

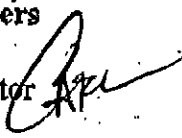


WYOMING  
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MEMORANDUM

TO: Mayors, City/Town Treasurers

FROM: Carl Classen, Executive Director 

DATE: May 20, 1996

SUBJECT: Mandate to Adopt *Statement of Investment Policy* [W.S. 9-4-831(h)]

Chapter 112, Session Laws of 1996, created W.S. 9-4-831(h), which requires that political subdivisions of the state shall adopt a "statement of investment policy". Further, the new law provides that no person may effect any investment transaction or offer investment advice to the governing body until that person has signed a statement saying the person has read the political subdivision's statement of investment policy and agrees to abide state law regarding investments. The new law goes into effect on July 1, 1996.

Attached please find a SAMPLE (not a model) *Statement of Investment Policy*. This sample *Statement* is based upon materials from the Government Finances Officers Association (GFOA) and the Municipal Treasurers Association (MTA), and it has been tailored to Wyoming law and Wyoming municipal practices. I am deeply indebted to V.H. McDonald, Douglas; Steve Widmer, Evanston; and Glenda Young, Kemmerer for their assistance in reviewing these materials and providing me with their practical insights.

Despite this able assistance, I am responsible for all contents of the attached *Statement*.

Statements of investment policy can be adopted by resolution of the governing body. A sample resolution doing such is attached to the *Statement*.

Should you have any questions, please call on me.

enclosure  
1996-ed-k

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CITY/TOWN OF \_\_\_\_\_

### Statement of Investment Policy

***NOTE:** Pursuant to Chapter 112, Session Laws of 1996, which becomes effective July 1, 1996, W.S. 9-4-831(h) requires every political subdivision of the state to have on file a "statement of investment policy". The SAMPLE statement below is based upon language from materials of the Municipal Treasurers Association and the Government Finance Officers Association, and it has been tailored to Wyoming law and Wyoming municipal practices. It is NOT a model; rather it is a sample based upon the suggestions of several Wyoming municipal treasurers and WAM staff.*

*Cities and towns should adopt their "statement of investment policy" by resolution of the governing body. Anyone investing the municipality's funds or offering advice to invest those funds must (after July 1, 1996), pursuant to W.S. 9-4-831(h), have signed a statement saying that the person has read the policy and agrees to abide by applicable state law.*

*Cities and towns should use this sample as a guide and make changes as appropriate for their community. The sample is available on 3.5" diskette in Microsoft Word 7.0.*

*Please use this wide margin for any personal notes.*

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#### 1.0 GENERAL:

This Statement of Investment Policy is adopted pursuant to the requirements of W.S. 9-4-831(h). It is the policy of the City/Town of \_\_\_\_\_ to invest public funds in a manner which will provide a reasonable rate investment return while assuring the maximum security of principal, meeting the daily cash flow demands of the City/Town of \_\_\_\_\_, and conforming to all federal, state and local laws and regulations governing the investment of public funds.

1   **2.0 SCOPE:**  
2

3           This investment policy applies to all financial assets of the  
4 City/Town of \_\_\_\_\_. These funds are accounted for in the  
5 City's/Town's General Purpose Financial Statements and include:  
6

7           *[NOTE:--Municipalities should list all of their funds here... Below is*  
8 *a sample format for listing the funds.]*  
9

10   **2.1 Funds:**

11           2.1.1 General Fund

12           2.1.2 Special Revenue Funds

13                   (Created by resolution as needed.)

14           2.1.3 Capital Project Funds

15                   (Created by resolution as needed.)

16           2.1.4 Enterprise Funds

17                   Water Fund

18                   Sewer Fund

19                   Sanitation Fund

20           2.1.5 Trust and Agency Funds

21                   Perpetual Care

22                   Economic Development and Stabilization Board Revolving

23           Loan Fund

24                   Citizens Downtown Development Fund

25                   Utility Deposits Fund

26                   Employee Deferred Compensation Fund

27                   Funds Held for Other Agencies (i.e. Lodging Tax Board)

28  
29  
30  
31   **3.0 PRUDENCE:**  
32

33           Investments shall be made with judgment and care-under  
34 circumstances then prevailing-which persons of prudence, discretion and  
35 intelligence exercise in the management of their own affairs, not for  
36 speculation, but for investment, considering the probable safety of their  
37 capital as well as       the probable income to be derived.  
38

