

CITY OF DELAFIELD

FINANCIAL POLICIES

A. TREASURY MANAGEMENT POLICY

Purpose of a Treasury Management Policy

The management of public monies is one of the major responsibilities of public officials. The purpose of the Treasury Management Policy for the City of Delafield is to establish case management and investment guidelines for City officials responsible for the stewardship of public funds. This Policy applies to the investment activities of all funds of the City.

Objectives of the Treasury Management Policy

The Treasury Management Policy is governed by clearly stated objectives as follows:

1. Safety of Principal is the foremost objective of this policy. Each investment will seek to insure that capital losses are avoided.
2. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which may be reasonably anticipated in any City fund.
3. The City will diversify its investments to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions. The City's Treasury Management program will seek to regularly take advantage of the highest rate of return available from approved investments.
4. The City will avoid any transaction that might impair its public confidence. Investments will be made with great judgment and care.

Treasury Management Responsibility

Responsibility for the Treasury Management program of the City is delegated to the City Administrator. The City Administrator! Treasurer will conduct the program operations consistent with this Policy. No persons may engage in an investment transaction except as provided by the terms of this Policy.

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Cash Management

The City's policy regarding cash management is based upon the realization that there is a time value to money. Temporarily idle cash may be invested for a period of one day to in excess of one year, depending upon cash flow projections. Accordingly, cash management procedures for the City of Delafield must include the following:

1. All monies due the City of Delafield will be collected as promptly as possible. Monies that are received will be deposited in an approved financial institution no later than the next business day after receipt. Amounts that remain uncollected after a reasonable length of time will be subject to any available legal means of collection.
2. Any disbursement will be contingent upon an available budget appropriation. Disbursement will be made upon the approval of the Delafield Common Council. Disbursements will be made within thirty days of receipt of a bill. Under this time frame, the City will keep all available cash invested for as long as possible. In cases where discounts are offered which will be of benefit to the City payments may be scheduled to take advantage of those particular discounts.
3. A cash forecast will be maintained using expected revenue sources and items of expenditure to project cash requirements over the fiscal year of the City. The forecast will be updated as necessary to identify the probable "investable" balances that will be available.

Approved investment Instruments

1. Passbook Savings Account - This type of account is relatively low yielding, but is a safe and completely liquid investment. Such accounts are usually insured by the FDIC or the FSLIC up to a maximum of \$100,000 per depositor. Because of low yield, this instrument will not be used as a regular investment instrument for the City.
2. NOW, Super NOW, and Money Market Accounts - These accounts provide alternatives to checking accounts, providing the same basic services while yielding a greater return. These accounts generally have withdrawal restrictions imposed by Federal regulations. There is usually a minimum balance and service fees are charged. These instruments will be used for liquid cash accounts prior to disbursement or investment.
3. The Wisconsin Investment Trust sponsored by the League of Wisconsin Municipalities - This Investment Trust was created for the sole participation and benefit of Wisconsin municipalities as an addition to their ongoing banking relationships. There are no minimum deposit or withdrawal levels and transactions can be accomplished in one day. The Trust invests only U.S. Government and Federal

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agency securities and repurchase agreements and purchase and sale agreements involving such securities. The Trust offers low risk, liquidity, and relatively high yields. Therefore, this investment mechanism will be used on a significant basis by the City.

4. The Wisconsin Municipal Government Pooled Investment Fund - This pooled investment fund which was created in 1976 enables local governments in Wisconsin to invest local funds in the State Investment Pool. There are no minimum deposits or withdrawals, and funds may be withdrawn at any time. The local government pooled investment fund will invest only in obligations of the U.S. Treasury and its agencies, commercial paper, of domestic, financial, and industrial corporations which have the highest rating by at least two nationally recognized rating services; and repurchase agreements secured by the U.S. Government or its agencies. This instrument is similar to the League of Wisconsin Municipalities Investment Trust and can be used the same way.
5. U.S. Government and Federal Agency Repurchase Agreements - City funds may be invested in repurchase agreements, in financial institutions approved for that purpose by the Common Council. Repurchase agreements can only be made in securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. Securities purchased by a repurchase agreement must be placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution. This instrument is one of the most complex and requires safekeeping agreements between parties. However, it also offers the potential for a relatively high rate of return. Investments in repurchase agreements will only be made upon the recommendation of the City Administrator/Treasurer and with the consent of the City Clerk.
6. Certificate of Deposit - A Certificate of Deposit is a time deposit made with a bank for a fixed maturity and either a fixed or a variable rate. CD maturities can be selected to meet the cash flow needs of the City. The most common CD matures in one year or less and pays interest only at maturity. Because of its non-liquid nature, this instrument will be used when the City's cash flow is adequate to meet disbursements and the CD yield is greater than other instruments which main liquidity.
7. Treasury Bills - Treasury Bills are issued by the U.S. Treasury with maturities no longer than one year. Bills are sold at a discount, and the interest earned, is the difference between the purchase price and the par value. Treasury Bills are sold at auction, in minimum denominations of \$10,000 and multiplies of \$5000 thereafter. Three and six month Bills are auctioned once a month. There is an active secondary market for Treasury Bills at most banks. Treasury Bill maturities can be selected to match the cash flow needs of the City. The relatively high yield of Treasury Bills

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makes this an attractive instrument when non-liquidity is not a concern. This instrument will normally be used for larger investments of capital accounts where the funds are not needed to meet regular disbursements.

8. Any Other Investment Authorized by State Law - Primarily, but not limited to, Bankers Acceptance notes and commercial paper.

Diversification and Maturities

Maturities will be determined to enable the City to have sufficient cash for all operating purposes. Generally, the City will not invest in securities with maturities of more than one year.

Safekeeping/Collateralization

1. All financial institutions acting as a depository for the City must enter into a “depository agreement” requiring the depository to pledge collateral to secure amounts over and above guaranteed amounts. All collateral shall be specifically pledged to the City (not as part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution. The custodian shall send statements of pledged collateral to the Treasurer’s office on a monthly basis.
2. Amounts in excess of Federal Deposit Insurance Corporation and State Deposit Guarantee Fund guaranteed amounts must be fully collateralized and held in a third party or fully insured by an insurance company with an A rating or better by A.M. Best. Acceptable collateral includes the following:
 - A. Securities of the U.S. Treasury or U.S. Governmental Agency as defined by the Federal Reserve.
 - B. U.S. government guaranteed securities such as those issued through the Small Business Administration are acceptable so long as they are fully insured.
 - C. Commercial paper which is the highest or second highest rating category assigned by Standard and Poor’s Corporation, Moody’s Investors Service, Inc., or other similar nationally recognized rating agency may be used to the extent that a collateralization level of 125% is maintained.

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- D. General obligations of municipalities are acceptable to the extent that they are rated second highest or higher by Moody's Investor's Service, Inc., Standard and Poor's Corporation or other nationally recognized rating agency.
- E. Other items may be offered as collateral, but the City retains the right to accept or reject any alternative forms of collateral.

Bidding Procedures on Investments

Except for cash accounts, investments will be selected on the basis of competitive quotations. In obtaining competitive quotations, at least three qualified institutions will be contacted each time the investment is placed.

Financial Institutions

1. The City will maintain funds only in those institutions that are members of the FDIC or FSLIC systems.
2. Each institution named as a depository will be required to file an annual audited statement of condition with the City of Delafield. Failure to provide such statement may serve as sufficient cause for the withdrawal of City funds. The City of Delafield may maintain depository relationships with any financial institution in the Milwaukee Metropolitan area, in addition to the Wisconsin Investment Trust and the Wisconsin Pooled Investment Fund.
3. Any financial institution selected by the City must be able to provide cash management services, including, but not limited to, checking accounts, wire transfers, and purchase and sale of securities.
4. The Common Council will formally approve all Investment Depositories used by the City. The City will systematically review its depositories on a regular basis to provide for the most effective investments available as described in this Policy. When necessary, the Common Council may add or delete depositories at any time.

Reporting

The City Administrator/Treasurer will submit a quarterly investment report to the Common Council. In addition, the Annual Audit of the City will include all investment information as required.

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Annual Audit

The required Annual Audit of the financial statement of the City will include an examination of the application of the Treasury and Management Policy of the City. The Audit will include an evaluation of controls put in place to avoid the possible loss of City funds arising from fraud, error, misrepresentation, theft, or imprudent actions by employees or agents of the City of Delafield.

