

City of River Falls, WI
Investment Policy
Amended September, 2011

Purpose:

The objective of the investment policy of the City of River Falls is to conform with all applicable federal, state and other legal requirements; to adequately safeguard principal; to provide sufficient liquidity to meet all operating requirements; and to obtain a reasonable rate of return.

Scope:

This investment policy applies to all financial aspects of the City of River Falls, except for the River Falls Housing Authority and the Business Improvement District, which are governed by separate boards and commissions.

Prudent Investor Rule:

The investment officers must invest the City's assets in accordance with the Prudent Investor Rule. The following is a summary of the highlights of this rule, which should be applied to the investment officers' investment decisions based on the terms and conditions contained in the City's investment policy statement

- The investment officers are required to invest and manage the City's assets as a prudent investor would.
- The investment officers must review the City's existing assets within a reasonable time after becoming the investment officers. The investment officers then, as a prudent investor, must make decisions concerning the retention or disposition of the existing assets.
- The investment officers are required to diversify the investments, unless the officers believes it is not in the best interest of the City. The investment officers must pursue an investment strategy that includes both the production of income and the safety of capital considering the current and future needs of the City.
- The investment officers are required to develop an overall investment strategy, which incorporates both risk and return. This standard relates to the City's entire portfolio, not just to an individual investment held in the portfolio.
- The investment officers' decisions for the investment portfolio are to be judged based on the facts and circumstances existing at the time the decisions were made. These factors would include inflation, economic conditions, expected total return, etc., while also considering that the investment officers should only incur reasonable and appropriate costs.
- The Prudent Investor Rule is a test of conduct and not of the resulting performance of the investment portfolio.

Diversification Requirements:

In order to reduce the risk of default, the investment portfolio of the City of River Falls shall not exceed the following diversification limits unless specifically authorized by the City Council.

1. No financial institutions shall hold more than 15% of the City's investment portfolio excluding short-term construction bond proceeds.
2. Monies deposited at an individual financial institution shall not exceed 10% of the capital stock and surplus of that institution.
3. Commercial paper shall not exceed 10% of the City's portfolio.
4. Deposits in the Wisconsin State Investment Pool shall not exceed 50% of the investment portfolio, with the exception of annual property tax collections, which are generally invested for 30 days or less.
5. Financing for City projects, for a term not more than five years, shall not exceed 15% of the portfolio.
6. Total holdings of any one issuer may not exceed 10% of the market value of the portfolio at the time of purchase, with the exception of U.S. Government issues fully guaranteed as to both principal and interest by the U.S. Government or agencies thereof.

Maturities:

Maturities of individual securities must be in compliance with Section 66.0603 of Wisconsin Statutes. Under sub. (1m)(a) 1, time deposits may not exceed three (3) years. Additionally, under sub. (1m)(a) 4, debt that is not guaranteed as to principal and interest by the Federal Government or its Agencies, or a Wisconsin municipality must have a maturity not more than seven (7) years.

Acceptable Investments:

The portfolio will be invested in accordance with Section 66.0603 of Wisconsin State Statutes governing the investment of public funds. Acceptable investments include the following.

1. Bonds or securities issued or guaranteed as to principal and interest by the Federal Government, or by a commission, board or other instrumentality of Federal Government.
2. Fixed income securities with a minimum long-term debt rating of AA by Moody's or Aa by Standard & Poor's at the time of purchase
3. Investments in commercial paper and variable rate demand notes are restricted to corporations rated A-1 by Standard & Poor's or P-1 by Moody's at the time of purchase.
4. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association, which is authorized to transact business in the

State of Wisconsin if the time deposits mature in not more than three (3) years.

5. State of Wisconsin Local Government Investment Pool.
6. 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 subd. [5. a.](#) or [b.](#)
7. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state.
8. Financing of City projects, including short-term financing, for not more than five years unless approved by the City Council for a longer period. Interest will be charged at .5% over the rate obtained by the most recent City general obligation issue or revenue bond.

Authorized Financial Institutions:

The City Council shall approve annually a list of financial institutions and security broker/dealers authorized to provide investment services.

Collateralization For Depository Accounts:

It is the policy of the City of River Falls to require that all funds on be secured by some form of collateral. The City will accept any of the following assets as collateral.

1. U.S. Government securities
2. Obligations of Federal Agencies
3. Obligations of Federal Instrumentalities
4. Obligations of the State of Wisconsin
5. Insurance policies provided by an insurance company with a rating of A+ by A.M. Best Company.

The City reserves the right to accept or reject any form of the above named securities.

The amount of collateral will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of fair market value or collateral to the amount of funds secured will be reviewed annually. Additional collateral will be requested when the ratio declines below the level required and collateral will be released if the market value exceeds the required level. Pledged collateral will be held in safekeeping, and will preclude the release of pledged assets without an authorized signature from the City of River Falls.