



## **INVESTMENT POLICY ADOPTED – JUNE 21, 2017**

### **1. PURPOSE.**

1.1 In accordance with 24 VSA §1571(b), monies received by the Treasurer on behalf of the Town of Norwich (Town) may be invested and reinvested by the Treasurer with the approval of the Legislative Body (Selectboard).

1.2 The purpose of this Investment Policy is to establish the investment objectives, standards of investing prudence, eligible investments and transactions, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of the excess operating funds of the Town and, under certain circumstances, bond proceeds.

1.3 This policy shall apply to the investment of bond proceeds, only insofar as the policy is not in conflict with applicable bond debenture requirements and Vermont municipal finance laws.

### **2. OBJECTIVES.**

2.1 The primary objectives of the Town's investment policy shall be security of principal, liquidity as needed to meet projected expenditures, and return on investment, in that order of priority.

2.1.1 **Security.** Security of principal shall be the foremost objective of Town funds. Investments will be undertaken so as to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk (the risk of loss due to the failure of the security) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in market interest rates). Credit risk will be minimized by diversifying the Town's investment portfolio so that the impact of potential losses from any one type of investment will be minimized. Interest rate risk will be minimized by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the Town's investment portfolio.

2.1.2 **Liquidity.** The Town's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. This will be accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. The portfolio will consist primarily of securities with active secondary or resale markets. A portion of the portfolio may be placed in money market mutual funds to ensure liquidity for short-term funds.

2.1.3 **Return on Investment.** The investment portfolio will be designed to attain a market rate of return throughout budget and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the security and liquidity objectives described above. The core of investments will be limited to

relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **3. POOLING.**

3.1 Except where prohibited by law and specifically excluding bond proceeds, which shall remain in segregated accounts, cash and reserve balances from all funds may be consolidated to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

### **4. DIVERSIFICATION OF THE INVESTMENT PORTFOLIO.**

4.1 The Treasurer shall maintain sufficient diversification of investments such that the ability of the Town of Norwich to continue to do business on an ongoing basis will not be impaired because of a liquidity crisis occurring in any one type of investment with which the Town of Norwich has invested. Diversification includes investing in securities with varying maturities and matching maturity of investments to needed cash flow. U.S. Treasury obligations that carry the full faith and credit guarantee of the United States government meet the requirements of this section.

### **5. STANDARD OF CARE.**

5.1 The standard of care to be used by the Treasurer and Selectboard shall be the prudent person standard and shall be applied in the context of managing an overall portfolio. 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.

### **6. CONFLICTS OF INTEREST.**

6.1 The Selectboard and the Treasurer shall refrain from personal business activity that could conflict with the proper execution and management of the Town's investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the Town conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the Town's investments. Selectboard members and the Treasurer shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

### **7. AUTHORIZED INVESTMENTS AND INSTITUTIONS.**

7.1 Public deposits shall only be made in qualified public depositories as established by Vermont or New Hampshire law. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Town must supply the following as appropriate:

7.1.1 Audited financial statements demonstrating compliance with state and federal capital

adequacy guidelines;

7.1.2 Proof of National Association of Securities Dealers (NASD) certification;

7.1.3 Proof of state registration;

7.1.4 Certification of having read and understood and agreeing to comply with the Town's investment policy; and

7.1.5 Evidence of adequate insurance coverage.

7.2 The following investments will be permitted under this policy:

7.2.1 U.S. Treasury obligations which carry the full faith and credit guarantee of the United States Government;

7.2.2 U.S. government agency and instrumentality obligations including Government Sponsored Enterprises securities that carry the full faith and credit guarantee of the United States government, such as Ginnie Mae.

7.2.3 Certificates of deposit and other evidences of deposit at financial institutions that are insured by the FDIC;

7.2.4 Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments.

## **8. COLLATERALIZATION.**

8.1 Collateralization using obligations fully guaranteed by the full faith and credit of the State of Vermont, and/or the United States Government is required on all investments or an Irrevocable Stand-by Letter of Credit issued by the Federal Home Loan Bank in the Town's name. The current market value of the applicable collateral will at all times be no less than 102% of the sum of principal plus accrued interest of the certificates of deposit or the repurchase agreement secured by the collateral. Collateral shall be held by an independent party, in the Town's name, with whom the Town has a current custodial agreement that has been approved by the Selectboard. Evidence of ownership must be supplied to, and retained by, the Town.

## **9. SAFEKEEPING AND CUSTODY.**

9.1 All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian selected by the Treasurer as evidenced by safekeeping receipts in the Town's name.

9.2 The safekeeping institution shall annually provide a copy of its most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

## **10. REPORTING.**

10.1 The Treasurer shall file a quarterly investment report with the Selectboard that analyzes the status of the current investment portfolio and the individual transactions executed over the last quarter as required by 24 VSA §1571(c). The report will include the average yield of investments as compared to applicable benchmarks. This report will be prepared in a manner which will

allow the Selectboard to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Selectboard within 30 days of the end of a Fiscal Year quarter.

**11. TIMELY REVIEW.**

11.1 The Selectboard shall endeavor to review and reaffirm this policy annually.

ADOPTED by the Norwich Selectboard on June 21, 2017.

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Mary Layton  
Selectboard Chair

Effective Date: June 21, 2017

ACKNOWLEDGED and AGREED by:

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Cheryl A. Lindberg  
Town Treasurer

Effective Date: June 21, 2017