



City of Lebanon
New Hampshire

COUNCIL POLICY			
Cash Management and Investment Policy			
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Section 1.0: Purpose

To ensure the administration of the City's cash management system shall be handled as its highest public trust. The custody and investment of City funds shall be made in a manner that will provide the highest investment return with the maximum security of principal invested while meeting the cash flow needs of the City while conforming to State law.

Section 2.0: Scope

- 1) *General* – This Policy applies to all cash, cash equivalents (assets that are readily convertible into cash) and investments in the custody of the City Treasurer (NH RSA 48:16).
- 2) *Exceptions* – This Policy does not apply to cash, cash equivalents and investments in the custody of the Trustees of the Trust Funds and the Board of Trustees of the Library who must formally adopt an investment policy that is reviewed and confirmed at least annually for all investments made by them or by their agents for any trust funds in their custody (NH RSA 31:25 and NH RSA 202-A:23).
- 3) *Pooling of Funds* – The City will consolidate cash for management purposes to achieve efficiency, effective management and maximum investment opportunity unless effective administration requires otherwise such as in the instance of accounting for bond proceeds associated with capital improvements. Ownership of cash, cash equivalents and investments shall be identified and accounted for by fund. Interest earnings shall be allocated annually on a proportional basis to ten funds: general, solid waste disposal, water treatment and distribution, sewage collection and disposal, municipal airport, capital improvements, Lebanon open space, water investment fee funds, public facilities impact fees, and passenger facility charges.



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Section 3.0: Definitions

- 1) *Cash Flow* – is a measure of cash inflow and outflow from the City. Positive cash flow means more money is coming into the City than is leaving; negative cash flow is the converse.
- 2) *Banking Services* -- consist of, but are not limited to: account maintenance services (account analysis; reconciliation services; and daily collected funds reports), cash concentration services (lock-box; concentration account; sweep accounts), investment services (overnight repurchase facilities) and credit facilities.
- 3) *Rate of Return* – is the amount of income received from an investment expressed as a percentage. Market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.
- 4) *Fund* -- segregates resources (revenue) and requirements (expenditures) that are legally restricted to specific uses. A fund is analogous to a filing cabinet with each drawer a separate fund. Within each drawer, or fund, there are many file folders, or municipal functions which, in turn contain programs, services and activities managed by City departments aimed at accomplishing a function for which the City is responsible.

Section 4.0: Policy Detail

- 1) Investment Objective:
 - a. It is the policy that City funds be managed and invested with three primary objectives in order of priority: safety, liquidity and yield. Effective cash management is recognized as essential to good fiscal management. The City shall maintain a cash management system that includes collection of accounts receivable, prudent investment of available cash, management of banking services and disbursement of payments in accordance with invoice terms, the City's Purchasing Policy, Purchase Agreements Policy and City Charter.



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2) Selected Objectives:

- a. *Safety of Principal* – is the foremost objective of this Policy. Each investment and/or depository transaction shall be undertaken in a manner that seeks first to ensure the preservation of capital in the overall portfolio.
- b. *Liquidity* – The investment and/or depository portfolios shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- c. *Yield* – The investment and/or depository portfolios shall be designed with the objective of attaining a market rate of return considering investment risk constraints and liquidity needs. Return on investment is of least importance as an objective as compared to the safety and liquidity objectives.

3) Authority and Responsibilities:

- a. *Authorized Representative of the City* – The City Treasurer (NH RSA 48:16) is authorized to act on behalf of the City, to execute, for the purpose of purchasing cash management products and services offered by a banking services provider, such applications, agreements, schedules, service requests and related documents and amendments to such applications, agreements, schedules, service requests and related documents in such forms as may be provided and/or required by the banking services provider and in so doing shall bind the City to the terms and conditions of the cash management document(s) so executed.
- b. *Authority to Issue Tax Anticipation Notes* – On December 17, 1996, the City Council authorized the City Treasurer (Municipal Finance Act, NH RSA 33:7), with approval of the City Manager, to borrow in increments as the need arises, a sum or sums of money from time to time during the current financial year, to issue and sell with interest at maturity, temporary notes of the City in an amount sufficient to cover expenses and to refund such note expenses.
- c. *Electronic Payment* – The payment of local taxes, charges generated by the sale of utility services, or other fees or charges by use of a credit card, debit card, or such other means of electronic transaction is



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authorized in accordance with NH RSA 80:52-c or any other applicable State law. A service charge for the acceptance of such payments may be added to the amount due at the time of billing in addition to any penalties and interest payable; at the time of billing the amount of the service charge shall be disclosed.

- d. *Depository Designation* – The City Council is responsible for designating the depository or depositories for City funds (419:46). Important considerations in the selection and retention of a banking services provider include credit-worthiness, credit characteristics, financial history, institutional capabilities, resources and relevant experience in managing the operational aspects of municipal cash management and investment needs and requirements. The City Treasurer is responsible for investment and depository management decisions and activities including, but not limited to, the selection of acceptable depository and investment instruments in accordance with this Policy and State law.
- e. *Custody of City Funds* – The City Treasurer, appointed by the City Manager in accordance with City Charter Section 419:32, shall have custody of all City funds (NH RSA 48:16).
- f. *Investment of Excess City Funds* – Whenever the City Treasurer has in custody an excess of funds which are not immediately needed for expenditure, the City Treasurer shall invest same in authorized investments in accordance with this Policy and State law.
- g. *Recording and Reporting* – The City Treasurer shall keep in suitable books provided for the purpose a fair and correct account of all sums received into and paid from the City treasury, and of all notes given by the City, with the particulars thereof.
- h. *Independent Audit* – At the close of each fiscal year, a reporting shall be made to the City by the City Treasurer giving an account of all financial transactions during the year which shall be independently audited.



