



Lanesborough Village Fire & Water District

Investment Management Policy

Purpose

The purpose of this policy is to establish guidelines to govern the investment of District funds by the Treasurer. It pertains to the investment of revenue from a variety of Governmental Funds (e.g., general, enterprise, revolving, special revenue, agency), as well as trust funds including but not limited to stabilization funds. It does not pertain to the investment of pension funds for employees, which is invested and managed by the Berkshire County Retirement System.

Background

A local government's investment policy establishes guidelines and responsibilities in accordance with state law for managing and investing municipal funds.

The Governmental Accounting Standards Board recommends the disclosure of key policies affecting cash deposits and other long-term investments to ensure they are managed prudently or are not subject to extraordinary risks.

When assessing municipalities for credit quality, rating agencies look for investment management policies that address selection of financial institutions for services and transactions, risk assessment, investment objectives, investment maturities and volatility, portfolio diversification, safekeeping and custody, and investment performance reporting, benchmarking, and disclosure.

Definition

1. Arbitrage - Investing funds borrowed at a lower interest cost in investments providing a higher rate of return.
2. Capital Project Fund Revenues – Funds segregated to finance an approved capital project.
3. General Fund Revenues - All unrestricted revenues, including real and personal property taxes, other local taxes, such as excises, special assessments and betterments, unrestricted local aid, investment and rental income, voluntary and statutory payments in lieu of taxes and other receipts not expressly dedicated by statute.
4. Liquidity – The degree to which invested cash is readily accessible to finance the cost of current operations.
5. Massachusetts Municipal Depository Trust (MMDT) – Established pursuant to M.G.L. c. 29, § 38A, an investment pool for state, local, county governments and other independent governmental authorities under the auspices of the Treasurer of the Commonwealth.



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6. Repurchase agreement (Repo) – A form of short-term borrowing for dealers in government securities. In the case of a repo, a dealer sells government securities to investors, usually on an overnight basis, and buys them back the following day at a slightly higher price.
7. Safety – The degree to which investment principal is protected which is achieved through the mitigation of credit risk and interest rate risk.
8. Special Purpose Revenue Funds - Statutory funds to account for allocation of general revenues or other financing sources reserved by the appropriating authority for particular purposes. Examples would be stabilization fund (M.G.L. c. 40, § 5B), unemployment compensation fund (M.G.L. c. 40, § 5E), conservation fund (M.G.L. c. 40, § 8C), and the overlay (G.L. c. 59, § 25).
9. Special Revenue Fund Revenues - Particular revenues segregated from the general fund into a separate fund and earmarked for expenditure for specified purposes by statute. Special revenue funds include annual revenue funds, receipts reserved for appropriation, and revolving funds. They also include gifts and grants from governmental entities and private individuals and organizations. Special revenue funds must be established by statute.
10. Trust Funds - Fiduciary funds segregated from the general fund to account for assets held in a trustee capacity. Examples would include a Scholarship Fund (MG.L. c. 60, § 3C), a Veteran Assistance Fund (M.G.L. c. 60, § 3F) and a Cemetery Perpetual Care Fund (M.G.L. c. 114, § 25).
11. Yield – The interest rate on an investment.

Applicability

This policy applies to the Treasurer regarding their duties to manage and account or District funds for investment activities.

Policy

It shall be the policy of the District as follows:

1. That the Treasurer shall have the authority and responsibility to invest all District funds subject to the requirements of all federal and state law and regulations governing the expenditure and investment of municipal funds, including arbitrage restrictions on the investment of bond proceeds.
2. That the Treasurer shall invest funds in a manner that meets the District's daily operating cash flow requirements.
3. That the Treasurer shall act in strict adherence with the state conflict of interest law.