39           The standard of prudence to be used by investment officials shall be  
40 the "prudent person" standard and shall be applied in the context of  
41 managing an overall portfolio. Investment officers acting in accordance  
42 with written procedures and the investment policy and exercising due  
43 diligence shall be relieved of personal responsibility for an individual

1 security's credit risk or market price changes, provided deviations from  
2 expectations are reported in a timely fashion and appropriate action is taken  
3 to control adverse developments.  
4  
5

#### 6 **4.0 OBJECTIVES:**

7  
8 The primary objectives, in priority order, of the City/Town of \_\_\_\_\_  
9 investment action shall be:

##### 10 11 **4.1 Safety:**

12  
13 Safety of principal is the foremost objective of the investment  
14 program. Investments of the City/Town shall be undertaken in a  
15 manner that seeks to ensure the preservation of capital in the overall  
16 portfolio. To attain this objective, diversification is required in order  
17 that potential losses on individual securities do not exceed the  
18 income generated from the remainder of the portfolio.  
19

##### 20 21 **4.2 Liquidity:**

22 The City's/Town's investment portfolio will remain sufficiently  
23 liquid to enable the City/Town to meet all operating requirements  
24 which might be reasonably anticipated.  
25

##### 26 27 **4.3 Return on Investment:**

28 The City's/Town's investment portfolio shall be designed with the  
29 objective of attaining a reasonable rate of return throughout  
30 budgetary and economic cycles, taking into account the  
31 City's/Town's investment risk constraints and the cash flow  
32 characteristics of the portfolio.  
33

##### 34 35 **4.4 Community Investment**

36 The City's/Town's investment portfolio will be managed with a  
37 commitment toward the benefit of the community. To this end, City  
38 investing in local institutions, domestic instruments, or through local  
39 brokers will be the preferred investment strategy. This strategy will  
40 be tempered with the City's/Town's fiduciary responsibility and  
41 policy of attaining a market rate of return.  
42  
43

1 **5.0 MANAGEMENT RESPONSIBILITY:**

2  
3 Management responsibility for the investment program is hereby  
4 delegated to the City/Town Treasurer, who may establish written procedures  
5 for the operation of the investment program consistent with this investment  
6 policy. Procedures should include reference to: safekeeping, Public  
7 Securities Association (PSA), repurchase agreements, wire transfer  
8 agreements, collateral/depository agreements and banking service contracts.

9 Such procedures shall include explicit delegation of authority to persons  
10 responsible for investment transactions. No person may engage in an  
11 investment transaction except as provided under the terms of this policy and  
12 the procedures established by the City/Town Treasurer. The City/Town  
13 Treasurer shall be responsible for all transactions undertaken and shall  
14 establish a system of controls to regulate investing activities.  
15

16  
17 **6.0 INVESTMENT COMMITTEE:**

18  
19 In order to facilitate direct communication to the Council, the City/Town  
20 of \_\_\_\_\_ Finance Committee shall be established. The committee  
21 shall be composed of:  
22

- 23 1) Two members of the Council.
- 24 2) The Mayor or City Manager/Administrator *[as applicable for the*  
25 *municipality]*.<sup>1</sup>
- 26 3) The City/Town Treasurer  
27

28 The purpose of the committee as it relates to the investing program  
29 shall be:  
30

- 31 1) The periodic review of and report on the City's/Town's  
32 investment activities.
- 33 2) The periodic review of the City's/Town's investment  
34 policy.
- 35 3) Review and comment on any amendments of the  
36 City's/Town's investment policy as proposed by the  
37 City/Town Treasurer.  
38  
39

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<sup>1</sup> Municipalities should be careful not to create an Investment Committee that creates a quorum of the governing body.

