

**RESOLUTION NO. 2019-57**

**RESOLUTION AUTHORIZING THE ADOPTION OF AN AMENDED  
INVESTMENT POLICY FOR THE VILLAGE OF CALEDONIA**

**WHEREAS**, the Village of Caledonia previously adopted an investment policy for the Village; and

**WHEREAS**, there is a need to change the investment policy to update certain provisions; and

**NOW, THEREFORE, BE IT RESOLVED** by the Caledonia Village Board that the Village of Caledonia Investment Policy dated June 3, 2019, which is attached hereto as Exhibit A and incorporated herein, is hereby adopted and replaces and supersedes any previously adopted investment polices effective the date of the adoption of this resolution.

Adopted by the Village Board of the Village of Caledonia, Racine County, Wisconsin, this 3rd day of June, 2019.

VILLAGE OF CALEDONIA

By: 

James R. Dobbs, Village President

Attest: 

Karie Pope, Village Clerk

# VILLAGE OF CALEDONIA INVESTMENT POLICY

June 3, 2019

## 1.0 POLICY

It is the policy of the Village of Caledonia to invest public funds in a manner which 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 statues governing the investment of public funds.

## 2.0 SCOPE

This investment policy applies to all cash and investments of the Village of Caledonia. These assets are presented in the Village Annual Financial Report as part of the following funds:

## 2.1 FUNDS

- 2.1.1 General Fund
- 2.1.2 Special Revenue Funds
- 2.1.3 Capital Project Funds
- 2.1.4 Enterprise Funds
- 2.1.5 Trust and Agency Funds
- 2.1.6 Debt Service Funds

## 3.0 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.

## 3.1

The standard of prudence to be used by the Finance Director shall be the “**prudent person**” standard and shall be applied in the context of managing an overall portfolio. The Village Finance Director 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 risk or market prices changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## 4.0 OBJECTIVE

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

## 4.1 SAFETY

Safety of principal is the foremost objective of the investment program. Investments of the Village of Caledonia shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain the objective, **diversification** is require in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

## **4.2 LIQUIDITY**

The Village of Caledonia's investment portfolio will remain sufficiently liquid to enable the Village to meet all operating requirements which might be reasonable anticipated.

## **4.3 RETURN ON INVESTMENT**

The Village of Caledonia'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.

## **5.0 DELEGATION OF AUTHORITY:**

Authority to manage the Village's investment program is derived from the Wisconsin Statute 66.0603. Management responsibility for the investment program is hereby delegated to the Finance Director who shall adhere to this investment policy. Procedures shall be developed to include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking service contracts. 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 establish by the Village Finance Director. The Village Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## **6.0 ETHICS AND CONFLICT 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.

## **7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Village Finance Director 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. 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 establish by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Village Finance Director, at his/her request, with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, 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 Finance Director.

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

## **8.0 AUTHORIZED & SUITABLE INVESTMENTS**

The Village is empowered by statute to invest in the following types of securities: Village Finance Director should attempt to match the Village's cash payment schedule whenever possible.

### **8.1**

Certificated of deposits (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 \$500,000 per financial institution.

### **8.2**

U.S. government or agencies securities with a maturity under seven years.

### **8.3**

The State of Wisconsin Local Government Investment Pool or the Wisconsin Investment Series Cooperative.

### **8.4**

Any investment pools, savings or similar accounts offered by banks located within the state of Wisconsin. Such deposit must be collateralized by U.S. government backed securities or agency securities or limited to \$500,000 per financial institution.

### **8.5**

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

## **9.0 COLLATERALIZATION**

The Village shall strive to maintain all cash and investments within Category One (Governmental Accounting Standards Board Statements No.3) which includes authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by security held by the Village or its agent in the Village's name.

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

The right of collateral substitution is granted.

## **10.0 SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase agreements, entered into by the Village of Caledonia shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third

party custodian designated by the Village Finance Director and evidenced by safekeeping receipts or with evidence of insurance rated AA by AM Best.

### **11.0 DIVERSIFICATION**

The Village of Caledonia will diversify its investments by security type and institution, with the exception of U.S. Treasury securities and authorized pools, 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.

### **12.0 MAXIMUM MATURITIES**

To the extent possible, the Village of Caledonia will attempt to match its investments with anticipated cash flow requirements. Unless match to a specific cash flow, the Village will not directly invest in securities maturing more than two (2) 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 seven (7) years.

Reserved funds may be invested in securities exceeding two (2) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

### **13.0 INTERNAL CONTROL**

Annually, the Village will have an independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. This review will coincide with the Village's annual audit.

### **14.0 PERFORMANCE STANDARDS**

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

#### **14.1 MARKET YIELD (BENCHMARK)**

The Village's investment strategy is passive. Given this strategy, the basis used by the Village Finance Director to determine whether market yields are being achieved shall be the average Fed Funds rate.

### **15.0 REPORTING**

The Finance Director is charged with the responsibility of including a market report on investment activity and returns for the Village Board.

### **16.0 INVESTMENT POLICY ADOPTION**

The Village of Caledonia's investment policy shall be adopted by the Village Board. The policy shall be periodically reviewed by the Village Board and any modifications made thereto must be approved by the Village Board. Such review shall not occur more than annually.