



Town of New Fairfield

*Selectmen's Office
4 Brush Hill Road
New Fairfield, Connecticut*

**BOARD OF SELECTMEN
REGULAR MEETING
THURSDAY, MARCH 8, 2018
7:30 P.M.
COMMUNITY ROOM @ 33 ROUTE 37
AGENDA**

1. Call to Order
2. Pledge of Allegiance
3. Correspondence & Announcements
4. Public Comment & Participation
5. Approve Minutes of Board of Selectmen Regular Meeting on February 22, 2018
6. Budget Transfers
7. Personnel Report
8. Appointments

New Business

9. Budget Update
10. Discuss and possibly vote on Fire Department Vehicle
11. Discuss and possibly vote on Investment Policy

Old Business

12. Discuss Drop Off Center Hours
13. Public Comment
14. General Discussion: Items to be brought up by Selectman for future agenda
15. Adjournment

Received for Record MAR 06 2018

at 3:47 p.m. and recorded by [Signature]
Patricia J. Dohan, Town Clerk, New Fairfield, CT

Fire Chief Truck 2018 Ford XLT F-250 Pick up Truck 4 x 4 Crew Cab
Due dates-1-18 at 10:00a.m.

Vendor	Delivery	Base Price
Shaker's Inc 2018	12-14 wks	\$39,157.00

Crowley Ford	No Bid
State Contract	

Present at bid opening John Jungen at Shaker Inc
Started at 10:00 a.m.
Ended at 10:08 a.m.

Town of New Fairfield

Date of Version: March 5, 2018

By: Philip A. Cammarano, Treasurer

Title: **FINANCIAL POLICY**

Adopted by BOS _____

Section: **INVESTMENT POLICY**

Adopted by BOF _____

SECTION 1 – POLICY

- A. It is the policy of the Town of New Fairfield to invest public funds in a manner that will provide the highest investment return while maintaining maximum security and meeting cash flow needs. This investment policy is intended to comply with Connecticut Statutes which govern the investment of public funds. The investment of bond funds or sinking funds shall comply not only with this investment policy but also be consistent with any applicable bond resolution.
- B. The purpose of this investment policy is to set investment objectives, establish guidelines, and define responsibilities for the investment of funds. Each investment made pursuant to this policy must be authorized and invested in accordance with state law and this investment policy.

SECTION 2 - SCOPE

- A. This investment policy applies to all funds and investment transactions of the Town of New Fairfield. These funds are accounted for in the Town's Comprehensive Annual Financial Report and include:
 - 1. General Fund
 - 2. Special Revenue Funds
 - 3. Debt Service Fund
 - 4. Capital Project Funds
 - 5. Enterprise Funds
 - 6. Trust and Agency Funds
 - 7. Internal Service Funds
 - 8. Any new fund created by the Town of New Fairfield, unless specifically exempted
- B. Except for cash in certain restricted and special funds, the Town of New Fairfield may consolidate cash balances from funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated annually to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

SECTION 3 – PRUDENCE

- A. The Treasurer / Deputy Treasurer and other authorized staff of the Town of New Fairfield, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the Town's investment objectives. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.
- B. The Treasurer/ Deputy Treasurer and other authorized staff shall utilize competitive bidding for investments where it is prudent to achieve a greater rate of return so long as it does not conflict with the investment objectives stated below. A request for competitive investment proposals should include a request for comparable credit and term investments from a minimum of two investment providers.

SECTION 4 – OBJECTIVES

- A. The primary objectives, in priority order, for the Town of New Fairfield's investment activities shall be safety, liquidity, and yield:
1. Safety: Safety and preservation of principal in the overall portfolio is the foremost investment objective. The objective will be to mitigate credit risk and interest rate risk by following the guidelines listed below.
 - a. Credit risk is the risk to an investor that an issuer will default in the payment of interest and/or principal on a security. The Town of New Fairfield will mitigate credit risk by:
 - i. Limiting investment purchases to those listed in Section 9 of this policy.
 - ii. Pre-qualifying the financial institutions, brokers, dealers, and advisors with whom the Town will do business.
 - iii. Diversifying the investment portfolio by agency and issuer so that potential losses on individual securities can be minimized.
 - b. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to the changes in market interest rates. The Town of New Fairfield will mitigate interest rate risk by:
 - i. Structuring the investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.
 - ii. Purchasing investments with the intent to hold until maturity.