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B. BUDGET

1. The City will pay for all current operating expenses with current revenues.
2. The City will avoid budgetary procedures that balance current costs at the expense of future years, such as postponing necessary expenses, accruing future revenues, or rolling over of short—term debt.
3. The Budget will provide for adequate funding and maintenance of capital plant. Capital plant is defined as new construction, or existing facilities requiring maintenance or expansion. Expenditure projections will include the estimated operating costs of new facilities.
4. The Budget will provide for adequate maintenance of the operating equipment and for its orderly replacement. The City will project its equipment replacement needs for the next five years and will update this projection annually. From the projection, a maintenance and replacement schedule will be developed and followed.
5. The City will prepare and maintain a multi-year capital improvements plan, from which projects will be selected for each budget year.
6. If expenses should be projected to exceed anticipated revenues, the City will act to reduce costs or to adjust revenues so expenditures will not exceed resources.

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C. REVENUES

1. The City will maintain a diverse and stable revenue base to protect its operations from short-term fluctuations in any one revenue source.
2. The City will project its sources of revenue annually, based upon past experience and anticipated future transactions in order to efficiently prepare an annual budget.
3. The City will follow a reasonable but aggressive policy of collecting revenues, keeping customer accounts current, and collecting fees as established by the Common Council.
4. The City will establish fees necessary to support the Sanitary Sewer Fund at a level sufficient to cover the cost of the services, plus adequate reserves. These fees will be reviewed annually.
5. The City will set reasonable service charges to recover the cost of services provided by one fund to another. This charge should fully support the total direct and indirect cost of the activity.
6. The City will maintain sound appraisal procedures to keep property values current. Reassessments will be made of all property as required by Wisconsin State Law.

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D. ACCOUNTING, AUDITING AND REPORTING

1. The City will establish and maintain a high standard of accounting practices.
2. The internal accounting system will maintain records on a basis consistent with generally accepted standards for local governmental accounting.
3. Regular monthly and annual financial reports will be prepared, presenting a summary of all activity within each fund.
4. An independent accounting firm will perform an annual audit and will publicly issue a report of the financial condition of the City to be completed within four months of the end of the fiscal year.
5. The City staff will provide a summarized quarterly budget report to the City Council. This report will be supported by narrative sufficient to make clear any significant trends or special areas of interest. Also, a detailed quarterly financial statement will be available as back-up information to the summary report.

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E. DEBT

1. The City will confine long-term borrowing to capital improvements for projects that cannot be financed from current revenues.
2. When the City finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the capital improvement.
3. The City will try to keep the average maturity of general obligation bonds at or below 20 years.
4. Total annual debt service for General Obligation Debt will not exceed \$1,000 per capita for any given fiscal year.
5. Where possible, the City will use special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
6. The City will not use long-term debt for current operations.
7. The City will retire any tax anticipation debt annually and will retire bond anticipation debt within six months after completion of the project.
8. The City will maintain good communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.

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F. WORKING CAPITAL RESERVES

The City will work to achieve and then maintain a working capital reserve in each operating fund to provide for unanticipated expense of a non-recurring nature. Reserves will be built up and then maintained at no less than an amount equal to 25% of the current operating budget for each fund.

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G. RISK MANAGEMENT

1. The City will ‘systematically review its insurance coverage annually to insure adequate coverage against loss at the best possible cost.
2. The City will work with our insurer to conduct annual property inspections for the purpose of updating replacement values for property and equipment.
3. The City will work with our insurer to conduct an annual safety audit of all City facilities in order to identify potential risk conditions and then take the necessary steps to remedy those conditions.
4. The City is concerned about work place safety from both a loss prevention standpoint and out of concern for the health and welfare of City employees. Safety programs for the workplace will be created and implemented as necessary.
5. The City will always transfer risk and liability to contractors doing business with the City. The City will transfer risk and liability whenever possible to organizations which hold events on municipal property. The Common Council will decide on a case by case basis if an event can be held when no liability insurance can be obtained by the organization. Adequate liability insurance coverage naming the City as “additional insured” will be required as a means of transferring tax.