

Statement of Intent

It is the policy of the City of West Allis to invest public funds in a legal and safe manner which will provide the highest investment return with regard for the maximum security, while meeting the daily cash flow requirements of the City and conforming to applicable state and local statutes governing the investment of public funds. This resolution is to repeal Resolution No. R2009-0265, adopted by the Common Council on December 15, 2009, and any other resolutions that may exist regarding the investment of City funds and the designating of public depositories.

This investment policy is intended to designate public depositories for City funds and establish a policy for investing. In addition, the policy will also outline the types of permissible City investments.

Scope

This investment policy applies to all City funds not immediately needed to meet the operating expenses of the City. These funds shall, where permissible, be pooled together to achieve the best rate of return. The following funds are covered by this investment policy: general, special revenue, debt service, capital projects, enterprise funds and trust and agency. This policy will include any new funds created, unless specifically exempted.

Statement of Purpose

Investments shall be made with judgment and care giving first consideration to the legality, safety, liquidity, and finally yield of the investment. "Notwithstanding any other provision of law, a treasurer who deposits public moneys in any public depository, in compliance with s. 34.05, is thereby relieved of liability for any loss of public moneys which results from the failure of any public depository to repay to the public depositor the full amount of its deposits thus causing a loss as defined in s. 34.01 (2)." (Section 34.06 of the Wisconsin Statutes) This policy should not be construed as to imply that an investor should engage in speculative or risky investments. Nor does this policy condone aggressive leveraging for investment purposes.

Objective

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

Legality - The City's investments shall conform to federal, state, and other legal requirements.

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. Diversification may be a mechanism to

achieve this goal. A second method to insure safety is to collateralize certain investments.

Liquidity - The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Return on Investments (Yield) - The City's investment portfolio shall be designed with the objective of attaining a rate of return that meets the constraints of this investment policy and market conditions.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City of West Allis Ethics Board any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the City, particularly with regard to the time of purchases and sales.

Authorized Investments

A. The following is a list of investments allowed under State law. Section 66.0603 of the Wisconsin Statutes, or as amended, governs the types of permissible investments. They are:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in this state if the time deposits mature in not more than three (3) years.
2. 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.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin.
- 3m. Bonds issued by a local exposition district under subch. II of ch. 229 of Wisconsin state Statutes.
- 3p. Bonds issued by a local professional baseball park district created under subch. III of ch. 229.
- 3s. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

3t. Bonds issued by a local cultural arts district under subch. V of ch. 229.

4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven (7) years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned 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.

5. Securities of an open-end management investment company or investment trust, if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following:

a. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.

b. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.

c. Repurchase agreements that are fully collateralized by bonds or securities under subdivisions 5.a. or b.

B. Any town, city or village may invest surplus funds in any bonds or securities issued under the authority of the municipality, whether the bonds or securities created a general municipality liability or a liability of the property owners of the municipality for special improvements, and may sell or hypothecate the bonds or securities. Funds of any employer, as defined by sec. 40.02(28), in a deferred compensation plan, may also be invested and reinvested in the same manner authorized for investments under sec. 881.01(1).

C. Any local government, as defined under sec. 25.50 (1)(d), may invest surplus funds in the local government pooled investment fund.

D. Any county, city, village, town, school district, drainage district, technical college district or other governing board, as defined by sec. 34.01(1), may engage in financial transactions in which a public depository, as defined in sec. 34.01(5), agrees to repay funds advanced to it by the local government, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.

Suitable investments for the City of West Allis include, but are not limited to, the following:

1. Short-term investment pools (State Local Government Investment Pool, MBIA CLASS, Wisconsin Investment Trust Pool)
2. Certificates of Deposit
3. U.S. Treasury Securities
4. Agency Securities
5. Commercial Paper
6. Repurchase Agreements

A Master Repurchase Agreement should specify the obligations and rights of both parties to the transaction and provide remedies in case of default. There should be third party safekeeping of the collateral.