- iii. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with Section 15 of this policy.
2. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.
3. Yield: The portfolio shall be designed with the objective of attaining a reasonable rate of return through budgetary and economic cycles. The return on investments is to be accorded secondary importance compared to the safety and liquidity objectives described above. The core of investments will focus on relatively low risk securities with an expectation of earning a reasonable return relative to the risk being assumed. Securities shall not be sold prior to maturity, with the following exceptions:
 - a. A security with declining value may be sold early to minimize loss of principal.
 - b. A security may be exchanged to improve the quality, yield, or target duration in the portfolio.
 - c. A security may be sold to satisfy cash flow demands.

SECTION 5 – DELEGATION OF AUTHORITY

Responsibility for conducting investment transactions resides with the Treasurer/ Deputy Treasurer as granted by Connecticut General Statutes in conjunction with this policy. They shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures. The designee shall act in accordance with the established policies and internal controls set forth in this investment policy.

SECTION 6 – ETHICS AND CONFLICTS OF INTEREST

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees shall disclose any material financial interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio.

SECTION 7 – AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. The Treasurer/ Deputy Treasurer shall maintain a list of financial institutions authorized to provide investment services. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

- B. All financial institutions and brokers/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer/ Deputy Treasurer with the following:
 - 1. The firm’s audited financial statements, provided annually.
 - 2. Proof of the firm’s State of CT securities sales license.
 - 3. Copy of the broker’s license for the individuals servicing the account.
 - 4. Certification of having read and understood and agreeing to comply with this investment policy.

The Treasurer/Deputy Treasurer will conduct an annual review of the financial condition and registrations of qualified bidders. Financial institutions and brokers/dealers shall not be compensated based on investment performance.

SECTION 8 – AUTHORIZED AND SUITABLE INVESTMENTS

- A. The Town of New Fairfield is empowered by the State of CT CGS 7-400 , to invest in the following types of securities:
 - 1. U.S. Treasury obligations which carry the full faith and credit guarantee of the United States Government and are considered to be the most secure instruments available.

 - 2. U.S. Government agency and instrumentality obligations that have a liquid market with a readily determinable market value.

 - 3. Certificates of deposit and other evidences of deposit at federally insured depository institutions.

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor of Agama-G, AAA-m, or AA-m, and if rated by Moody's, rated Aja, Aa1, or Aa2.
 5. Savings accounts, deposit accounts or money market deposit accounts which are insured by the FDIC and protected from losses.
 6. Commercial paper that matures within two hundred seventy (270) days and that is rated, at the time of purchase, "Prime-1 (P1)" by Moody's and "A-1" or better by Standard and Poor's, provided further that at the time of purchase, no more than ten percent of the investment portfolio shall be in investments authorized by this paragraph, and that at the time of purchase, no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.
 7. Repurchase agreements whose underlying collateral consists of the investments in obligations of the United States Government, its agencies and Instrumentalities, if the political subdivision takes delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse agreements.
- B. The Treasurer/Deputy Treasurer is not required to invest in all of the investment options authorized in this policy. Selection will be based on cash flow characteristics, exposure to market risk, rate of return, the technical ability of the staff responsible for administering the program, and the availability of time and tools for staff to engage in conservative but effective management.
- C. Prohibited investments, are reverse repurchase agreements, futures, and options contracts.
- D. Prohibited investment practices:
1. Trading of securities strictly for speculation of the realization of short-term trading gains.
 2. Entering into a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
 3. If a fiduciary or other third party with custody of public investment transaction records of the Town of New Fairfield fails to produce records within a reasonable time requested by the Town, the Town shall not purchase new investments with or through the fiduciary or third party, and shall not renew maturing investments with or through the fiduciary or third party.