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4) Standards of Care:

- a. *Prudence* -- The standard of prudence to be used by the City Treasurer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The City Treasurer, acting in accordance with established procedures and this Policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion, that appropriate action is taken to control adverse developments, and that the liquidity and sale of securities are carried out in accordance with the terms of this Policy. 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* -- City employees, officials, and representatives and agents of the City involved in the cash management process shall refrain from personal business activity that could conflict (or appear to conflict) with the proper execution of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material financial interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio.
- c. *Position Bonding* -- The City Treasurer and others as prescribed by State law shall be bonded by position under a blanket bond from a surety company authorized to do business in the State of New Hampshire (NH RSA 41:6). The bond shall indemnify against losses through the failure of City employees covered to faithfully perform their duties or to account properly for all moneys or property received by virtue of their positions, or fraudulent or dishonest acts committed by the covered employees.



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5) Internal Controls:

- a. *Internal Control System* – The City Treasurer shall establish and maintain a system of internal controls that shall be reviewed annually with the independent auditors. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees of the City.
- b. *Cash Flow Forecasting* – The City Treasurer shall maintain a cash flow forecasting process designed to monitor and forecast cash positions for cash management and investment purposes.
- c. *Written Confirmation of Telephone and Electronic Transactions for Investments and Wire Transfers* – Due to the potential for error and improprieties arising from telephone transactions, all telephone and electronic transactions shall be supported by written communications and approved by the appropriate person.
- d. *Documentation of Transactions* – All transactions undertaken through this Policy shall be appropriately documented to facilitate review of the transactions by the independent auditors.
- e. *Remittance of School District and County Tax Assessments* – Property taxes billed and collected by the City include taxes levied for the Lebanon School District and Grafton County, which are remitted to those governmental units as required by law. The former is paid over the course of the year in accordance (NH RSA 198:5) based on a cash requirements schedule provided by the district; the latter is paid in December (NH RSA 29:11). Ultimate responsibility for the collection of taxes rests with the City.

6) Authorized Investments:

- a. *General* – City Treasurer may invest in participation units in the public deposit investment pool established (NH RSA 383:22), or in deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types of interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State, or in obligations fully guaranteed as to principal and interest by the



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United States government. The obligations may be held directly or in the form of securities of 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 and repurchase agreements fully collateralized by such obligations. As additional types of securities are approved for investment by State law they will be eligible for investment by the City Treasurer.

- b. *Maturities* – Investment maturities shall be scheduled to coincide with projected cash-flow needs, taking into account anticipated revenue inflows, routine expenditures and large non-routine expenditures.
- 7) Safekeeping and Collateralization:
- a. *City funds shall be secured in accordance with NH RS 48: 16.*
 - b. *Interest-bearing Deposits Meeting Certain Conditions* -- Excess funds held by the City may be invested in interest-bearing deposits which meet all of the following conditions: (a) The funds are initially invested through a federally insured bank chartered under the laws of New Hampshire or the federal government with a branch within the state, selected by the treasurer. (b) The selected bank arranges for the redeposit of funds which exceed the federal deposit insurance limitation of the selected bank in deposits in one or more federally insured financial institutions located in the United States, for the account of the treasurer. (c) The full amount of principal and any accrued interest of each such deposit is covered by federal deposit insurance. (d) The selected bank acts as custodian with respect to each such deposit for the account of the treasurer. (e) On the same date that the funds are redeposited by the selected bank, the selected bank receives an amount of deposits from customers of other federally insured financial institutions equal to or greater than the amount of the funds initially invested through the selected bank by the treasurer.
 - c. *Collateralization* -- Excess funds held by the City may for deposit or investment, including repurchase agreements, may be secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive use of the City.



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Only securities defined by the bank commission as provided by rules adopted pursuant to RSA 383-B:3-301(e) shall be eligible to be pledged as collateral.

- 8) This Policy, in accordance with NH RSA 47:6, shall be reviewed and readopted annually by the City Council with revisions as warranted.

Section 5.0: References (Charter/Code/State Statues)

- 1) *City Charter Section 419:46 Depository.*
- 2) *NH 29:11 Tax Warrants and Extents.*
- 3) *NH 31:25 Custody; Investment.*
- 4) *NH RSA 41:6 Surety Bond Required.*
- 5) *NH RSA 47.6 Financial Supervision.*
- 6) *NH RSA 48:16 City Treasurer; Duties.*
- 7) *NH RSA 80:52-c Electronic Payment.*
- 8) *NH RSA 198:5 Assessment.*
- 9) *NH RSA 202-A:23 Exceptions.*
- 10) *NH RSA 383:22 Public Deposit Investment Pool.*
- 11) *NH RSA 383-B:3-301(e) Banking Business.*

Section 6.0: Policy & Procedure Revision History

	Section	Revisions	Date
Original Adoption			6/20/2018
Re-Adoption			6/19/2019
Re-Adoption			7/15/2020
Amendment			
Amendment			