CITY OF STOUGHTON INVESTMENT POLICY
RESOLUTION # R-21-00
(A further clarification of Ordinance #3.12)

1.0 Policy

It is the policy of the City of Stoughton 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 and any bond resolution restrictions governing the investment of public funds.

2.0 Scope

This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Annual Financial Reports, including those of the Stoughton Electric, Water and Wastewater Utilities.

3.0 Prudence

Investments shall be made with judgement 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 investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.

4.0 Objective

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

4.1 **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.

4.2 **Liquidity:** The city investment portfolio will remain sufficiently liquid to enable the city to meet all operating requirements which might be reasonably anticipated.

4.3 **Return on Investment:** The city 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.

5.0 Delegation of Authority

Management responsibility for the investment program is delegated to the City of Stoughton Director of Finance, who shall establish written procedures for the operation of the investment program consistent with this investment policy. 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 Director of Finance. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees.

6.0 Authorized Financial Dealers and Institutions

The Director of Finance will maintain a list of financial institutions authorized to provide broker and investment services. No public deposit shall be made except in a qualified public depository as established by state laws and as authorized by the city.

Every two years the City will request bids for banking services (for two-year terms) from qualified local banks.

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

7.0 Authorized & Suitable Investments

The City is empowered by Wisconsin State Statutes 66.04(2) & 25.50, to invest in the following types of securities:

1. Time deposits in any credit union, bank savings bank, trust company or savings and loan association.
2. Bonds or securities of any county, city, drainage district, VTAE district, village, town, or school district of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool and Wisconsin Investment Trust.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

8.0 Collateralization

Collateralization will be required on all demand deposits as well as certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred two percent (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.

The right of collateral substitution is granted.

9.0 Diversification

The City will diversify its investment by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

10.0 Maximum Maturities

To the extent possible, the City 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 7 years from the date of purchase.

11.0 Internal Control

The Director of Finance 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.

12.0 Reporting

The Director of Finance is charged with the responsibility of including a report on cash and investment activity and returns monthly to the city council.

13.0 Investment Policy Adoption

This City investment policy shall be adopted by resolution of the City Council. The policy may be reviewed periodically and any modifications made thereto must be approved by the city council.

APPROVED BY THE COMMON COUNCIL: July 25, 2000

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