

# **Village of Jackson**

## **Investment Policy and Designation of Public Depositories**

### **PURPOSE:**

This policy applies to all funds under the authority of the Village of Jackson, Wisconsin (the "Village") not immediately needed to meet operating expenses of the Village. These funds shall, where permissible, be pooled together to achieve the best rate of return. The following fund types are covered by this investment policy: general, debt service, recreation, fire, capital project, sewer utility, water utility. This policy will include any new funds created, unless specifically exempted.

### **GENERAL OBJECTIVES:**

#### **1. SAFETY**

Safety of principal is the foremost objective of the investment program. Investments of the portfolio shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

#### **2. LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Investment portfolios will be structured so that securities mature concurrently with cash needs to meet anticipated demands. Alternatively, a portion of any portfolio may be placed in money market mutual funds or local government investment pools authorized and permissible under Wisconsin statutes which offer same-day liquidity for short term funds.

#### **3. YIELD**

Investment portfolios shall be designed with the objective of attempting to attain a market rate of return throughout budgetary and economic cycles, factoring investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit quality may be sold prior to maturity to minimize loss of principal.
- Liquidity needs of the Village require that a security or securities are sold prior to maturity.
- A security swap would improve the safety and yield of the overall portfolio.

### **STANDARDS OF CARE:**

#### **1. Prudence**

Investments shall be made with judgment and care giving first consideration to the safety of the investment, then liquidity, and finally yield. "Notwithstanding any other provisions of law, a treasurer who deposits public moneys in any public depository, in compliance with s. 34.05, is thereby relieved of liability for any loss of public moneys which results from failure of any public depository to repay to the public depositor the full amount of its deposits thus causing a loss as defined in s. 34.01 (2)." (Section 34.06 of the Wisconsin Statutes) This policy should not be construed as to imply that an investor should engage in speculative or risky investments. Nor does this policy condone aggressive leveraging for investment purposes.

#### **2. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

### **3. Delegation of Authority**

Management and administrative responsibility for the investment program of the Village is entrusted to the Village Treasurer and Administrator under the direction of the Village Board. Individuals authorized to engage in investment transactions on behalf of the Village are the listed in *Appendix A*.

### **4. Permissible Investments**

Permissible investments include any investment stipulated in Wisconsin statute 66.0603 (1m). *See full list in Appendix B*.

- Debt service reserve fund investments specifically for use toward General Obligation debt shall be further restricted to those permissible as per Wisconsin statute 67.11.

### **5. Risks**

The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. The Village will seek to mitigate common investment risks: credit risk, concentration risk, interest rate risk, and foreign currency risk.

- The investments of the Village shall be held in the name of the Village and held in custodial safekeeping. All custodial agreements shall comply with the laws of the State of Wisconsin.

## **INTERNAL CONTROLS:**

The Village Treasurer, Administrator, and Auditor shall establish a system of internal controls designed to prevent losses of Village funds arising from fraud, misrepresentation by third parties, unanticipated changes in financial markets, employee error, or imprudent actions by employees.

Internal controls shall address:

- Separation of transaction authority from accounting and record keeping.
- Clear delegation of authority to subordinate staff members.
- Confirmation of transactions for investments and wire transfers.
- Development of a Wire Transfer Request Form for Department Heads to submit to the Treasurer (see attached).
- Investment and interest earnings will be recorded in the Village's accounting records based on generally accepted government accounting principles.
- A periodic summary of all investment transactions will be prepared by the Village Treasurer for review by the Village Board.
- Each year, as part of the annual audit by an external auditing firm, there will be an independent review. This review will provide internal control by assuring compliance with this policy.

## **COLLATERALIZATION:**

Certificates of Deposit that exceed FDIC insurance limits and/or coverage limits specified in Wisconsin statutes 34.08(1)(2) shall require collateral valued at 102% of the principal and accrued interest. Conditions of the collateral arrangement will be detailed in a "Security Agreement" between the depository financial institution and the Village. Collateral pledged to the Village for this purpose will be held by a third-party custodian, in the Village's name, and evidenced by a "Tri-Party" agreement between the depository financial institution, the Village, and the custodian. Evidence of ownership must be detailed in a safekeeping receipt supplied to the Village Treasurer. Collateral substitution(s) must be authorized by the Village.

The Village may also request collateral, under the same conditions as stated above, for any deposits at any financial institution that exceed FDIC insurance limits.

## **INVESTMENT PARAMETERS:**

### **Diversification**

Investments shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer, industry, or business sector, excluding U.S. Treasury obligations.
- Investing in securities with varying maturities.
- Continuously investing a portion of the investment portfolio in readily available funds such as local government investment pools, money market accounts, or money market mutual funds permissible under state statute.

## **REPORTING:**

The Village Treasurer shall present a periodic report on the investment program and investment activity to the Village Board. The management summary shall be prepared in a manner that will allow the Village Board to determine if investment activities during the reporting period conform to this Investment Policy.

## **POOLING OF CASH:**

Except where otherwise provided by the Village Board, the Village Treasurer is authorized to pool the cash of the funds identified in this policy to maximize investment earnings where it is advantageous and prudent to do so. Investment income will be allocated to the various funds based on the pro rata portion of each fund.

## **ADOPTION AND APPROVAL:**

By resolution, the Investment Policy shall be formally approved and adopted by the Village Board and reviewed as needed but at least every two years.

## **LIST OF ATTACHMENTS:**

The following documents, as applicable, are attached to this policy:

- Relevant Wisconsin statutes and local ordinances
- List of authorized personnel
- List of authorized public depositories, financial institutions, and broker/dealers
- Internal Procedure – Wire Fund Transfers and Wire Transfer Request Form

## **Appendix A - List of authorized personnel**

Jen Heidtke, Village Administrator

Darlene Smith, Village Treasurer

## **Appendix B – State Statute 66.0603 Investments**

### **66.0603 Investments.**

(1g) DEFINITION. In this section, “governing board” has the meaning given under s. [34.01 \(1\)](#) but does not include a local exposition district board created under subch. [II of ch. 229](#) or a local cultural arts district board created under subch. [V of ch. 229](#).

(1m) INVESTMENTS.

(a) A county, 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.
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, Village, 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](#).
- 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.](#)

## **Appendix C - List of authorized public depositories, financial institutions, and broker/dealers**

Westbury Bank

State of Wisconsin Local Government Investment Pool (LGIP)

Ehlers Investment Partners LLC

Pershing Advisor Solutions LLC