

City of Winooski Investment Policy

Purpose Statement:

Occasionally the City has excess funds generated by income in excess of spending or reserves that are intended for use in a future period on a large capital project. It is the expectation that the City is receiving maximum value for these dollars until they are used in operations. State statute allows that these funds may be invested and reinvested by the Treasurer with the approval of the Council. The purpose of this policy is to establish investment guidelines that will allow the City's bond funds, surplus operating funds or reserve funds to be invested in a prudent manner to maintain a balance between the required liquidity and desired growth consistent with the use of public funds.

Definitions:

Credit Risk: the risk of loss due to the failure of the security.

Interest Rate Risk: the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Internal Controls: written procedures used to assure accountability in financial transactions.

Investment: the action or process of investing money for profit or material result.

Liquidity: the ease with which an investment can be converted into ready cash without affecting its market price.

Yield: the earnings generated and realized on an investment over a particular period of time.

Applicable Standards:

- 1 V.S.A. § 317a
- 14A V.S.A. § 902
- 24 V.S.A § 1571(b)
- 24 V.S.A. § 2431-2434



Statement:

The investment of City reserves or fund balance is to be considered separately with regard to the intended future use of the funds as each may have specific requirements as to liquidity and limitations on interest earned. The primary objectives in the investment of City funds shall be safety, liquidity, yield, and local investment. Except where prohibited by law, cash and reserve balances from all funds may be consolidated to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Any investments of tax-exempt bond proceeds will be managed in a way that maintains the tax-exempt status. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles. In order to keep current with developments in investments, the policies will be reviewed annually by the City Manager, Finance Director, and City Treasurer.

The City Treasurer and Finance Director will establish a system of internal controls, which shall be documented in writing to prevent the loss of invested funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of the City.

Standard of Care

The standard of care to be used by the City in choosing investments shall be the prudent person standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care considering current circumstances which others of prudence, discretion, and intelligence would exercise in the management of their own affairs considering the probable safety of their capital as well as the probable income to be derived.

Safety and Liquidity

Safety and preservation of invested capital shall be the foremost objective of City investments. The objective will be to mitigate credit risk and interest rate risk. Credit risk will be minimized by diversifying the investment portfolio so that the impact of potential losses from any one type of investment will be minimized. Interest rate risk will be minimized by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the investment portfolio. The investments will remain sufficiently liquid to meet all reasonably anticipated operating requirements. This will be accomplished by structuring the investments to mature concurrent with anticipated demands.



Yield

The investment portfolio will be designed to attain the best rate of return possible throughout budget and economic cycles, taking into account the investment risk constraints and liquidity needs. Yield on debt proceeds will be limited to the terms of the financing agreement to maintain tax exempt status of debt. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments will be limited to relatively low-risk securities in anticipation of earning a fair return relative to risk being assumed.

Local Investment

Where possible, funds may be invested for the betterment of the local economy. The City may accept a proposal from an eligible institution that provides for a reduced rate of interest, provided that such institution documents the use of deposited funds for community development projects.

Authorized Investments and Institutions

Public deposits shall only be made in qualified public depositories as established by Vermont law. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must supply adequate documentation to demonstrate compliance with state and federal guidelines and evidence of adequate insurance coverage. The Treasurer will conduct an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers.

The following investments will be permitted under this policy:

1. Any security, including a revenue obligation, issued, insured, or guaranteed by the United States;
2. Certificates of deposit and other evidences of deposit at financial institutions;

Collateralization

Collateralization using obligations fully guaranteed by the full faith and credit of a Vermont municipality, the State of Vermont, and/or the United States Government will be required on all bank accounts and certificates of deposit with balances in excess of Federal Deposit Insurance Corporation coverage. Collateral will always be held by an independent party, in the City's name, with whom the City has a current agreement. Evidence of collateralization must be supplied to, and retained by, the City.



Reporting

The City Treasurer at least annually will prepare an investment report that analyzes and states the status of the current investments made under this policy and a summary of the individual transactions executed over the last year. During this report the City Treasurer will also provide recommendations for the approach to investments in the coming year.

Conflict of Interest

The Treasurer shall refrain from personal business activity that could conflict with the proper execution and management of the City's investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the City conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the City's investments. Council members and the Treasurer shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

References:

GFOA Investment Policy Best Practice
VLCT Model Investment Policy
VLCT Model Trustees of Public Funds Investment Policy

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Review/Approval:

Finance Commission Review: 8/10/2021
City Council Approval:

