

Town of Seabrook, New Hampshire

## **INVESTMENT POLICY**

### **Section 1. Purpose:**

The purpose of this Policy is to comply with RSA 41:9 VII, which requires the Board of Selectmen to annually review and adopt an investment policy for the investment of public funds, and to provide a framework for the Town Treasurer to carry out the policy objectives.

### **Section II. Authority:**

This Policy has been enacted pursuant to the statutory authority granted to the Board of Selectmen by RSA 41:9 VII and to the Town Treasurer by RSA 41:29 IV. These RSA's are incorporated by reference and made part of this policy as Appendix A.

### **Section III. Policy Statement:**

The primary objective of the Town of Seabrook's investment policy is to set forth appropriate investment activities that provide for, first and foremost, the safety of principal, as well as sufficient liquidity to support operations while generating a reasonable investment yield.

The specific investment policy objectives are stated below:

1. To ensure the preservation of capital and the protection of investment principal by investing in instruments authorized by State Law, as outlined in section VIII of this policy.
2. To maintain sufficient liquidity to meet operating requirements for the Town of Seabrook.
3. To satisfy all legal requirements.
4. To attain market-average rate of return on investments taking into account risk and legal constraints and cash flow considerations.

### **Section IV. Definitions:**

- A. "Board": Means the Board of selectmen for the Town of Seabrook.
- B. "Collateral": Underlying securities that are pledged to secure deposits of public funds.

- C. "Market-average Rate of Return": The amount of income received from an investment, expressed as a percentage (also referred to as an investment yield) that an investor can expect to receive in the current interest-rate environment.
- D. "Repurchase Agreement": A transaction in which a holder of securities sells those securities to an investor with an agreement to repurchase those securities for a fixed price at an agreed upon date.
- E. "Safekeeping": A procedure where securities are held by a third party acting as a custodian.

#### **Section V. Scope:**

The investment policy applies to all public funds held in the custody of the Town Treasurer. This does not include funds held by the Library Trustees or trustees of the Trust Funds. the funds held by the Treasurer are accounted for in the Town's annual audited financial reports and include the following:

- General Fund
- Special Revenue Funds- which include funds overseen by the Conservation Commission, and the Cemetery Trustees.
- Agency Funds- which include impact fee funds
- Capital Project Funds
- Any new funds created by the Town, unless specifically exempted by the Governing Body, in accordance with law.

Furthermore, the investment policy applies to all transactions involving the financial assets and related activities of all the foregoing funds.

This policy does not apply to funds held in escrow for performance bonds, which are held in an interest bearing deposit account at an approved banking institution.

#### **Section VI. Delegation of Authority:**

The investment policy delegation of authority is stated below:

1. In accordance with RSA 41:29 VI, the responsibility for conducting investment transactions resides with the Town Treasurer, with the approval of the Board. However, the Treasurer may delegate investment functions to other town officials or employees provided such delegation is in writing and includes

written procedures acceptable to the Board, and is agreeable to all parties involved. Any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the Commissioner of Revenue Administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the Treasurer to comply with all statutory duties required by law.

2. No person may engage in an investment transaction except as provided under the terms of this policy and the internal procedures and controls hereby established.

### **Section VII. Prudence and Ethical Standards:**

The investment policy will be conducted in accordance with the "prudent person" standard which requires that:

*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.*

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict (or appear to conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Board any material financial interest in financial institutions that conduct business with the Town, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's portfolio.

### **Section VIII. Investment Activities:**

#### **Internal Controls**

The internal controls for the Town of Seabrook shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, imprudent actions by elected officials and employees of the Town.

1. Indemnification: In accordance with RSA 41:6 (Surety Bond Required)(Appendix A), "Town Treasurers...Shall be bonded by position under a blanket bond from a

surety company authorized to do business in this State. The bond shall indemnify against losses through:

- a) The failure of officers covered to faithfully perform their duties or to account properly for all moneys or property received by virtue of their positions, or
  - b) Fraudulent or dishonest acts committed by the covered officers."
2. The Treasurer conducts investment transactions via written instructions and reviews the bank statements daily to ensure that the appropriate transactions were made per the instructions. The Finance Manager, on a monthly basis, reviews and reconciles all bank account activity and records the investment transactions in the general ledger. On a quarterly basis, the Finance Manager or Treasurer provides a report to the Board, summarizing any significant investment activity for that quarter, based upon investment information provided by the Treasurer.

