY

INVESTMENT POLICY

1. **POLICY:** It is the policy of the Village of Allouez 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 Village and conforming to all state and local statutes governing the investment of public funds.

2. **SCOPE:** This investment policy applies to all cash investments of the Village of Allouez. These assets are presented in the Village of Allouez Annual Financial Report as part of the following:

   Funds
   a. General Fund
   b. Special Revenue Funds
   c. Debt Service Fund
   d. Capital Projects Funds
   e. Enterprise Funds
   f. Internal Service Fund
   g. Trust and Agency 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.

   The standard of prudence to be used by the Treasurer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer 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's 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 Village's investment activities shall be:

   A. **SAFETY:** Safety of principal is the foremost objective of the investment program. Investments of the Village of Allouez shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain the 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 Village of Allouez investment portfolio will remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated.

   C. **RETURN ON INVESTMENTS:** The Village of Allouez'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 Village's investment risk constraints and the cash flow characteristics of the portfolio.

5. **DELEGATION OF AUTHORITY:** Authority to manage the Village's investment program is derived from the Wisconsin State Statutes 61.26. Management responsibility for the investment program is hereby delegated to the Treasurer who shall adhere to this investment policy. Procedures shall be developed to include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. 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 Treasurer. The Treasurer 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:** Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment. Elected officials and employees shall disclose to the President or Administrator any material financial interest in financial institutions that conduct business with the Village. Elected officials and employees shall subordinate their personal investment transactions to those of the Village particularly with regard to the time of purchase and sales.

7. **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:** The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will 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 apply the Treasurer, at his / her request, with the following: audited financial statements, proof of state registration, certification of having read the Village's investment policy and depository contracts.

   An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer.

   A current audited financial statement is required to be on file for each financial institution and broker / dealer in which the Village invests.

8. **AUTHORIZED AND SUITABLE INVESTMENTS:** The Village is empowered by statute to invest in the following types of securities: Treasurer should attempt to match the Village's cash payment schedule whenever possible.

   a. Certificates of Deposit (CD's) in any credit union, bank, savings bank, trust company or saving and loan association provided. These time deposits must be collateralized by either (1) U.S. government or agencies securities with a maturity under seven years or (2) limited to ~~$650,000 per financial institution.~~ the amount insured by the FDIC (Federal Deposit Insurance Corporation) or guaranteed by the State of Wisconsin. The FDIC protects deposits up to $250,000. In addition, public deposits are protected against losses by Wisconsin general-purpose revenues under Statute 20.144(1)(a) and 34.08 (2) up to $400,000 for any one public depositor in any individual depository. The Village 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 or guaranteed by the State of Wisconsin with appropriate collateral instruments.

   b. U.S. Treasury bonds or notes or bonds or securities issued or guaranteed as to principal and interest by the federal government, or by commission, board or other instrumentality of the federal government.

   c. The State of Wisconsin Local Government Investment Pool or the Wisconsin Investment Trust or other available municipal investment pools created for use by Wisconsin municipalities.

d. Any investment pools, savings, or similar accounts offered by banks. Such deposit must be collateralized by U.S. government securities or agency securities or limited to ~~$650,000 per financial institution.~~ the amount insured by the FDIC or guaranteed by the State of Wisconsin. The FDIC protects deposits up to $250,000. In addition, public deposits are protected against losses by Wisconsin general-purpose revenues under Statute 20.144(1)(a) and 34.08 (2) up to $400,000 for any one public depositor in any individual depository. The Village 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 or guaranteed by the State of Wisconsin with appropriate collateral instruments.

e. Bonds or securities issued by any county, city, drainage district, technical college district, village, town or school district of this state.

f. Bonds issued by (1) local exposition district (2) local professional baseball park (3) or football stadium district (4) University of Wisconsin Hospitals and Clinics Authority, (5) local cultural arts district or (6) Wisconsin Aerospace Authority.

g. Any security, with maturity of not more than 7 years, having the second highest ratings issued by Standard & Poor's or Moody's.

h. Direct investment in mortgage backed securities, commercial paper and commercial paper derivatives, bankers' acceptance and mutual funds are not permitted.

9. **COLLATERALIZATION:** The Village shall strive to maintain all cash and investments within Category One Governmental Accounting Standards Board-Statement No. 3 which includes authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the Village or its agent in the Village's name.

Whenever possible, collateral will be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Village and retained.

The right of collateral substitution is granted.

10. **SAFEKEEPING AND CUSTODY:** All security transactions, including collateral for repurchase agreements, entered into by the Village of Allouez shall be conducted on a delivery-versus-payment (DVD) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

11.**DIVERSIFICATION:** The Village of Allouez will diversify its investments by security type and institution, with the exception of U.S. Treasurer securities and authorized pools, with a goal to strive to have no more than 50% of the Village's total investment portfolio will be invested in a single security type or with a single financial institution, unless fully collateralized.

12**. MAXIMUM MATURITIES:** To the extent possible, the Village of Allouez will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than seven (7) years from the date of purchase. However, the Village may collateralize its repurchase agreements using longer-dated investments not to exceed seven year to maturity if their market value equals at least 105% at time of initial purchase. Certificates of deposits may be invested for up to ~~three (3)~~ seven (7) years.

13. **PERFORMANCE STANDARDS:** The investment portfolio will be designed to obtain a market average rate of return during the budgetary and economic cycles, taking into account the Village's investment risk constraints and cash flow needs.

14. **INTERNAL CONTROL:** The Treasurer is responsible for implementation, control and review of this policy. An independent external auditor shall review investment practices annually to determine compliance with this policy.

15. **INVESTMENT POLICY ADOPTION:** The Village of Allouez's investment policy shall be adopted by resolution of the Allouez Village Board. The policy may be periodically reviewed by the Village Board and any modifications made thereto must be approved by the Village Board.

Adopted this 4th day of March, 2025.

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James F. Rafter, Village President

ATTEST:

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Carrie Zittlow, Clerk-Treasurer