Collateralization

Collateralization will be required on two (2) types of investments: certificates of deposits, which exceed the State and FDIC insurance limits, 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 the market value of principal and accrued interest. The amount of Collateralization should be revalued on a periodic basis. The City chooses to limit collateral to securities of the U.S. Treasury and its agencies.

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 safekeeping receipt must be supplied to the City and retained by the Treasurer.

The right of collateral substitution is granted.

Diversification

The City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, the State Local Government Investment Pool, and MBIA CLASS it is recommended that no more than fifty percent (50%) of the City's total investment portfolio be invested in a single security type or with a single financial institution for extended periods of time.

Maximum Maturities

A suitable maximum maturity for the City's investments will not be more than seven (7) years.

Internal Control

Each year, as part of the City's annual audit by an external auditing firm, there will be an independent review. This review will provide internal control by assuring compliance with this policy.

Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. A suitable benchmark for a measure of performance for a passive investment strategy is the rate of return for either the State Local Government Investment Pool, MBIA CLASS or the 90 day U.S. Treasury Bill.

Reporting

The Treasurer shall make periodic reports to the Administration and Finance Committee.

Investment Policy Adoption

The City of West Allis's investment policy shall be adopted by resolution by the Common Council. The policy shall be reviewed periodically by the City Treasurer and any modifications shall be presented by the Treasurer to the Administration and Finance Committee and the Common Council.

NOW, THEREFORE, BE IT RESOLVED That:

Delegation of Authority

The Common Council delegates the authority to invest public funds to the City Treasurer, Comptroller, Treasurer's Office Supervisor or the Treasurer's designee. This delegation authorizes the City Treasurer, Comptroller, Treasurer's Office Supervisor or designee to purchase investments for the City of West Allis. Responsibility is delegated to the City Treasurer, Comptroller, Office Supervisor or designee to establish procedures to be used for safekeeping, wire transfers and other banking agreements, consistent with this policy and a system of controls.

The City Treasurer, Deputy Treasurer, and Comptroller or designees shall serve as an investment team for the purpose of participating in the implementation of this policy.

BE IT FURTHER RESOLVED That:

Authorized Financial Institutions

The Common Council designates the following institutions as public depositories for the funds of the City of West Allis as stated in 93-94 secs. 34.01(5) and 34.05(1) of the Wisconsin Statutes. These institutions are:

A-B Credit Union
Appletree Credit Union

First Credit Union
First Service Credit Union
Greater Milwaukee Credit Union
Guardian Credit Union
Landmark Credit Union
Peoples Credit Union
State Central Credit Union
Veterans Administration C.U.
FOCUS Credit Union
WISCOR Credit Union

Allstate Bank
AnchorBank
Associated Bank
Bank of Deerfield
Bank of Kenosha
Bank of Oakfield
Bank Mutual
Bankers Bank
Bay View Federal Saving and Loan
Chase
Citizens Bank
Community Bank and Trust
Continental Savings Bank
Cornerstone Community Bank
Equitable Bank
F&M Bank
Farmers and Merchants State Bank
First Wisconsin Bank & Trust (THE National Bank)
First Bank
First Business Bank – Madison
First Business Bank - Milwaukee
First Federal Bank of Wisconsin
First National Bank of Park Falls
Great Midwest Bank, SSB
Guaranty Bank
Harris Bank
Investors Bank
Johnson Bank
Layton State Bank
Legacy Bank
MBIA CLASS
M&I Bank
Marine Bank
Maritime Savings Bank
MidAmerica Bank

Mitchell Bank
National City Bank (PNC)
North Shore Bank FSB
Ozaukee Bank
Park Bank (Madison)
Park Bank (Milwaukee)
PyraMax FSB Bank
Ridgestone Bank
State Farm Bank
State of Wisconsin Local Government Investment Pool (LGIP)
TSB Bank
TCF Bank
Town Bank (Wintrust Financial Corporation)
Town & Country Bank
Tri City National Bank
US Bank
WaterStone Bank
Waukesha State Bank
Wells Fargo Bank

Investment Entities and Programs:

