

**WINNEBAGO COUNTY**  
**INVESTMENT POLICY**  
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**WINNEBAGO COUNTY  
INVESTMENT POLICY**

**I. INTRODUCTION**

The intent of the Investment Policy of Winnebago County is to define the parameters within which funds are to be managed. In methods, procedures and practices, the Policy formalizes the framework for Winnebago County’s investment activities that must be exercised to ensure effective and judicious fiscal and investment management of County funds. The guidelines are intended to be broad enough to allow the Finance Director to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

**Comment [SA1]:** This was new intro section directly from GFOA template that replaces what was here – the scope section which is now section III below

**II. GOVERNING AUTHORITY**

The investment program will be operated in conformance with federal, state, and other legal requirements, including Wisconsin State Statutes 66.0603 and 34.09.

**III. SCOPE**

This investment policy applies to all commingled cash and investments. This policy does not apply to any escrowed or agency funds of the County.

**IV. OBJECTIVES**

The primary objectives, in priority order, of Winnebago County’s investment activities will be:

1. **Safety** Safety of principal is the foremost objective of Winnebago County’s investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal will be to mitigate credit risk and interest rate risk.
2. **Liquidity** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
3. **Return** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety and liquidity needs.

**Comment [SA2]:** Objectives were changed – to typical GFOA recommended safety, liquidity, yield/return – what was here before has been moved to later section – parameters – the info was more mitigating rather than objectives. This is straightforward GFOA objectives

**V. DELEGATION OF AUTHORITY**

The authority to make investment decisions, and effect investment transactions, as vested in the County Board is delegated to the Finance Director, as per Sections 38.12(2), 38.125(m), 38.12(7), 38.14, 66.042(6), 66.04(2), and 219.05 and Chapter 34, *Wis. Stats.*

**Comment [SA3]:** Newly added section – per GFOA template - spells out authority

The Finance Director, as Investment Officer, is delegated the day-to-day responsibility of the overall investment program, and will report to the Personnel and Finance Committee (the

“Committee”) regarding investments, and consult with the Committee as it may request regarding such investments and the investment program.

Responsibility for the administration of this Investment Policy rests with the Committee. The delegation of the authority for day-to-day administration of the Policy to the Finance Director, as Investment Officer, does not relieve the Committee of its ultimate responsibility.

The County may contract with one (1) or more investment managers or advisers to make investment commitments consistent with this policy.

Any investment managers, advisers or other third parties acting on behalf of Winnebago County will adhere to this Investment Policy.

**Comment [SA4]:** Clarify that the county can do this – which county already does with Dana

A copy of the Investment Policy will be provided on a regular basis to all current employees and agents of Winnebago County responsible for making or influencing investment decisions. A copy of the Investment Policy will also be included in all future new or renewal contracts with similar third-party vendors.

## VI STANDARDS OF CARE

### 1. Prudence

The standard of prudence to be used by the Investment Officer will be the “prudent person” standard and will be applied in the context of managing an overall portfolio. Investment of County funds “will be made with judgment and care under circumstances in which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived.”

County personnel acting in accordance with written procedures and this Investment Policy and exercising due diligence will be relieved of personal liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**Comment [SA5]:** GFOA suggested language

### 2. Ethics and Conflicts of Interest

The Investment Officer, any other employees and contractors involved in the investment process will 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. The Investment Officer and other employees will disclose any material interests in financial institutions with which they conduct business. The Investment Officer and other employees will refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of Winnebago County.

**Comment [SA6]:** 2<sup>nd</sup> part of standards of care

## VII. AUTHORIZED FINANCIAL INSTITUTIONS AND DEPOSITORIES

**Comment [SA7]:** New section comes before list of investments – what parties county can transact business with

Selection of ~~all financial~~ institutions, including depositories, investment advisers, and broker-dealers authorized to engage in transactions with Winnebago County will be at the sole discretion of the County,

A periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Investment Officer.

**1. Depositories**

All banks, savings and loans, and credit unions in the county doing business under Wisconsin State or United States laws will be considered suitable depositories for Winnebago County deposits.

All financial institutions acting as a depository for the County must enter into a “depository agreement” with the County. The County conducts due diligence on banks using Veribanc rating services to evaluate its investment depositories, and requires quarterly financial reports. Selection of financial institutions and depositories will be at the sole discretion of the County.

**2. Investment Advisers** The County may contract with one (1) or more investment managers or advisers with authority to make investment commitments consistent with this policy. A state or national bank, a trust company, or an investment adviser registered under the Investment Adviser’s Act of 1940, is eligible to be considered as an investment adviser for the County. Authority granted to investment managers or advisers will be non-discretionary. Investment advisers will be held to the prudent expert standard.

