Hampton Investment Policy
Fiscal Year 2016

January 26, 2016

I. Introduction

It is the policy of the Town of Hampton to invest public funds in a manner that will provide maximum security of the funds and a yield consistent with this level of security, while meeting the daily cash flow needs of the town and conforming to all laws governing the investment of public funds. The Town Treasurer shall have custody of all moneys belonging to the town, and shall pay out the same only upon orders of the Town Manager in accordance with NH-RSA 37:5 and NH-RSA 37:6 IV or, in the case of a Conservation Fund established pursuant to RSA 36-A:5 II upon the order of the Conservation Commission.

II. Scope

The Town operates a consolidated cash account for all funds, excluding Trust Funds. This includes the General Fund and Proprietary/Special Revenue Funds. This policy applies to the investment of these funds. Investment income will be credited to the General Fund unless provisions of State or Federal law concerning certain funds require otherwise. Trust Funds are excluded from this policy.

III. General Objectives

The primary objectives of investment activities, in order of priority, shall be safety, liquidity, yield and minimizing service charges:

A. Safety - 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 minimize credit risk and interest rate risk.

1. Credit Risk - The Town will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
   a. Limiting investments to the safest types of securities.
   b. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Town will do business.
   c. Diversifying the investment portfolio so potential losses on individual securities will be minimized.
2. 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:
   a. Structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
   b. Investing operating funds primarily in shorter-term securities, including shares in a local government investment pool.
3. Ineligible Trading Techniques - The Treasurer shall refrain from purchasing investments using the following techniques:
   a. No investments will be made by leveraging techniques, i.e., purchasing on margin or use of securities to acquire additional investments.
   b. No trading shall occur involving selling short.

B. Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. For directly purchased securities, the maturity shall be concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, these securities should have active secondary or resale markets (dynamic liquidity). A large portion of the portfolio should be placed in more liquid investments, providing for daily liquidity.

C. 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 set forth above. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively 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:

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

IV. Standards of Care

A. Prudence - The standard of prudence to be used by the Treasurer 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.

B. Ethics and Conflicts of Interest - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Such employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Such employees and officers shall refrain from undertaking personal investment transactions with the same individual/entity with which business is conducted on behalf of their Town.

C. Delegation of Authority - Authority to manage the investment program is vested with the Treasurer and derived from the following: NH State RSA 41:29. The Treasurer shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

V. Safekeeping and Custody

A. Authorized Financial Dealer and Institutions – Use of security broker/dealers will be based on creditworthiness (a minimum capital requirement of $100,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

1. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:
    a. Audited financial statements
    b. Proof of National Association of Securities Dealers (NASD) certification
    c. Proof of state registration
    d. Certification of having read the Town's investment policy
2. An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer.

B. Internal Controls - The internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting and record keeping
3. Custodial safekeeping
4. Avoidance of physical-delivery securities
5. Clear delegation of authority to subordinate staff members

6. Written confirmation of transactions for investments and wire transfers
7. Development of a wire transfer agreement with the lead bank or third party custodian

VI. Suitable and Authorized Investments

A. Investment Types – The following investments will be permitted by this policy and are those defined by state law where applicable:

1. US Government Obligations
2. Participation units of the New Hampshire Public Deposit Investment Pool
3. Certificates of Deposit in New Hampshire Banks
4. Repurchase Agreements whose underlying security consists of US Government Obligations, US Government Agency Obligations or State of NH obligations.

B. Financial institutions where funds are kept on deposit, in CDs or Repurchase Agreements must meet the following criteria:

1. Minimum total assets of $100 million
2. Minimum of an average rating by IDC Publishing Inc.'s bank rating service
3. Minimum ratio of equity capital to total assets of 5%
4. Maximum ratio of non-performing assets to equity of 20%

C. Collateralization - As authorized by state law, full collateralization will be required on nonnegotiable certificates of deposit and repurchase agreements or other instrument as the Treasurer requires.

VII. Investment Parameters

A. Diversification - The investments shall be diversified by:

1. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities
2. Limiting investment in securities that have higher credit risks
3. Investing in securities with varying maturities
4. Continuously investing a portion of the portfolio in readily available funds such as Public Deposit Investment Pool (PDIP) or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

B. Maximum Maturities - To the extent possible, the Town shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than six months from the date of purchase.

VIII. Reporting

A. Methods – The Treasurer shall prepare a cash position and investment report at least quarterly, including a succinct management summary that provides a clear picture of the status of the current investment portfolio. This management summary will be prepared in a manner that will allow the Town to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be available to the Selectmen and auditors. The report will include the following where appropriate:

1. Listing of individual securities held at the end of the reporting period, if applicable.
2. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with GASB requirements).
3. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
4. Listing of investment by maturity date.

B. Performance Standards – The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

C. Statements - The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

IX. Policy Considerations

This policy shall be reviewed on an annual basis. The Treasurer and any other appropriate authority must approve any changes. The individual(s) charged with maintaining internal controls shall receive copies of the policy and any changes thereto.

IN WITNESS THEREOF, this Policy is hereby approved and adopted by the Board of Selectmen for the Town of Hampton, on this, the 8th day of February 2016.

ATTEST: Board of Selectmen:

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Richard Griffin, Chairman

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Russell Bridle, Vice Chairman

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Mary-Louise Woolsey, Selectman

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Philip Bean, Selectman

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James Waddell, Selectman

UNDER SEAL OF THE TOWN, received, filed and recorded on this the _____day of February, 2015:

ATTEST: Town Clerk

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Office of the Town Clerk