

CITY OF CONCORD, NH
INVESTMENT AND CASH MANAGEMENT POLICY

Original adoption: December 1985

INVESTMENT PROGRAM SUMMARY

An investment program is recognized as one aspect of sound public financial management. Interest earned on public funds is just as much public money as the principal invested - both are resources to achieve a public purpose. The investment program aims at matching the structure of the financial market with the operations of the City to achieve the best possible results for the Concord taxpayer, considering such matters as safety, liquidity, and over-all yield. The following are guidelines established to aid city personnel to more effectively manage cash and investments of the City of Concord, New Hampshire.

This policy does not include the City of Concord Trust Funds. These funds adhere to the Investment Policy for the Trust Assets of the City of Concord, which was adopted by the Trustees of the Trust Funds on March 16, 2000.

OBJECTIVES

The primary objectives of this policy in order of priority are:

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to preserve capital through the mitigation of credit risk and interest risk. This risk shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.

Liquidity is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the Treasurer shall attempt to carry out investment activities in a manner that provides for meeting unusual or unexpected cash demands without requiring the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

Yield is the third and last objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquid constraints as well as all legal requirements.

- The investment program shall be operated in conformance with federal, state and other legal requirements, following best practices as defined by the Government Finance Officers Association (GFOA). The overall investment program shall be designed and managed with a degree of professionalism. Any transaction that may impair public confidence shall be avoided. A diversified portfolio will be adhered to. Although a rare loss may occur, it may be considered within the context of the overall portfolio's investment return, provided adequate diversification was implemented.

- All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transactions that might impair public confidence in the management of the City of Concord.

LEGAL AUTHORITY

New Hampshire Statute 48:16 is the legal authority under which the City Treasurer operates.

Other requirements include: The City of Concord Ordinances 30-2-5 and the City of Concord Charter, effective January 1, 1993, Section 29 *Appointed Officers* and Section 40 *Depository*.

GOVERNING BODY

Annual approval of investment policy which 1) approves depository institutions and 2) authorizes the City Treasurer to invest excess funds. See resolutions for designating depositories and resolution relative to short term investments.

ADMINISTRATION

Administration of cash management is by the City Treasurer under the direction of the Deputy City Manager/Finance. The City Treasurer is responsible for setting major investment strategy and conducts the day-to-day execution of policy.

Cash Management procedures fit the legal requirements and organizational structure of the City of Concord and adhere to the commonly accepted “Prudent Man Rule”. See Appendix A

PORTFOLIO DIVERSIFICATION

The City’s investment portfolio shall be diversified. Over concentration in a maturity, an instrument, or institution/issuer is to be avoided.

MATURITIES

Investment maturities shall coincide with projected cash flow needs.

AUTHORIZED INVESTMENTS

1. Certificate of Deposits (CD), Certificate of Deposit Account Registry Service (CDARS);
2. Repurchase agreements collateralized in accordance with state law;
3. Treasury Bills;
4. Public Deposit Investment Pool;
5. Money Market accounts with banks insured through the FDIC or FSLIC.

6. Federal Agency Securities as issued by U.S. government-sponsored agencies.

The City Treasurer/Investment Officer shall recommend new investment products and services for approval to the Deputy City Manager/Finance who shall have the authority between annual adoptions by the City Council, and with due consideration of the herein policy, to alter the types of securities eligible for investment.

SELECTION OF DEPOSITORY AND BROKER/DEALER INSTITUTIONS:

A copy of these investment guidelines shall be delivered to the senior management of any firm, dealer, broker or financial institution seeking to conduct business with the City of Concord, New Hampshire.

Before transactions are initiated, the City Treasurer will evaluate all available documentation including, but not limited to, the following: financial history, credit worthiness, capitalization, reputation, economic viability, and competitiveness.

INVESTMENT GUIDELINES

1. Only the Deputy City Manager/Finance and the City Treasurer shall be authorized to establish bank accounts and make investments for the City of Concord.
2. Maintaining an appropriate portion of the portfolio in readily available cash, money market funds or overnight repurchase agreements to ensure liquidity to meet ongoing obligations.
3. Investments of the City of Concord shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required.
4. Securities purchases should be made through competitive bidding or competitive rate quotes, whenever possible and applicable.
5. The City encourages investment in local institutions to the extent prudently possible, however, not at the sacrifice of safety or liquidity.

COLLATERAL OUT-OF-STATE BANKS

Conformance to RSA 48:16 is required. Deposits shall be fully collateralized with the delivery of US Government obligations, US Government agency obligations or obligations of the State of New Hampshire in market value at least equal to 102% of the cash deposit in each case. Collateral is marked to market at least weekly and daily when appropriate. Collateral maturity

should coincide with the investment maturity. Collateral shall be delivered upon the City Treasurer's direction.

TREASURY/COLLECTION

- A. Establishes a strategy to meet financial needs and improve investment income consistent with this policy and projected interest rate movement.
- B. Implements the strategy via competitive bids, negotiation and necessary transfers of securities and funds.
- C. Reviews banking arrangements to maintain adequate financial and accounting control.
- D. Properly records investments, bank balance changes, and income recognition.
- E. Reviews cash balances in all accounts in comparison to projected cash flow needs.
- F. Daily notes sizable deposits that present investment opportunity by use of accelerated deposit procedure.
- G. Receives original investment confirmation, maintains custody and safekeeping thereof.
- H. Daily records investments to indicate investments held, yield, and maturity on a bank basis.
- I. Periodically reports on investments held, income earned, and transactions completed during period.
- J. Invests cash for all funds with interest allocated by fund when legally required or when practical.
- K. Updates signature cards when staff changes.

ACCOUNTING OFFICE

- A. Makes necessary entries to reflect accruals, as necessary.
- B. Recommends more effective ways to handle investment accounting in accordance with generally accepted accounting principles.
- C. Provides annually for an independent audit of investment activities under this policy.
- D. Secures check stock daily.
- E. Reconciles all bank statements and notifies banks of discrepancies on a timely basis.

- F. Makes use of “positive pay” services provided by banks, through which banks pay only those items that match a check issue file provided to the bank.

AUDITORS

- A. Requested to perform at least one financial audit of investment transactions per calendar year, including confirmation and testing compliance with policy.
- B. Offer suggestions to improve policies and procedures.

Appendix A

PRUDENT PERSON RULE

The concept of the *Prudent Person* according to Investing Public Funds is "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."