



July 19, 2023

MEMORANDUM

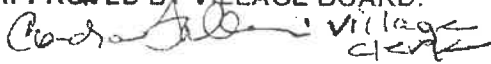
TO: Village Board
FROM: Kim Manley, Interim Administrator
SUBJECT: FIN-005 Investment Policy

This policy has been reviewed by the Administrative Policy Committee at their meeting of July 18, 2023. There were revisions made to the original policy by the Village Attorney.

After review, the Administrative Policy Committee made a change to the annual review to specify in February of each year and corrected a grammatic change in the prior paragraph. The Committee makes the recommendation to approve FIN-005 Investment Policy with the corrections made.

ACTION ITEM: Approve policy FIN-005 Investment Policy as recommended by the Administrative Policy Committee.

Original

POLICY ID: FIN-005		TITLE: Investment Policy	
ORIGINAL	REVISION	APPROVED BY VILLAGE BOARD:	DATE:
EFFECTIVE DATE: Immediate		 Village Clerk	November 26, 2012

E ELSA EXEMPT FLSA NON-EXEMPT APPLIES TO:

REPRESENTED EMPLOYEES

Non-REPRESENTED EMPLOYEES ¹

This policy applies to all Village of Kronenwetter employees in the categories checked in this section. Provisions within individual personal contracts or a collective bargaining agreement may supersede certain parts of this policy.

PURPOSE

The purpose of this policy is to enhance opportunities for prudent and systematic investments which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village

The investment practices of the Village of Kronenwetter are based on state law and prudent money management. All funds will be invested in accordance with this policy and Wisconsin Statute 66.0603. The investment of bond proceeds will be further restricted by the provisions of relevant bond documents.

SCOPE

It is intended that this policy cover all funds and investment activities under the direction of the Village.

I. General Objectives

The primary objectives in priority order, of the Village's investment activities shall be:

- 1) **Safety:** Safety of principal is the foremost objective of the Village's investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. The objectives will be to mitigate credit risk and interest rate risk.

- a) Credit Risk is the risk of loss due to the failure of the security issuer, financial institution or backer. Credit risk may be mitigated by:

- > Limiting investment to the safest type of securities;
- Pre-qualifying the financial institutions, broker/dealer, intermediaries and advisors with which the Village will do business; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

- b) Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by.

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity; and
- By investing operating funds primarily in shorter-term securities

-
- 2) Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
 - 3) Yield: The Village'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 investment risk constraints and Village's cash flow needs. Return on investment is of least importance compared to the safety and liquidity objectives described above.

II. Standards of Care

- 1) Prudence: The standard prudence to be used by 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 this 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.
- 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. Investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Village's investment portfolio, particularly with regard to the time of purchases and sales.
- 3) Delegation of Authority: Responsibility for the operation of the investment program is hereby delegated to the Finance Director/Treasurer under direction of the Administrator, who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, delivery vs. payment investment accounting, wire transfer agreements, collateral/depository agreements and banking services contracts. 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/Treasurer. The Village Finance Director/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of assistants.

III. Safekeeping and Custody

- 1) Authorized Financial Dealer and Institution The Finance Director/Treasurer under direction of the Administrator 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. 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 Village Finance Director/Treasurer with the following: audited financial statements proof of Financial Industry Regulatory Authority certification, trading resolution, proof of state registration, certification of having read the Village's investment policy.

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

Current audited financial statements are required to be on file for each financial institution and broker/dealer in which the Village invests.

- 2) Internal Controls: The Village Finance Director/Treasurer under direction of the Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Village Finance Director/Treasurer shall provide the Administrative Policy Committee (or its successor committee) with a monthly report (to be presented at the monthly Administrative Policy Committee meeting) of investment activity. This report will be shared with the Village Board on a monthly basis. The report shall include:

- A summary of current investments including purchase/maturity date, financial institution and interest rate.
- Funds available for investment and anticipated investment of those funds.

The Administrative Policy Committee will be authorized to provide input to the Finance Director/Treasurer regarding all investment activities.