**3. Broker-Dealers**

All broker-dealers who desire to become qualified for investment transactions must supply the following (as appropriate):

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of FINRA certification
- Proof of state registration

**Comment [CB8]:** Stands for Financial Industry Regulatory Authority – a self regulating body.

**VIII. SUITABLE AND AUTHORIZED INVESTMENTS**

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this Policy and are those defined by Wisconsin State statutes (66.0603) and (34.09).

**Comment [SA9]:** Pretty much what was in original – moved here and first paragraph is directly from GFOA template

If additional types of securities are approved for investment by public funds by State Statute, they will not be eligible for investment by Winnebago County until this Investment Policy has been amended and the amended version adopted by the Committee.

**Comment [SA10]:** This gives committee the opportunity to review and authorize instead of being blindsided and automatically accepting new investments as they become allowable by state statute

Investments are further limited by the Winnebago County Board as follows:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in this state if the time deposits mature in not more than two years, and if such institution is eligible to act as a public depository under Section 34.09, Wis. Stats., and has received the requisite approval as a public depository under Section 34.09, Wis. Stats.

Winnebago County, with the adoption of this investment policy, will allow its Investment Officer to place additional funds in excess of \$650,000 in any bank so named as a County

depository if the depository provides a surety bond or collateralization of the time deposit or certificate of deposit. Additional unsecured deposits up to a maximum of \$2,500,000 may be placed in any depository rated in the two highest categories by the financial rating institution used by the County.

**Comment [SA11]:** This refers to Veribanc (not S&P or moodys)

2. Certificate of Deposit Account Registry Service (CDARS) - a placement service in which a member institution uses CDARS to place funds into CDs issued by banks that are members of the CDARS Network. This occurs in increments below the standard FDIC insurance coverage maximum, allowing for coverage of principal and interest.
3. ADM - American Deposit Management, a CD placement service and other depository placement service.
4. In bonds or securities issued or guaranteed as to principal and interest by the federal government, an agency, or a sponsored enterprise (GSE) of the federal government. These can be purchased without limitation as to amount.
5. In bonds or securities of any county, city, drainage district, village, town, technical college district, village, town or school district of this state, Wisconsin.
6. Any security that matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating that is the highest or 2nd highest rating category assigned by Standard & Poor's Corporation or Moody's Investor Service.
7. State of Wisconsin Investment Board's Local Government Investment Pool.
8. Repurchase Agreements (Repos). Investment agreements pursuant to which a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank, or national bank in the State of Wisconsin agrees to repay funds advanced to it by the investor, plus interest. Repurchase agreements are to be secured by investment securities fully guaranteed of by the U.S. government.<sup>1</sup>
9. Corporate securities. Issued by private corporations, these securities must be rated in the highest or second highest rating category assigned by Standard and Poor's Corporation, Moody's Investors Service or some other nationally recognized statistical rating organization (NRSRO); or senior to or on parity with a security of the same issuer which has such a rating
10. Commercial paper which may be tendered for purchase at the option of the holder within not more than two hundred seventy (270) days of the date acquired as permitted by Wisconsin Statutes Section 66.0603(1m). These securities must be rated in the highest or second highest rating category assigned by Standard and Poor's Corporation, Moody's Investors Service or some other nationally recognized statistical rating organization (NRSRO); or senior to or on parity with a security of the same issuer which has such a rating.

**Comment [SA12]:** WI state statute was changed to allow explicitly for this

<sup>1</sup> A master repurchase agreement must be in place with the approved financial institution (public depository). The County uses the SIFMA Master Repurchase Agreement (SIFMA resulted from the merger of the SIA and BMA, which is the successor to the PSA).

11. Money Market Funds. Open-ended Money Market funds restricted to investments permitted in Wisconsin Statute section 66.0603(1m), limited to a maximum average maturity of sixty (60) days or less

## IX RESTRICTED INVESTMENTS

The following restrictions will apply to any investments made by Winnebago County:

1. **Leveraged investments.** No investments will be made in reverse repurchase agreements. Nor will any investments be made with funds borrowed through the use of County investment assets as collateral.
2. **Foreign Currency denominations.** Securities denominated in foreign currencies. No investments will be made in the securities denominated in a currency other than the U.S. dollar.
3. **Others.** All other investments not listed in section VIII Authorized Investments or in section IX Restricted Investments are prohibited from consideration of investment. Winnebago County may desire to be more conservative in its investments and limit or restrict certain of the investments listed above.

## X INVESTMENT PARAMETERS

### 1. Mitigating credit risk in the portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Winnebago County will mitigate credit risk by adopting the following:

#### Diversification

It is the policy of Winnebago County to diversify its investment portfolio. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, assets in all the County's funds will be diversified by maturity, issuer, and class of security. Diversification strategies will be determined and revised periodically by the Investment Officer for all funds.

