

CITY OF WAUKESHA

FINANCIAL POLICIES AND PROCEDURES (F-14.0) DEPOSITS AND INVESTMENTS

F-14.1 SCOPE

This investment policy applies to all financial investments held or controlled by City of Waukesha, consistent with Wisconsin statutes 66.0603

F-14.2 OBJECTIVES

The following investment objectives shall be applied in the management of City funds.

- A. The foremost objective of the City's investment activities is the preservation and protection of investment principal.
- B. All investment decisions shall adhere to current Wisconsin Statutes 66.0603
- C. City investments shall be divided into two portfolios, a short-term liquidity portfolio to meet the day-to-day operating obligations that may be reasonably anticipated, and a long-term income portfolio with a maturity range of 3 to 5 years.
- D. The investment portfolios shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.
- E. Any investment managers, advisors or other third parties acting on behalf of City of Waukesha shall adhere to these investment policies.

F-14.3 STANDARDS OF CARE

A. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard. The "prudent person" standard states that, "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 derived."

B. Ethics and Conflicts of Interest

Officers, employees and contractors 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. Employees and investment officials

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shall disclose any material interests in financial institutions with which they conduct business. Employees and officers shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the City.

F-14.4 AUTHORITY TO MANAGE AND INVEST

The authority to invest City funds is delegated to the Clerk-Treasurer and/or the Finance Manager. The Clerk-Treasurer may engage in transactions as provided under the terms of this policy. This authority is restricted in that the purchase, sale and exchange of investment instruments within the Trust Accounts will be the responsibility of the authorized investment adviser.

F-14.5 AUTHORIZED FINANCIAL INSTITUTIONS

Investments shall only be placed in a qualified depository institution as established by Wisconsin Statutes 66.0603, authorized to do business in the State of Wisconsin.

F-14.6 AUTHORIZED INVESTMENTS

Section 66.0603 of Wisconsin Statutes governs the City investment activity.

F-14.7 COLLATERALIZATION

Full collateralization will be required on deposits and repurchase agreements with banking institutions in excess of \$500,000 at authorized financial institutions. Collateral shall be with U.S. Government guaranteed securities specifically pledged to the City (not part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. A monthly statement of collateral pledged to the City is required from the custodian.

F-14.8 INVESTMENT PARAMETERS

Investments held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument and/or class of instruments. Diversification strategies shall be determined and revised by the Clerk-Treasurer and Finance Manager at any time.

A. Short Term Liquidity Portfolio

The Average Maturity is 180 days, with a Maximum Maturity Date of two years.

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1. Time and other Money Market Deposits at authorized financial institutions.
2. Local Government Investment Pool Fund of State of Wisconsin Investment Board
3. Trust Account actively managed by authorized investment advisors
 - a. US Government Treasury Bills
 - b. US Government Treasury Notes and Bonds
 - c. US Government Agencies
 - d. US Government Repurchase Agreements
 - e. US Government Money Market Funds
 - f. Mortgaged Back Securities
 - GNMA (Government National Mortgage Association)
 - FNMA (Federal National Mortgage Association)
 - FHLMC (Federal Home Loan Mortgage Corporation)
 - g. Commercial Paper & Corporate Notes
(Securities must be rated in the highest or second highest rating category assigned by Standard and Poor's, Moody's, or other nationally recognized agency)
4. Repurchase Agreements at authorized financial institutions.
(Repurchase agreements are to be secured by investments fully guaranteed by the U.S. government)
5. Certificates of Deposit in authorized financial institutions limited to a maximum investment, per institution at any one time, of \$500,000 (FDIC insured) with a maximum maturity on one year, or if more than \$500,000 must be fully collateralized. (See Section VII)
6. Wisconsin Investment Series Cooperative (WISC)

Note: It is understood that on an occasional and short-term basis, usually less than a month, it may be necessary to exceed the maximum investment parameters of the Local Government Investment Pool of the State of Wisconsin Investment Board and/or in the Repurchase Agreements at authorized financial institutions.

B. Long Term Income Portfolio

The Average Maturity is approximately 3 years, with a Maximum Maturity of 5 years.

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(For securities with adjustable rate coupons (ARMs) the time to reset will be deemed the effective date)

1. Trust Account actively managed by authorized investment adviser.
 - a. US Government Treasury Bills
 - b. US Government Treasury Notes and Bonds
 - c. US Government Agencies
 - d. US Government Repurchase Agreements
 - e. US Government Money Market Funds
 - f. Mortgaged Back Securities
 - GNMA (Government National Mortgage Association)
 - FNMA (Federal National Mortgage Association)
 - FHLMC (Federal Home Loan Mortgage Corporation)
 - g. Certificates of Deposit & Bankers Acceptance (See Section VII)
 - h. Commercial Paper & Corporate Notes (See Section VIII(4))

F-14.9 PERFORMANCE OBJECTIVES

A. Short Term Liquidity Portfolio

The performance objective of this portfolio will be to exceed the Merrill Lynch 90 day Treasury Bill Index.

B. Long Term Income Portfolio

The performance objective of this portfolio will be to match or exceed the Barclays 1-3 Year Government Index

F-14.10 SAFEKEEPING AND CUSTODY

All investments purchased shall be properly designated as an asset of City of Waukesha held in safekeeping by a third-party custodial bank or other third-party custodial institution, chartered by the United States Government or the State of Wisconsin. No withdrawal of such assets, in whole or in part, shall be made from safekeeping except by the Clerk- Treasurer, Finance Manager or a designee.

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F-14.11 AUTHORIZED INVESTMENT ADVISORS

JP Morgan Chase
MBIA Asset Management
Dana Investment Advisors
WISC (Wisconsin Investment Services Cooperative)

F-14.12 REPORTING AND REVIEW

The Finance Committee will review quarterly reports on cash and investments as provided by the Finance Manager. Quarterly the investment adviser will report and review trust account activities with the Clerk-Treasurer and Finance Manager.

The Finance Committee, Finance Manager and Clerk-Treasurer shall review City's investment policy on a biennial basis. The Finance Committee will authorize any changes to the investment policy.