1 **7.0 ETHICS AND CONFLICTS OF INTEREST:**  
2

3 Officers and employees involved in the investment process shall  
4 refrain from personal business activity that could conflict with proper  
5 execution of the investment program, or which could impair their ability to  
6 make impartial investment decisions.  
7

8 Officers and employees shall not conduct any personal investment  
9 business with same the same branch office of the same firm through which  
10 the City/Town conducts any investment activity. "Personal investment  
11 business" used here does not mean checking accounts, savings accounts,  
12 money market mutual funds, time deposits of five years or less, insurance  
13 products, or deferred compensation programs.  
14

15 Members of the Investment Committee and investment officials  
16 employed by the municipality shall disclose to the Mayor [or City/Town  
17 Manager/Administrator] any material personal financial interests in  
18 financial institutions that conduct business within the jurisdictions, and they  
19 shall further disclose any large personal financial/investment positions that  
20 could be related to the performance of the City's/Town's portfolio.  
21

22 Employees and officers shall subordinate their personal investment  
23 transactions to those of the City/Town, particularly with regard to the time  
24 of purchases and sales.  
25

26  
27 **8.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:**  
28

29 The City/Town Treasurer will maintain a list of financial institutions  
30 authorized to provide investment services. In addition, a list will also be  
31 maintained of approved security broker/dealers who maintain an office in  
32 the State of Wyoming.  
33

34 No public deposit shall be made except in a qualified public  
35 depository as established by W.S. 9-4-817 through 9-4-822.  
36

37 All financial institutions and broker/dealers who desire to become  
38 qualified bidders for investment transactions must supply the City/Town  
39 Treasurer with the following:  
40

- 41 1) audited financial statements,
- 42 2) proof of National Association of Security Dealers certification,
- 43 3) trading resolution,

- 1 4) proof of state registration,
- 2 5) completed broker/dealer questionnaire,
- 3 6) certification of having read entity's investment policy, and
- 4 7) depository contracts.

5  
6 An annual review of the financial condition and registration of  
7 qualified bidders will be conducted by the Treasurer. A current audited  
8 financial statement is required to be on file for each financial institution and  
9 broker/dealer in which the City/Town invests.

## 10 11 9.0 AUTHORIZED AND SUITABLE INVESTMENTS:

12  
13 The City/Town Treasurer is authorized to invest in those types of  
14 securities as allowed in W.S. 9-1-416, W.S. 9-4-831, and any other state law  
15 authorizing a type of investment, with the following exceptions [a  
16 municipality may exclude certain investment types from the list of State-  
17 authorized investment types]:

- 18  
19 1) Example
- 20 2) Example
- 21 3) Example

## 22 23 24 10.0 COLLATERALIZATION:

25  
26 In addition to the collateralization requirements found in W.S. 9-4-  
27 821, collateralization will also be required on the following types of  
28 investments:

- 29  
30 1) Time deposits; and
- 31 2) Repurchase agreements<sup>2</sup>.

32  
33 In order to anticipate market changes, amounts of funds on deposit, and  
34 provide an adequate level of security for all deposited funds, the  
35 collateralization level will be 120%, or higher as required by law, of the  
36 higher of the par or market value of the deposits.

37  
38 The market value of deposits will include accrued interest.

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<sup>2</sup> Repurchase agreements are authorized under W.S. 9-4-831(a)(iii) [as written in new law effective July 1, 1996], and it seems to flow that reverse repurchase agreements are also authorized (though not explicitly so stated). If a municipality chooses to invest in reverse repurchase agreements, it is recommended that these investments also be collateralized.

1  
2 The adequacy of the pledged collateral will be measured by the market or  
3 par value of the collateral, which ever is the lesser.  
4

5 Authorized instruments for collateralization are those found in W.S. 9-4-  
6 821, with the following exceptions *[a municipality may exclude certain*  
7 *types of collateralization from the list of State-authorized types]:*  
8

- 9 1) *Example*  
10 2) *Example*  
11 3) *Example*  
12  
13  
14

#### 15 **11.0 SAFEKEEPING AND CUSTODY:**

16

17 Pledged collateral that are instruments of the United States Government  
18 and its agencies will be safe kept by the Federal Reserve Bank of Kansas  
19 City - Denver Branch. Other listed collateral that cannot be held by the  
20 Federal Reserve shall be held by an non-affiliated, independent third party  
21 with whom the City/Town has a current custodial agreement.  
22

23 A clearly marked evidence of ownership (safekeeping receipt) must  
24 be supplied to the City/Town and retained.  
25

26 The right of collateral substitution upon prior notification and  
27 acceptance by the City/Town is granted.  
28

29 All security transactions, including collateral for repurchase  
30 agreements, entered into by the City/Town shall be conducted on a delivery-  
31 versus-payment (DVP) basis.  
32  
33

#### 34 **12.0 DIVERSIFICATION:**

35

36 The City/Town will diversify its instruments by security type and  
37 institution. With the exception of U.S. Treasury securities, certificates of  
38 deposits, and authorized pools, no more than 25% of the City's/Town's total  
39 investment portfolio will be invested in a single security type. To provide  
40 assurance that the City will be able to continue financial operations without  
41 interruption and dependent upon interest rates, satisfaction with services,  
42 and practicality, the City/Town will generally attempt to utilize at least two  
43 financial institutions as depositories.