American Deposit Management, LLC
American Money Market Account
CDAR's Program
Coastal Securities
M & I Investment Services
MaxSafe Treasury Management Account (Town Bank)
MBIA Asset Management
Pennant Management Inc. Milwaukee WI – (a Milwaukee Investment Adviser)
RBC Dain Rauscher
Wells Fargo Securities, LLC
Wisconsin Investment Trust Fund

Custodians/Trust Companies:

GreatBank Trust Company, Lisle IL and Milwaukee WI
M&I Trust Company, Milwaukee WI
Baylake Bank, Custodian and Bank of Record (American Money Market Account)

OR the successor entities of the above. The Finance Manager/Comptroller, CAO, and the Treasurer's Office Supervisor, acting in concert, are authorized to add and/or delete any institutions as they deem to be in the City's interest without approval of the Common Council. The Common Council shall be periodically notified of each change via a communication.

The Common Council designates the following bank(s) as public depositories in which all public monies shall be deposited in time deposits, certificates of deposit, demand deposits or savings deposits, without any restriction as to the amount of deposit or collateralization:

Tri City National Bank
US Bank - First Ring Industrial Redevelopment Enterprise

MISCELLANEOUS

Definitions of words and phrases shall, insofar as applicable, have the meanings set forth in sec. 34.01 of the Wisconsin Statutes, and as per the Glossary following and as amended.

This policy is enacted in accordance with the provisions of Chapter 34, Subchapter VI of Chapter 66, and section 62.12(7) of the Wisconsin Statutes. In the case of conflict, the state laws shall prevail.

This policy shall continue in force until appealed or superseded by further resolution of the Common Council.

GLOSSARY

Agencies: The debt securities of federal agencies which are owned entirely by the U.S. Government and have been authorized by the Treasury to issue this debt. Some carry a direct guarantee of the U.S. Government, while others carry an implied guarantee.

Bid: The price offered by a buyer of securities. When you are selling securities, you ask for a bid. (See **Offer**.)

Broker: A broker brings buyer and sellers together for a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

Collateral: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

Coupon: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery Versus Payment: There are two (2) methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Investor: City Treasurer or designee, as authorized by Common Council.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits currently up to one hundred thousand dollars (\$100,000) per deposit.

Federal Reserve System (Fed): The central bank of the United States created by Congress and consisting of a seven (7) member Board of Governors in Washington, D.C., twelve (12) regional banks and about five thousand seven hundred (5,700) commercial banks that are members of the system.

Leveraging: Use of reverse repurchase agreements or the borrowing of funds for the specific purpose of investing or purchasing of investment vehicles.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase, which establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

Offer: The price asked by a seller of securities. When you are buying securities, you ask for an offer. (See **Bid**.)

Portfolio: Collection of securities held by an investor.

Premium: The difference between the cost price of a security and its maturity when quoted at higher than face value. A security selling above original offering price shortly after sale also is considered to be at a premium.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks and a few unregulated firms.

Prudent Person Rule: This 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 to be derived.

Rate of Return: The yield obtainable on a security based on its purchase price.

Repurchase Agreement: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate for this. Exception: When the Fed is said to be doing repurchase agreements, it is lending money, that is, increasing bank reserves.

Risky Investment: Refers to investment vehicles that may or may not be specifically prohibited, but are not suitable for the City of West Allis portfolio. These risky investment examples are as follows: inverse floaters, range floaters, mortgage securities structured as interest-only and principal-only.

Safekeeping: A service to customer rendered by banks for a fee, whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC): An agency created by Congress to protect investors in securities transactions by administering securities legislation.

Speculative Investments: Investment vehicles purchased with the intent of betting on the future movement of interest rates, whereby sale of the investment, before maturity, creates unusual yields.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Bills carry a maturity of up to one (1) year.

Treasury Bond: Long-term U.S. Treasury securities having initial maturities of more than ten (10) years.

Treasury Notes: An interest bearing security issued by the U.S. Treasury to finance the national debt. Maturities can range from two (2) to ten (10) years.

Yield: The rate of annual income return on an investment expressed as a percentage.