#### **Investment Instruments**

In accordance with RSA 41:29 II and IV, funds of the Town of Seabrook may be invested in any of the following:

- a) Deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types of interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state; or funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:
  - i. United States government obligations;
  - ii. United States government agency obligations; or
  - iii. Obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.
- b) New Hampshire Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22
- c) Obligations fully guaranteed as to principal and interest by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management type investment

parameters of this policy, with the understanding that each individual investment will not necessarily be competitively bid by the provider, but will meet the investment criteria as proposed and agreed.

### **Safekeeping and Collateralization**

In accordance with RSA 41:29 V, the Treasurer shall ensure that prior to acceptance of any moneys for deposit and investment, including repurchase agreements, the federally insured bank shall have such funds, at the time of deposit or investment, secured by collateral having a market value at least equal to 102% of the amount deposited or invested. Such collateral shall be held by a third party custodian and segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. refer to Appendix B for the relevant section of the New Hampshire Administrative Rules.

The banking institution shall provide the Town Treasurer with at least monthly reports of the Town's collateral position. In addition, collateral agreements shall comply with provisions set forth in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which require that the collateral agreement be:

- 1) in writing
- 2) approved by the Board of Directors of the depository or its loan committee;
- 3) lists no specific pledged securities; and
- 4) has been, continuously, from the time of its execution, an official record of the depository institution.

For purposes of this section, Town funds that are invested with a federally insured financial institution that that provides for the insurance of those funds through the Federal Deposit Insurance Corporation (FDIC) will not require separate collateralization through a third party custodian.

### **Reporting**

At least annually, and in periods of significant investment activity, on a monthly basis, the Town Treasurer shall include a summary of investment activity in the Treasurer's report submitted to the Board. The report shall summarize the investment strategies employed, and describe the portfolio in terms of investment securities, maturities, risk

company or investment trust registered under 15 U.S.C. section 80a-1 et.seq., if the portfolio of the investment company or investment trust is limited to such obligations.

- d) Other instruments as may be specifically authorized by amendments to the State Law.

Whenever possible, maturities of investments purchased shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (school district remittances, payroll and accounts payable) as well as anticipated revenue inflows. However the maturity characteristics of the portfolio must comply with the following schedule:

<u>Total Portfolio</u>	<u>Required Minimum Percentage</u>
<u>Investments Maturing</u>	<u>Of Total Portfolio</u>
1 Year or Under	100%
90 Days or Under	50%

### **Qualified Institutions**

The Town Treasurer shall determine the primary banking institution to be used by the Town, in conjunction with the Board, who is responsible for establishing the budgetary parameters under which the Town Treasurer may operate. The Town shall utilize Appendix B as the source and foundation of its qualified institution criteria for the deposit of public funds.

Any entity outside of the list in Appendix B, that the Town may utilize to purchase investment instruments, must have an investment grade rating issued by Moody's and S&P at a minimum of Aa2 and AA, respectively. Refer to Appendix C for the Moody's and S&P ratings definitions.

The Board, in conjunction with the Town Treasurer, shall periodically review the banking relationship and determine if there is a need to undertake a competitive bidding process for the selection of banking, investment, and/or cash management provider(s). If a competitive bid is sought, the investment of Town funds, in accordance with this policy, will be a key consideration in assessing and awarding such bid. Once awarded, it is the responsibility of the provider to maintain investments within the

characteristics and other features. The report shall explain the transaction detail, expected total investment return and actual results.

**Performance Evaluation**

The Town shall require, from any institution in which investing activity is conducted, sufficient routine reports/documentation to enable an accurate evaluation to be made as to the results of the Town's investment program as it relates to the Town's stated objectives, guidelines and policies, and to assist in revealing areas for potential improvement.

**Section XI. Amendments:**

This Policy may, from time to time, be amended by a majority vote of the Board, at a regularly scheduled Board meeting. It will, at a minimum, be reviewed and adopted annually by the Board.

**Section XII Effective Date:**

This policy, and any amendments made thereto shall take effect immediately following a majority vote of the Board at a regularly scheduled Board meeting.

BOARD OF SELECTMEN:

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