

Town of Meredith – Administrative Regulation

Effective Date: April 1, 2012

Regulation No: 39

Revision Date: April 1, 2012

Supersedes:

Approved by: Phillip L. Warren, Jr., Town Manager

Subject: Investment Policy

I. PURPOSE

To provide guidance to Town of Meredith officials as to the investment of public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Town and conforming to all laws governing the investment of public funds.

II. AUTHORITY:

This investment policy is established under the authority of State Statute RSA 41:29.

III. POLICY

Scope: This investment policy shall cover all funds under the custody of the Town Treasurer and the care of Board of Selectmen listed in Exhibit A-3 and any newly created funds, unless specifically exempted by the article(s) of its creation.

Objectives:

- A. Safety (of principal and preservation of capital): Safety of principal is the foremost objective of the investment program. Investments shall be undertaken to ensure the preservation of capital in the overall portfolio.
- B. Liquidity (maintain sufficient liquidity to meet operating requirements and other cash needs): The portfolio shall retain sufficient liquidity to meet all operating requirements that may be reasonably anticipated. To ensure adequate funds are available to pay projected financial obligations, investments will be purchased or deposits made to reasonably match anticipated cash disbursements.
- C. Yield (rate of return): The portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles that is as close to market average as possible, taking into account liquidity needs, investment risk, and capital preservation.

Risks:

- A. Credit risk (loss due to failure of security issuer): The Town shall minimize credit risk by limiting investments to the safest types of securities, and diversifying the portfolio.
- B. Market risk (changes in the financial market could reduce the value of a security): The Town shall minimize market risk by limiting investments that are subject to rapid market swings, and by varying investment maturity dates.

Investment Instruments:

- A. List of allowable investment instruments:
 - 1. U.S. Treasury bills, notes, and bonds.
 - 2. U.S. Government Agency Securities which carry the full faith and credit guarantee of the U.S. Government.
 - 3. U.S. Government Instrumentality Securities when contractually managed by a qualified financial advisor and fully collateralized.
- B. List of allowable depository instruments:
 - 1. Money market deposit accounts.
 - 2. Certificates of deposit.
 - 3. Sweep accounts.
 - 4. Repurchase agreements, collateralized by U.S. Government Securities.
 - 5. Reverse repurchase agreements, for short-term and unexpected liquidity needs only, with guidance from a qualified financial advisor. A reverse repurchase agreement will not be used for leveraging purposes.
 - 6. Local government investment pools.

Collateralization: All depository instruments will be collateralized by formal written agreement. Ownership of collateralized securities shall be perfected through third party custodial safekeeping. Collateralization will be restricted to the Town's allowable investment and depository instruments with the following tiered ratios:

- A. 100% (minimum) for issues maturing one year or earlier.
- B. 102% (minimum) for all other issues.

Financial Institutions: The types of allowable financial institutions are as follows:

- A. Federally insured banks chartered under the laws of New Hampshire.
- B. Federally insured banks chartered under the laws of the federal government that have a branch located within the State of New Hampshire.
- C. The public deposit investment pool established under state statutes.
- D. Exhibit A-1 to this policy contains a formal list of the qualifying financial institutions maintained by the Treasurer of the State of New Hampshire. Additional financial institutions may be added by the Board of Selectmen to the list after they have been evaluated based upon the following criteria: capital adequacy, asset quality, management, earnings, and liquidity.

Standards of Care:

- A. Delegation of Authority-General: In accordance with New Hampshire Law, RSA 41:29-I, the Town Treasurer shall have custody of all moneys belonging to the Town and shall payout the same only upon orders of the Selectmen. The responsibility for conducting investment transactions resides with the elected Town Treasurer. The Town Treasurer may appoint the Administrative Services Director to assist in performing investment functions.
- B. Delegation of Authority-Pursuant to RSA 41:29-VI: The elected Town Treasurer may delegate the Administrative Services Director the authority to make deposits, investments, provide recordkeeping and reconciliation functions.
- C. Prudence: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

- D. Ethics: Key personnel, as listed in Exhibit A-2, who are involved with the investment function of the Town, shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Key personnel shall also inform the Administration and Board of Selectmen of any relationships, either personal or professional, with any financial institution conducting business with the Town that may, or give the appearance that it may, constitute a conflict of interest.

Internal Controls:

- A. The Town Treasurer may delegate deposit, investment, recordkeeping or reconciliation functions to the Administrative Services Department, provided such delegation is in writing.
- B. The Administrative Services Director is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft, or misuse.
- C. The Administrative Services Director is responsible for ensuring that separation of transaction authority from accounting and recordkeeping, and written confirmation of transactions for investments are maintained.
- D. The Board of Selectmen shall establish an annual process of independent review of the investment function. This review will provide internal control by assuring compliance with established policies and procedures.

a. Policy Review:

This policy will be reviewed by the Town Treasurer, Board of Selectmen and the Town Manager on annual basis, and when there is a change in key personnel. Performance of the current investments shall also be reviewed on at least an annual basis. This policy may be reviewed if there is a change in the investment environment, a change in an approved financial institution, or for the purposes of continuous improvement. If a change occurs in investment law which is not reflective of this policy, the law will prevail.

Exhibit A-1 – List of Financial Institutions

	<u>Fed or NH Chartered</u>	<u>Federally Insured</u>
Bank of America N.A. (NC)	Federal	Yes
Bank of New England	NH	Yes
Centrix Bank & Trust	NH	Yes
Citizens Bank New Hampshire	Federal	Yes
Claremont Savings Bank	NH	Yes
Community Guaranty Savings Bank	NH	Yes
Connecticut River Bank, N.A. (VT)	Federal	Yes
Federal Savings Bank	Federal	Yes
First Colebrook Bank, The	NH	Yes
Franklin Savings Bank	NH	Yes
Hampshire First Bank	NH	Yes
Laconia Savings Bank	NH	Yes
Lake Sunapee Bank, FSB	Federal	Yes
Lancaster National Bank, The	Federal	Yes
Ledyard National Bank (VT)	Federal	Yes
Mascoma Savings Bank	Federal	Yes
MerchantBanc, LLC	NH	Yes
Meredith Village Savings Bank	NH	Yes
Merrimack County Savings Bank	NH	Yes
Monadnock Community Bank, FSB	Federal	Yes
Nashua Bank, The	NH	Yes
Northway Bank	NH	Yes
Ocean National Bank	Federal	Yes
Optima Bank & Trust Company	NH	Yes
Piscataqua Savings Bank	NH	Yes
Profile Bank, FSB	Federal	Yes
Salem Co-operative Bank	NH	Yes
Savings Bank of Walpole	NH	Yes
Sovereign Bank (PA)	Federal	Yes
Sugar River Bank	NH	Yes
TD Bank	Federal	Yes
Woodsville Guaranty Savings Bank	NH	Yes
New Hampshire Public Deposit Investment Pool	NH Statute	N/A

Exhibit A-2 – List of Key Personnel

Town Officials (Appointed/Employee)

Town Manager
Administrative Services Director
Disbursement Accountant

Elected Officials

Town Treasurer – Town Clerk

Board of Selectmen

Auditors	Plodzick & Sanderson 193 North Main Street Concord, NH 03301 plodzicksanderson@plodzick.com
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Exhibit A-3 – Funds Subject to this Policy

General Fund
Water Fund
Sewer Fund
Conservation Fund
Special Revenue Funds
Capital Project Funds
Escrow Funds