

Town of Hooksett

35 Main Street
Hooksett, NH 03106

INVESTMENT POLICY

I. PREFACE

The investment policy establishes a framework for the safe and prudent investment of public funds. While attempting to achieve the best possible results, an investment program must consider the safety and liquidity necessary to effectively meet the operational needs of the Town.

It also provides guidance and direction for the Town Treasurer in the daily conduct of investing activity in addition to improving consistency, creating and defining accountability and in ensuring that laws are followed.

II. SCOPE

The investment policy applies to all financial assets in the custody of the Town Treasurer of the Town of Hooksett, New Hampshire. These funds are accounted for in the Town's annual audited financial reports and include the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Proprietary Funds
- Fiduciary Funds
- Any new funds created by the Town, unless specifically exempted by the governing body, in accordance with law, or by-law.

Furthermore, the investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds. This investment policy does not apply to the Town of Hooksett Trust Funds or Capital Reserves.

III. OBJECTIVES

The priority of investment objectives shall be safety, liquidity, and yield:

1. **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a) **Credit Risk** is the risk of loss due to the financial failure of the security issuer or backer. The Town will minimize credit risk by:

- Limiting exposure to poor credits and concentrating the investments in the safest types of securities.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Town will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- Actively monitoring the investment portfolio holdings for ratings changes, changing economic/market conditions, etc.

b.) **Interest Rate Risk** The Town will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities or short-term investment pools.

2. **Liquidity** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

3. **Yield** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of the portfolio is limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

4. **Legality** The investment portfolio shall remain in conformance with Federal, State and other legal requirements.

IV. 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 Town Council.

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.

V. PRUDENCE

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.

The Town Treasurer 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.

The Town Treasurer shall disclose to the Town Council any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of this jurisdiction's portfolio.

The Town Treasurer shall subordinate their personal investment transactions to those of this jurisdiction, particularly with regard to the timing of purchases and sales.

VI. INVESTMENT INSTRUMENTS

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

1. Deposits, including money market accounts or certificates of deposit, 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:
 - a. United States government obligations;
 - b. United States government agency obligations; or
 - c. Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.
2. New Hampshire Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22.

3. Obligations fully guaranteed as to principle and interest by the United States government. The obligations may be held directly or in the form of securities or other interests in any open-end or closed-end management-type investment 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.
4. Other instruments as may be specifically authorized by amendments to the State Law.

VII. MATURITY AND DIVERSIFICATION

Investment maturities for operating funds 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 should comply with the following schedule:

<p>Total Portfolio <u>Investments Maturing</u> 180 Days or Under</p>	<p>Required Minimum Percentage <u>of Total Portfolio</u> 100%</p>
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No more than 80% of the total investment portfolio shall be invested with any one financial institution.

VIII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Competitive quotes shall be requested from qualified financial institutions for various options with regards to terms and instrument, and provided to the Finance Director. The Town Treasurer will accept the quote(s) which provide(s) the highest rate of return, within the maturity required, and within the parameters of this policy, taking into consideration all associated costs, requirements and capabilities.

IX. 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.

X. SAFEKEEPING AND COLLATERALIZATION

In accordance with RSA 41:29 V, the Town Treasurer shall ensure that prior to acceptance of any moneys for deposit or 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 over the FDIC limits. 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.

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. has been, continuously, from the time of its execution, an official record of the depository institution.

A Certificate of Insurance is not considered to be adequate collateralization.

XI. INTERNAL CONTROLS

The internal controls for the Town of Hooksett 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 employees and officers of the Town.

1. Indemnification: In accordance with RSA 41:6 (Surety Bond Required).

"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 Town Treasurer conducts investment transactions via written instructions including Internet and reviews the bank statements daily to ensure that the appropriate transactions were made per the instructions. All bank balances will be reconciled monthly by the Town Treasurer and reported to the Finance Director on a monthly basis.
 3. The Finance Director, on a monthly basis, reviews and reconciles all bank account activity and records the investment transactions in the general ledger.

XII. REPORTING

The Town Treasurer shall submit quarterly to the Town Administrator an investment report that summarizes recent market conditions, economic development and anticipated investment conditions. The report shall summarize the investment strategies employed, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The

report shall explain the total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the past quarter.

XIII. OTHER

This policy shall be reviewed at least annually by Town Council, or its designee, with changes made as warranted, followed by re-adoption by the governing body.

The Town Council reserves the right to implement changes to this policy without prior notice if it is deemed in the Town's best interest.

This policy is available for public review and inspection. A copy may be obtained by contacting the Town Administrator.

XIV. POLICY APPROVAL/AMENDMENTS

The Council approved adoption of the Town of Hooksett Investment Policy at their October 12, 2005 meeting.

Town Council approved amendments of the Town of Hooksett Investment Policy at their September 9, 2009 meeting.

Town Council approved amendments of the Town of Hooksett Investment Policy at their September 8, 2010 meeting.

Town Council approved the Town of Hooksett Investment Policy at their September 14, 2011 meeting.

Town Council approved amendments of the Town of Hooksett Investment Policy at their October 10, 2012 meeting.

Town Council approved the Town of Hooksett Investment Policy at their September 25, 2013 meeting.

Town Council approved amendments of the Town of Hooksett Investment Policy at their September 24, 2014 meeting.