

POLICY

Title of Policy:	Investment Policy
Policy Number:	0101-07-01
Author (position):	Director of Business Services
Owner (position):	Director of Business Services
Approved By:	<input checked="" type="checkbox"/> Commission -OR- <input type="checkbox"/> Executive Director
Adoption Date:	July 31, 1995
Last Review Date:	June 19, 2023
Last Approved Revision Date:	June 28, 2023

1.0 PURPOSE:

- 1.1 The purpose of this policy is to invest NEW Water, the brand of the Green Bay Metropolitan Sewerage District, funds in a manner that will provide the highest investment return with the maximum security, while meeting the cash flow demands of NEW Water and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE:

- 2.1 This policy applies to NEW Water's Investments.

3.0 PROGRAM AUTHORITY:

3.1 Delegation of Authority

- 3.1.1 Management responsibility for the investment program is hereby delegated to the Director of Business Services who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, banking service contracts, and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Commission. The Director of Business Services shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees and external managers.

3.2 Prudence

3.2.1 Investments shall be made with judgment and care under circumstances then prevailing, emphasizing safety of capital and probable income to be derived rather than investing for speculation.

3.2.2 The Director of Business Services, acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility 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.

3.3 Reporting

3.3.1 The Director of Business Services is charged with the responsibility of including a market report on investment activity and returns in NEW Water's Annual Financial Statements. Reports will include benchmarking performance, average days of maturity, interest earnings and/or yield, and investment risk.

3.4 Investment Policy Review

3.4.1 The policy shall be reviewed annually by the Director of Business Services.

4.0 **POLICY:**

4.1 Objectives

4.1.1 The primary objectives, in priority order, of NEW Water's investment activities shall be:

4.1.1.1 *Safety* – Safety of principal is the foremost objective of the investment program. Investments of NEW Water shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.1.1.2 *Liquidity* – NEW Water's investment portfolio will remain sufficiently liquid to enable NEW Water to meet all operating requirements that might be reasonably anticipated.

4.1.1.3 *Return on Investments* – NEW Water's investment portfolio shall be designed with the objective of attaining a rate of return commensurate with NEW Water's investment risk constraints and the cash flow characteristics of the portfolio.

4.1.1.4 *Ethics and Conflicts of Interest* – Employees and external managers involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment decisions. Employees shall disclose to the Executive Director any material financial interest or large personal investments in financial

institutions that conduct business with NEW Water that could influence their decision making regarding NEW Water investments.

4.2 Authorized Financial Dealers and Institutions

4.2.1 The Director of Business Services will maintain a list of financial institutions authorized to provide investment services. In addition, a list of approved security broker/dealers who are authorized to provide investment services in the State of Wisconsin will also be maintained. To be approved a security broker/dealer shall supply the Director of Business Services with proof of National Association of Security Dealers certification, trading resolution, and proof of state registration.

4.2.2 No public deposit shall be made except in a qualified public depository as established by State of Wisconsin Statutes.

4.3 Authorized & Suitable Investments

4.3.1 NEW Water is empowered by Wis. Stats. §66.0603(1m) to invest in the following:

4.3.1.1 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 years.

4.3.1.2 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.

4.3.1.3 Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state. Bonds issued by a local exposition district under subch. II of ch. 229. Bonds issued by a local professional baseball park district created under subch. III of ch. 229. Bonds issued by a local professional football stadium district created under subch. IV of ch. 229. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority. Bonds issued by a local cultural arts district under Subch. V of ch. 229. Bonds issued by the Wisconsin Aerospace Authority.

4.3.1.4 Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven 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.

4.3.1.5 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:

- 4.3.1.5.1 Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
- 4.3.1.5.2 Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
- 4.3.1.5.3 Repurchase agreements that are fully collateralized by bonds or securities under subd. 5.a. or b.
- 4.3.1.5.4 A local government pooled-investment fund.

4.4 Collateralization

- 4.4.1 Collateralization or insurance will be required on certificates of deposit, repurchase agreements, and cash liquidity investments.
- 4.4.2 Collateral will always be held by an independent third party with whom NEW Water has a current custodial agreement. A clearly marked evidence of ownership be supplied to NEW Water and retained.
- 4.4.3 The right of collateral substitution is granted.
- 4.4.4 The exception to this section is collateralization or insurance will not be required for certificates of deposit under the following circumstances: (1) the certificate of deposit has a maturity date of not more than one year, (2) the total amount of certificates of deposit held at the financial institution is not greater than \$3,000,000, and (3) the financial institution has a Moody's credit rating of A or higher or an equivalent credit rating of a nationally recognized rating agency.

4.5 Safekeeping and Custody

- 4.5.1 All security transactions by NEW Water shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Director of Business Services and evidenced by safekeeping receipts.

4.6 Diversification

- 4.6 NEW Water will diversify its investments by security type and institution. With the exception of U.S. agency obligations, U.S. Treasury Obligations, certificates of deposit, and authorized pools, no more than 50% of NEW Water's total investment portfolio will be invested in a single security type or with a single financial institution.

4.7 Maximum Maturities

- 4.7.1 NEW Water will attempt to match its investments with anticipated cash flow requirements.

4.7.2 NEW Water will not directly invest in securities maturing more than seven years from the date of purchase. In addition, the weighted average maturity of the portfolio will not exceed 4.0 years.

4.8 Internal Control

4.8.1 The Director of Business Services shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

4.9 Performance Standards

4.9.1 The investment portfolio shall be designed with the objective of obtaining a rate of return commensurate with investment risk constraints and cash flow needs.

4.10 Market Yield (Benchmark)

4.10.1 NEW Water's investment strategy is passive which means investments are held to maturity. Given this strategy, the basis used by the Director of Business Services to determine whether market yields are being achieved shall be the Wisconsin Local Government Investment Pool.

5.0 DEFINITIONS

- 5.1 Certificate Of Deposit – A time deposit with a specific maturity evidenced by a certificate.
- 5.2 Collateral – Securities pledged by a bank to secure deposits of public monies.
- 5.3 Delivery Versus Payment – Delivery of securities with an exchange of money for the securities.
- 5.4 Liquidity – A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.
- 5.5 Local Government Investment Pool – The aggregate of all funds from political subdivisions that are placed in the custody of the Department of Administration for investment and reinvestment.
- 5.6 Maturity – The date upon which the principal or stated value of an investment becomes due and payable.
- 5.7 Rate of Return – The yield obtainable on a security based on its purchase price or its current market price.
- 5.8 Repurchase Agreement – A holder of securities sells 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 the buyer for this.
- 5.9 Safekeeping – A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.
- 5.10 Yield – The rate of annual income return on an investment, expressed as a percentage.

6.0 POLICY VIOLATION:

- 6.1 Employees who violate this policy may be subject to disciplinary action based on the guidelines of the Disciplinary Policy.