IV. Suitable and Authorized Investments

- 1) Investment Types: Consistent with Wisconsin State Statutes, the following investments will be permitted by this policy
- 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. ➤ Governmental agency securities (EX Fannie Mae, Freddie Mac, Ginnie Mae)
 - Business checking accounts, Certificate of Deposits and, money market accounts in any financial institutions authorized to transact business in the State of Wisconsin, and approved in accordance with section III(I) of this policy.
 - Bonds or securities of any Single A or better rated (as rated by S&P or Moodys) county, city, drainage district, vocational, technical and adult education district village, town or school district in the State of Wisconsin.
 - 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 of AA- or higher

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.

- State of Wisconsin's Local Government Investment Pool or other similar investment pool(s) legally authorized to do business in the State of Wisconsin. These portfolios need to be monitored periodically.
- Money market mutual funds regulated by the Securities and Exchange Commission, whose portfolios consist of U.S Treasury or Government Obligations and are managed according to the Village's investment objectives.
- Securities of open-end management investment company (closed-end mutual fund) provided the investments are limited to Treasuries of Government Agencies, Bonds guaranteed as to

the principal and interest by the Federal Government or Governmental Agency and Repurchase agreements collateralized by the above types of securities. Municipal securities issued by the State of Wisconsin in accordance with the issuers and type detailed in the statute.

- 2) Collateralization: Where allowed by state law, full collateralization will be required on all demand deposit accounts and non-negotiable certificates of deposit.

V. Investment Parameters

- 1) Maximum Maturities: To protect public funds from market price losses resulting from rising interest rates, the Village will, to the extent possible, attempt to match its investments with anticipated cash flow requirements. The Village will not directly invest in securities maturing more than seven years from the date of purchase.
- 2) Diversification: The Village will diversify investments by security type, institution and terms of maturity to reduce portfolio risk.

On an annual basis, no later than the February Administrative Policy Committee meeting, the Village Finance Director/Treasurer shall prepare a schedule of cash flow requirements for the upcoming year based on the prior year's actual cash flows. This schedule will show receipts, disbursements, and ending (available) cash balances for each fund. That schedule shall be adjusted for any extraordinary items such as debt proceeds, new debt payments, capital outlay purchases which are not an annual occurrence.

The Village Finance Director/Treasurer shall monitor the Village's cash flow requirements on a monthly basis to assure funds are readily available to meet the short term operational cash needs and shall make adjustments to investments accordingly.

VI. Approval of Investment Policy

The investment policy is formerly approved and adopted by the Village of Kronenwetter Board on November 26, 2012 and is to be reviewed annually by the Administrative Policy Committee.

Attorney

POLICY ID: FIN-005		TITLE: Investment Policy	
<input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION EFFECTIVE DATE Immediate		APPROVED BY VILLAGE BOARD: _____ DATE: _____	
APPLIES TO:		<input checked="" type="checkbox"/> FLSA EXEMPT	<input checked="" type="checkbox"/> FLSA NON-EXEMPT
		<input checked="" type="checkbox"/> REPRESENTED EMPLOYEES	<input checked="" type="checkbox"/> Non-REPRESENTED EMPLOYEES
<i>This policy applies to all Village of Kronenwetter employees in the categories checked in this section. Provisions within individual personal contracts or a collective bargaining agreement may supersede certain parts of this policy.</i>			

Purpose

To enhance opportunities for prudent and systematic investments which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village.

The investment practices of the Village of Kronenwetter are based on state law and prudent money management. All funds ~~will~~shall be invested in accordance with this policy and Wisconsin Statute § 66.0603. The investment of bond proceeds ~~will~~shall be further restricted by the provisions of relevant bond documents.

Scope

It is intended that this policy cover all funds and investment activities under the direction of the Village Board.

General Objectives

The primary objectives in priority order, of the Village's investment activities shall be:

- 1) **Safety:** Safety of principal is the foremost objective of the Village's investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. The objectives will be to mitigate credit risk and interest rate risk.

