

City of Medford Investment Policy

SCOPE

This policy applies to those funds that are under the authority of the City of Medford. Financial assets of funds not under the authority of the City of Medford are administered in accordance with a separate policy. Financial assets of all other funds may be administered in accordance with this Policy, but are not required to.

I. GENERAL OBJECTIVES

1. Safety

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in individual investments and the overall portfolio. The objective will be to mitigate credit risk, interest rate risk and custodial risk.

a. Credit Risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities permitted under Wisconsin Statutes Chapter 66.0603.
- The City Council shall by resolution approve the public depositories that are deemed appropriate for use under Wisconsin and Federal law.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, 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.

c. Custodial Risk

The City will minimize custodial risk, which is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it, by:

- Maintaining a list of public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services.
- All public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services must supply as appropriate audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.

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 concurrent 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.

4. Authorized and Suitable Investments

Authorized investments include any investment stipulated in Wisconsin statute 66.0603 (1m).

- a) In accordance with Wisconsin statutes 34.01 (5) and 34.09 all Wisconsin banks, state or federal chartered, as well as the Wisconsin local government pooled-investment fund, are authorized depositories.

III. INTERNAL CONTROLS

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

Internal controls shall address:

- With consideration given to current and anticipated staff levels, separation of transaction authority from accounting and record keeping.
- With consideration given to current and anticipated staff levels, clear delegation of authority to subordinate staff members. Written confirmation of transactions for investments and wire transfers.
- Dual authorizations of wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.
- Investment and interest earnings will be recorded in the City accounting records based on generally accepted government accounting procedures.

IV. 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.

V. REPORTING

The City Treasurer shall present a quarterly report on the investment program and investment activity to the City Council. The report shall include a management summary displaying the status of the investment portfolio and transactions made over the previous quarter. The management summary shall be prepared in a manner that will allow the City Council to determine if investment activities during the reporting period conform to this Investment Policy.

VI. POOLING OF CASH

Except where otherwise provided by the City Council, the City Treasurer is authorized to pool the cash of various funds 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.