

BOARD OF SELECTMEN

Investment Policy

Original Date: September 8, 2009; Revised November 24, 2015

2009-2

The Board of Selectmen of the Town of Wellfleet hereby establishes and adopts this Investment Policy.

GENERAL STATEMENT OF POLICY

It is the policy of the Town of Wellfleet to invest public funds in a manner which will provide the maximum security with the highest investment return while meeting the daily cash flow demands of the Town.

AUTHORITY

Massachusetts General Laws, Chapter 44, Section 55B, requires that the Treasurer invest all public funds except those required to be kept un-invested for the purpose of immediate distribution.

Massachusetts General Laws, Chapter 44, Section 55 sets forth the types of instruments which are legal for municipal Treasurers to invest in. These are:

- ◆ US Treasury securities with a maturity of one year or less;
- ◆ Agencies of the US Government;
- ◆ Savings accounts of banks insured by the federal government;
- ◆ Certificates of Deposits of a maturity of one year or less insured by the federal government, and;
- ◆ Investments in a pooled fund operated under the authority of the State Treasurer.

OBJECTIVES

The primary objectives, in priority order, of the Town's investment activities shall be:

SAFETY: Preservation of principal is the foremost objective of the investment program. Investments of the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

LIQUIDITY: The Town's investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated.

RETURN ON INVESTMENT: The Town's investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, taking into account the Town's investment risk constraints and the cash flow requirements of the portfolio.

REPORTS: The Town Treasurer should make available quarterly reports which summarize how the Town's funds are invested and the average rate of return received.

AUTHORIZED AND SUITABLE INVESTMENTS

The Town is empowered by statute to invest in the following types of securities:

1. United State Treasury Bills. Short-term obligations of the United State government issued and sold at a discount, with maturities of 13, 26, and 52 weeks.
2. United State Treasury Notes and Bonds. Obligations of the United State government issued with a fixed coupon rate and original maturities of one year.
3. Repurchase Agreements. Contractual agreements between the Town and brokerage firms, banks or government bond dealers. The repurchase agreement (Repot) issuer receives cash and, in turn, provides securities to the Town as collateral for the cash. There exists a contractual agreement for the repot issuer to repurchase the securities at pre-determined dates and prices. The right of substitution of collateral may be granted to the issuer upon approval by the Treasurer.
4. Collateralized Public Deposits. Instruments issued by financial institutions (banks) that state specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are to be backed by acceptable collateral securities as dictated by State and local law. The right of substitution of collateral may be granted to the financial institution upon approval by the Treasurer. Interest will be calculated on a 365-day year/actual-day month basis, or another method approved by the Treasurer in writing.
5. Federal Farm Credit Bank Discount Notes. Consolidated obligations of the Farm Credit Banks, issued on a discount basis, with maturities of one year or less.
6. Federal Farm Credit Bank Debentures. Unsecured consolidated obligations of the Farm Credit Banks, issued with a fixed coupon rate, with maturities ranging from six months to one year.
7. Federal Home Loan Bank Discount Notes. Consolidated obligations of the twelve district banks, issued on a discount basis, with maturities of one year or less.
8. Federal Home Loan Bank Debentures. Unsecured consolidated obligations of the twelve district banks, issued with a fixed coupon rate, with maturities running one year or less.
9. Federal National Mortgage Association Discount Notes. Obligations of the Association, issued on a discount basis, with maturities under one year.
10. Federal National Mortgage Association Debentures. Unsecured obligations of the Association, issued with a fixed coupon rate, with various maturities.
11. Federal Home Loan Mortgage Corporation Discount Notes. Obligations of the Corporation, issued on a discount basis, with maturities under one year.
12. Federal Home Loan Mortgage Corporation Debentures. Unsecured obligations of the Corporation, used with a fixed coupon rate, with various maturities.
13. Bank Money Market Account. Interest bearing bank deposits.
14. Federal Home Loan Mortgage Corporation Participation Certificates. Issues of the Corporation, representing undivided interests in conventional mortgages underwritten and previously purchased by the Corporation. The Corporation guarantees the timely payment of interest at the certificate rate and full return of principal. Original maturity payment dates are thirty days.
15. Participation Units in a combined Investment Fund. The fund must only invest in Treasury of Agency of the Federal Government instruments. Municipal bonds or corporate bonds rate "A" or higher. (e.g. MMDT- Chapter 44, Section 55)

SELECTION CRITERIA FOR BANKS AND BROKERS/DEALERS

A bank on the list of qualified banks for investment and banking services must meet minimum criteria, which are defined below. Banks failing to meet the minimum criteria or which, in the judgment of the

Treasurer fail to offer adequate safety to the Town, will be removed from the qualified list. Although a bank is on the qualified list, it will still be required to pledge collateral on all deposits and investments, pursuant to Town and State Law.

- (1) Capital adequacy;
- (2) Asset quality;
- (3) Management;
- (4) Earnings, and;
- (5) Liquidity.

OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

Massachusetts General Laws, Chapter 32B, Section 20 allows a city, town, district, county or municipal light plant to setup a special trust fund known as the Other Post Employments Benefits (OPEB) Liability Trust fund. Wellfleet accepted this section by vote of the Town under Article 15 of the 2009 Annual Town Meeting and has established and funded an OPEB Liability Trust fund. The Town Treasurer is the custodian of the fund. Investment of fund monies by the custodian shall be consistent with the prudent person standard set forth in Massachusetts General Laws, Chapter 203C for private trust funds. Income earned by the fund shall be added to the fund principal.