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4. That the Treasurer will make overall investment decisions in accordance with “prudent person” standards under MGL c. 203C, or as otherwise allowed by state law.
5. That the Treasurer shall seek the highest possible return on investment taking into consideration the following in the priority order shown when investing District funds: Liquidity, Safety, and Yield.
6. That the Treasurer may invest General Fund, Special Purpose Revenue Fund, and Capital Project Fund revenues in the following instruments:
 - a) The Massachusetts Municipal Depository Trust (MMDT);
 - b) US Treasuries up to one-year maturity from the date of purchase;
 - c) US Agency obligations up to one-year maturity from the date of purchase;
 - d) Bank accounts and certificates of deposit up to three years fully insured by the FDIC and in some cases also Depository Insurance Fund of Massachusetts (DFIM);
 - e) Unsecured bank deposits such as checking, savings, and money market accounts and certificates of deposits (with maturities not greater than 3 months) not covered in the categories above, with the amount invested limited to no more than 5% of an institution’s assets and no more than 10% of a municipality’s cash. The credit worthiness of the institution shall be tracked by a credit worthiness reporting system such as Veribanc or Sheshunoff; Repurchase agreements.
7. That the Treasurer may invest trust funds as follows unless otherwise provided or directed by the donor:
 - a) In savings banks or trust companies pursuant to limitations prescribed by the Legal List issued annually by the Massachusetts Division of Banks pursuant to Massachusetts General Laws chapter 167, sections 15A-15K, inclusive;
 - b) MMDT invested in bonds or notes, which are legal investments for savings banks. (M.G.L. c. 44, § 54);
 - c) Cities or towns with a fund aggregate in excess of \$250,000 may also invest such funds in securities, which are legal for the investment of funds of savings banks, provided that (a) not more than 15% of such trust monies shall be invested in bank or insurance company stocks and (b) not more than 1½% of such monies shall be invested in the stock of any one bank or insurance company;
 - d) That not more than 15% of any such trust funds shall be invested in bank stocks and insurance company stocks.
8. That the Treasurer may invest Special Purpose Revenue Fund proceeds in the following:
 - a) A trust company, co-operative bank, or savings bank, if the trust company or bank is organized or exists under either the laws of the Commonwealth of Massachusetts, or of any other state, or may transact business in the Commonwealth, and has its main office or a branch office in the Commonwealth;



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- b) A national bank, federal savings bank or federal savings and loan association, if the bank or association may transact business and has its main office or a branch office in the Commonwealth. Any state-chartered or federally chartered bank used to deposit stabilization funds must be insured by the Federal Deposit Insurance Corporation (or its successor);
 - c) The MMDT securities, which are legal investments for savings banks under Massachusetts law. Savings banks may legally invest in securities included in the annual legal list of investments established by the Commissioner of Banks under M.G.L. c. 167, §§ 15A-15K, and permitted by M.G.L. c. 167F, § 3. All investments in securities that are legal investments for savings banks must still meet the investment standard in M.G.L. c. 44, § 55B governing a treasurer's investment of public funds generally, which means those investments must be prudent.
9. That the Treasurer shall seek to diversify the District's investments in terms of maturity as well as instrument type and issuer. Diversification should include prohibition against the over-concentration of maturities and investments in a single institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and state pools (e.g., the MMDT), no more than 10% of the District's investments shall be placed in a single financial institution.
 10. That the Treasurer shall ensure that the District complies with all arbitrage regulations issued by the Internal Revenue Service (IRS).
 11. That the Treasurer ensures that the District complies with the provisions of GASB (Governmental Accounting Standards Board) statement #40.

Procedure

The following procedures shall be followed by the Treasurer in executing their investment responsibilities:

1. Upon receipt of statements of interest earned, timely post to the Treasurer's cash book/general ledger.
2. For any Brokerage houses and brokerage dealers wishing to do business with the District, the Treasurer will require submittal of the following information for review:
 - a) Audited financial statements;
 - b) Proof of National Association of Security Dealers certification;
 - c) A statement from that the dealer has read the District's investment policy and will comply with it;
 - d) Proof of credit worthiness (minimum standards at least five years in operation and minimum capital of \$10 million).
3. No later than 30 days after fiscal year end, the Treasurer will prepare a report for transmittal to include the following:



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- a) A listing of the individual accounts and individual securities held as of June 30;
- b) A listing of the short-term investments portfolio by security type and maturity to demonstrate compliance with the diversification and maturity guidelines of this policy;
- c) A summary of income earned on a monthly basis and at fiscal year-end.

References:

M.G.L. c. 29, § 38A
 M.G.L. c. 44, § 54
 M.G.L. c. 44, § 55
 M.G.L. c. 44, § 55A
 M.G.L. c. 44, § 55B
 M.G.L. c. 167, §§ 15A-15K
 M.G.L. c. 203C
 M.G.L. c. 268A

Massachusetts Office of the Commissioner of Banks: [List of Legal Investments](#)

Governmental Accounting Standards Board Statement 40: [Deposit and Investment Risk Disclosures](#)

Massachusetts Collectors' and Treasurers' Association – Treasurer's Manual, Chapter 11, Effective Cash Management.

Internal Revenue Service - Complying with Arbitrage Requirements: A Guide for Issuers of Tax-Exempt Bonds

<https://www.irs.gov/pub/irs-pdf/p5271.pdf>

Approval Date	
Revision Date	
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