#### Investment Rating Downgrade

Winnebago County may from time to time be invested in a security whose rating is downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO). In the event of a downgrade in the County's portfolio, the Investment Officer will immediately consider the action to be taken in the specific case. In the event of a \_ downgrade in the County's portfolio managed by an investment adviser, such investment adviser will report the downgrade to the Investment Officer and advise regarding appropriate steps.

### 2. Mitigating market risk in the portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. Winnebago County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds

**Comment [SA13]:** This section is explicit about what is not allowed (even though it is not on list above)

**Comment [SA14]:** New section – moved text from original objectives – which were mitigants and belong here

that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market profile of the portfolio differently in different interest rate environments.

Winnebago County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

**Maximum Maturities**

Investments will not extend beyond any recognized unfunded cash needs of the County. Major consideration of maturity dates should be given to requirements of the payroll, debt service, and the periodic bills and claims to be paid by the County.

Investments in Certificates of Deposit and Repurchase Agreements are limited to maturities of two years or less. All other investments will be limited to securities that mature or which may be tendered for purchase at the option of the holder within seven years.

Variable rate securities may be purchased with no final maturity restrictions as long as the securities have effective durations at purchase of seven years or less, in the interest of minimizing market risk. ~~minimized market valuation risk).~~

**Comment [SA15]:** New language is correct language – replaced language that wasn't norm

Investments should be scheduled to mature to meet cash requirements to avoid the need to sell securities on the open market prior to maturity.

3. Collateralization The County will require when investing in collateralized certificates of deposit or repurchase agreements, that the agreements be secured by the depository with bonds or securities issued or guaranteed as to principal and interest by the federal government in conformance with 66.04 (2) (d) Wis. Stats. The market value of the collateral shall be maintained on a daily basis in an amount equal to or greater than 102% of the amount of the certificates of deposit and/or repurchase agreements that the County has with the depository. Collateral with a market value equal to 100% of the amount of the certificates of deposit and/or repurchase agreements shall be adequate for investments maturing within five days of purchase.

**Comment [SA16]:** This was from old Inv Pol – under investments – more appropriate here under parameters

**XI. SAFEKEEPING AND CUSTODY**

**Comment [SA17]:** Entire section is from GFOA – best practices

**1. Third Party Safekeeping**

All securities purchased will be properly designated as an asset of Winnebago County and will be evidenced by safekeeping receipts in Winnebago County's name and 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 and no withdrawal of such securities, in whole or in part, will be made from safekeeping except by the Investment Officer or a designee.

**2. Delivery vs. Payment**

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in Winnebago County's safekeeping institution prior to the release of funds.

### 3. Internal Controls

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls will address the following points at a minimum:

- Avoidance of physical delivery of securities
- Control of collusion
- Separation of transaction decision making authority from transacting and from accounting and recordkeeping

In situations where physical evidence of an investment exists, such as a certificate of deposit evidenced by a physical certificate, such documentation must be properly safeguarded against loss, destruction, or fraud. Such documentation will be kept in the Investment Officer's office in a locked desk. Also, a safekeeping receipt for all book entry investments will be kept in the Investment Officer's office in a locked desk at all times.

The external auditor will provide an annual independent review to assure compliance with state law as well as these county policies and procedures.

## XII REPORTING

The Investment Officer is responsible to prepare an investment report at least quarterly. The report will include the following:

1. A listing of individual securities held at the end of the reporting period including purchase date, cost, maturity and yield.
2. Unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held to maturity.
- ~~3. Average yield on investments as compared to applicable benchmarks.~~
3. The percentage of the total portfolio that each type of investment represents.
4. For portfolios managed by investment advisers, performance statistics will include relevant benchmark comparisons.

## XIII. REVIEW AND AMENDMENT

This policy will be reviewed on an annual basis. Any changes must be approved by the Finance Director and the Finance Committee, as well as the individuals charged with maintaining internal controls

Resolution 428-296

**Adopted**  
February 20, 1996



	<b>Amended</b>	
Resolution 121-1196	November, 1996	
Resolution 17-498	April, 1998	
Resolution 254-799	July, 1999	
Resolution 383-22000	February, 2000	
Resolution 270-72001	July, 2001	
Resolution 70-82006	August, 2006	
Resolution 235-52011	May, 2011	
Resolution 167-22013	February, 2013	Vote: 32-0

[Resolution for this version will be last \(hopefully October 2014\)](#)

**Appendices**

- Listing of authorized personnel,
- Relevant investment statutes and ordinances
- Listing of authorized financial institutions and investment advisers,

**Comment [SA18]:** Take out and place in separate manual - procedures