1 **13.0 MAXIMUM MATURITIES:**

2  
3 To the extent possible, the City/Town will attempt to match its  
4 investments with anticipated cash flow requirements. Unless matched to a  
5 specific cash flow, the City/Town will not directly invest in securities  
6 maturing more than five (5) years from the date of purchase.  
7

8 The City/Town may collateralize time deposits and repurchase  
9 agreements using longer-dated investments not to exceed ten (10) years to  
10 maturity.  
11

12  
13 **14.0 INTERNAL CONTROL:**

14  
15 The Treasurer shall establish a process of annual independent review  
16 of the investment function by an external auditor. This review will provide  
17 internal control by assuring compliance with policies and procedures.  
18

19  
20 **15.0 MARKET YIELD:**

21  
22 The City's/Town's investment strategy is active. The City/Town  
23 will generally purchase instruments with the intent of holding the  
24 investments until maturity. Securities may be sold when market prices  
25 exceed original cost plus cost of sale by an amount that would contribute  
26 favorably to the City's/Town's rate of return on investments.  
27

28 Given this strategy, the basis used by the Treasurer to determine whether  
29 reasonable yields are being achieved is if the rate of return on all average  
30 cash and investment balances is within 100 basis points below the lower of:  
31

- 32 1) The average one (1) year certificate of deposit rate of local  
33 depositories; or  
34 2) The average annual earning rate of the State of Wyoming local  
35 investment pool (WYOSTAR), as defined by W.S. 9-1-416.  
36

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38 **16.00 REPORTING:**

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40 The Treasurer is charged with the responsibility of including a  
41 market report on investment activity and returns in the Treasurer's Financial  
42 Report.  
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**17.0 INVESTMENT POLICY ADOPTION:**

The City's/Town's *Statement of Investment Policy* shall be adopted by resolution of the City/Town Council. The policy shall be reviewed on an annual basis by the Finance Committee and any modifications made thereto must be approved by the City/Town Council.

	<b>DATE</b>	<b>FILE NAME</b>
<b>FIRST ADOPTED:</b>	_____	_____
<b>REVISED:</b>	_____	_____
1996-ed-k		

*Sample*

**Statement of Investment Officer  
Or Advisor**

Pursuant to W.S. 9-4-831(h), the following statement must be signed by any person who:

- A) Effects any investment transaction on behalf of a political subdivision, or
- B) Offers any investment to the governing of a political subdivision.

**“Pursuant to W.S. 9-4-831(h) and Section 9.0 of the  
Statement of Investment Policy of the City/Town of  
\_\_\_\_\_, I hereby swear and affirm that I have  
read the Statement of Investment Policy of the City/Town of  
\_\_\_\_\_ and that I agree to abide by applicable  
state law with respect to advice I give and the transactions I  
undertake on behalf of the City/Town of \_\_\_\_\_.”**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name of Signatory

\_\_\_\_\_  
Printed/Typed Name of Firm (if applicable)

\_\_\_\_\_  
Date

*SAMPLE*

**A RESOLUTION OF THE GOVERNING BODY  
OF THE CITY/TOWN OF \_\_\_\_\_  
ADOPTING A  
STATEMENT OF INVESTMENT POLICY**

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**WHEREAS**, the governing body of the City/Town of \_\_\_\_\_ wants to safely earn the highest prudent investment income so as to reduce pressure for increased taxes, fees, and service charges; and,

**WHEREAS**, Chapter 112, Session Laws of 1996, created W.S. 9-4-831(h) which requires every political subdivision of the state to adopt a "statement of investment policy".

**NOW, THEREFORE, BE IT RESOLVED** that the City/Town Council of \_\_\_\_\_, meeting this \_\_ day of \_\_\_\_\_, 1996, does hereby adopt the attached "Statement of Investment Policy for the City/Town of \_\_\_\_\_" and declares it in effect immediately, or on July 1, 1996 (whichever comes later).

\_\_\_\_\_  
Mayor

**ATTEST:**

\_\_\_\_\_  
City/Town Clerk