- a) Credit Risk is the risk of loss due to the failure of the security issuer, financial institution, or backer. Credit risk may be mitigated by:

- > Limiting investment to the safest type of securities;
- > Pre-qualifying the financial institutions, broker/dealer, intermediaries and advisors with which the Village will do business; and
- > Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

- b) Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by:

- > Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity; and
- > By investing operating funds primarily in shorter-term securities.

- 2) Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- 3) Yield: The Village's investment portfolio shall be designed with the objective of ~~obtaining~~ a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and Village's cash flow needs, return on investment is of least importance compared to the safety and liquidity objectives described above.

Standards of Care

- 1) Prudence: The standard ~~of~~ prudence to be used by 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 this 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.
~~1)~~
- 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. Investment officials shall disclose any material interests in financial institutions with which they conduct business, they shall further disclose any personal financial/investment positions that could be related to the performance of the Village's investment portfolio, particularly with regard to the ~~timinge~~ of purchases and sales.
- 3) Delegation of Authority: Responsibility for the operation of the investment program is hereby delegated to the Finance Director/Treasurer under direction of the Administrator, who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, delivery vs. payment investment accounting, wire transfer agreements, collateral/depository agreements, and banking services contracts. 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/Treasurer. The Village Finance Director/Treasurer shall be responsible for ~~all~~ transactions undertaken and shall establish a system of controls to regulate the activities of assistants, ~~if any~~.

Safekeeping and Custody

Authorized Financial Dealer and Institution: ~~the Finance Director/Treasurer under direction of the Administrator 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 shall utilize only those financial institutions that the Village designates as authorized public depositories.~~ No public deposit shall be made except in a qualified public depository as established by ~~state laws~~ the Village Board's designation.

However, Wis. Stat. § 34.05(4) does authorize a designated public depository to further arrange for the redeposit of public deposits through a qualifying deposit placement program, otherwise known as an "insured cash sweep" service, in order to preserve public deposits fully within the limits of federal deposit insurance corporation and/or national credit union administration coverages. Use of such programs comply with this policy.

~~All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Village Finance Director/Treasurer with the following: audited financial statements proof of Financial Industry Regulatory Authority certification, trading resolution, proof of state registration, certification of having read the Village's investment policy.~~

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

~~Current audited financial statements are required to be on file for each financial institution and broker/dealer in which the Village invests.~~

- 1) Internal Controls: The Village Finance Director/Treasurer under direction of the Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

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- Funds available for investment and anticipated investment of those funds.

The Administrative Policy Committee ~~will be~~ is authorized to provide input to the Finance Director/Treasurer regarding all investment activities.

Suitable and Authorized Investments

- 1) Investment Types: Consistent with Wisconsin State Statutes, the following investments will be permitted by this policy.

- ~~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.~~ ➤ ~~Governmental agency securities (EX Fannie Mae, Freddie Mac, Ginnie Mae)~~
- Business checking accounts, savings accounts, Certificate of Deposits, and money market accounts in any financial institutions authorized to transact business in the State of Wisconsin, and approved in accordance with the "Safekeeping and Custody" section III(1) of this policy.
- ~~Bonds or securities of any Single A or better rated (as rated by S&P or Moody's) county, city, drainage district, vocational, technical and adult education district village, town or school district in the State of Wisconsin.~~
- ~~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 of AA- or higher 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.~~

- ~~State of Wisconsin's Local Government Pooled Investment Fund Pool or other similar investment pools legally authorized to do business in the State of Wisconsin. These portfolios need to be monitored periodically.~~
 - ~~Money market mutual funds regulated by the Securities and Exchange Commission, whose portfolios consist of U.S. Treasury or Government Obligations and are managed according to the Village's investment objectives.~~
 - ~~Securities of open-end management investment company (closed-end mutual fund) provided the investments are limited to Treasuries of Government Agencies, Bonds guaranteed as to the principal and interest by the Federal Government or Governmental Agency and Repurchase agreements collateralized by the above types of securities. Municipal securities issued by the State of Wisconsin in accordance with the issuers and type detailed in the statute.~~
- 2) Collateralization: ~~Where allowed by state law, full collateralization will~~ Under Wis. Stat. § 34.07 a security shall be required on all demand deposit accounts and non-negotiable certificates of deposit that exceed the amount of deposit insurance provided by an agency of the United States and the coverage provided under Wis. Stat. § 34.08(2).

Investment Parameters

Maximum Maturities: To protect public funds from market price losses resulting from rising interest rates, the Village will, to the extent possible, attempt to match its investments with anticipated cash flow requirements. The Village will not directly invest in securities ~~maturing more than seven years from the date of purchase.~~

Diversification: The Village will diversify investments by security type, institution, and terms of maturity to reduce portfolio risk

On an annual basis, no later than the February Administrative Policy Committee meeting, the Village Finance Director/Treasurer shall prepare a schedule of cash flow requirements for the upcoming year based on the prior year's actual cash flows. This schedule ~~will~~ shall show receipts, disbursements, and ending (available) cash balances for each fund. That schedule shall be adjusted for any extraordinary items such as debt proceeds, new debt payments, and capital outlay purchases which are not an annual occurrence.

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Approval of Investment Policy

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~~approved~~ in February - add per APC

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- 3) Delegation of Authority: Responsibility for the operation of the investment program is hereby delegated to the Finance Director/Treasurer under direction of the Administrator, who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, delivery vs. payment investment accounting, wire transfer agreements, collateral/depository agreements, and banking services contracts. 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/Treasurer. The Village Finance Director/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of assistants, if any.

Safekeeping and Custody

Authorized Financial Dealer and Institution: the Finance Director/Treasurer shall utilize only those financial institutions that the Village designates as authorized public depositories. No public deposit shall be made except in a qualified public depository as established by the Village Board's designation.

However, Wis. Stat. § 34.05(4) does authorize a designated public depository to further arrange for the redeposit of public deposits through a qualifying deposit placement program, otherwise known as an "insured cash sweep" service, in order to preserve public deposits fully within the limits of federal deposit insurance corporation and/or national credit union administration coverages. Use of such programs comply with this policy.

- 1) Internal Controls: The Village Finance Director/Treasurer under direction of the Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Village Finance Director/Treasurer shall provide the Administrative Policy Committee (or its successor committee) with a monthly report (to be presented at the monthly Administrative Policy Committee meeting) of investment activity. This report will be shared with the Village Board on a monthly basis. The report shall include:

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- Funds available for investment and anticipated investment of those funds.

The Administrative Policy Committee is authorized to provide input to the Finance Director/Treasurer regarding all investment activities.

Suitable and Authorized Investments

- 1) Investment Types: Consistent with Wisconsin State Statutes, the following investments will be permitted by this policy.
 - Business checking accounts, savings accounts, Certificate of Deposits, and money market accounts in any financial institution authorized to transact business in the State of Wisconsin, and approved in accordance with the "Safekeeping and Custody" section of this policy.
 - State of Wisconsin's Local Government Pooled Investment Fund.
- 2) Collateralization: Under Wis. Stat. § 34.07 a security shall be required on all demand deposit accounts and non-negotiable certificates of deposit that exceed the amount of deposit insurance provided by an agency of the United States and the coverage provided under Wis. Stat. § 34.08(2).

Investment Parameters

Maximum Maturities: To protect public funds from market price losses resulting from rising interest rates, the Village will, to the extent possible, attempt to match its investments with anticipated cash flow requirements. The Village will not directly invest in securities.

Diversification: The Village will diversify investments by security type, institution, and terms of maturity to reduce portfolio risk.

On an annual basis, no later than the February Administrative Policy Committee meeting, the Village Finance Director/Treasurer shall prepare a schedule of cash flow requirements for the upcoming year based on the prior year's actual cash flows. This schedule shall show receipts, disbursements, and ending (available) cash balances for each fund. That schedule shall be adjusted for any extraordinary items such as debt proceeds, new debt payments, and capital outlay purchases which are not an annual occurrence.

The Village Finance Director/Treasurer shall monitor the Village's cash flow requirements, on at least a monthly basis, to assure funds are readily available to meet the short-term operational cash needs and shall adjust investments accordingly.

Approval of Investment Policy

The investment policy is to be reviewed annually in February of each year by the Administrative Policy Committee