SECTION 9 – MASTER REPURCHASE AGREEMENT

- A. A repurchase agreement is a contractual transaction agreement between an investor and an issuing financial institution. The investor exchanges cash for temporary ownership or control of collateral securities with an agreement between the parties that on a future date, the financial institution will repurchase the securities. A signed master repurchase agreement shall be on file with the financial institution with which repurchase transactions are made.
- B. The master repurchase agreement must include the following provisions:
1. The underlying collateral shall be limited to the United States Government, agency and instrumentalities.
 2. Collateral shall be marked to market daily by the custodian and shall be maintained at a value equal to or greater than the cash investment.
 3. At the time of purchase, the market value of the collateral shall represent 102% of the cash investment.
 4. An authorized third party custodian or safekeeping agent shall hold all securities purchased under a repurchase agreement.
 5. A seller of repurchase securities shall not be entitled or authorized to substitute collateral, except as authorized by the Treasurer / Deputy Treasurer .
 6. Retail repurchase agreements and reverse agreements shall not be authorized for purchase.

SECTION 10 – INVESTMENT POOLS/MUTUAL FUNDS

Government-sponsored pools and mutual funds are sources for short-term cash management such as the State of CT Short Term Investment Fund (STIF), provided rates and conditions are competitive.

SECTION 11 – SAFEKEEPING AND CUSTODY

All trades of marketable securities, including collateral for repurchase agreements, will be executed by delivery-versus-payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. A third party custodian will hold securities, with evidence being safekeeping receipts. The Treasurer/Deputy Treasurer is responsible for confirmation of transactions for investments and wire transfers. All investment officials shall be bonded to protect loss of public funds against possible embezzlement and/or malfeasance.

SECTION 12 – DIVERSIFICATION

The purpose of diversification is to reduce overall portfolio risks while attaining benchmark average rates of return. The Town of New Fairfield will diversify its portfolio by security type. With the exception of U.S. Treasury securities, no more than 50 percent of the total investment portfolio will be invested in a single security type. The Treasurer/Deputy Treasurer will invest in securities with varying maturities.

SECTION 13 – MAXIMUM MATURITIES

Investments of the Town must have maturities that are consistent with the needs and use of the Town. To the extent possible, the Town of New Fairfield will match its investments with anticipated cash flow requirements.

- A. Operating funds are those funds that can be reasonably expended during a current budget year or within fifteen months of receipt. These funds may only be invested in instruments that mature within three hundred ninety-seven (397) days or less and are authorized by this investment policy.
- B. Non-operating funds are those funds that are not required for operations, such as bond proceeds or reserves.

SECTION 14 – INTERNAL CONTROL

The Treasurer/Deputy Treasurer is responsible for establishing and maintaining an internal control structure to ensure that the assets of the Town of New Fairfield are protected from loss, theft, or misuse. An annual and independent review by an external auditor will be conducted to assure compliance with policies and procedures.

SECTION 15 – PERFORMANCE STANDARDS

The Town of New Fairfield's investment strategy is passive. Given this strategy, the basis used by the Treasurer/Deputy Treasurer to determine whether market yields are being achieved shall be to identify comparable benchmarks to the portfolio's investment duration. The portfolio is benchmarked to the applicable treasuries constant maturities rate as reported by the Federal Reserve.

SECTION 16 – REPORTING

The Treasurer/Deputy shall provide the Board of Selectmen & Board of Finance a semi-annually investment report that provides a clear picture of the status of the current investment portfolio. The report will include the following:

- A. A listing of individual securities held at the end of the reporting period by fund type.
- B. Each security will detail issuer, purchase date, maturity date, coupon rate, par value, interest/dividends received, and yield to maturity.
- C. Total value of securities held by investment type and by financial institution.

SECTION 17 – INVESTMENT POLICY ADOPTION AND DELIVERY

- A. The policy will be reviewed annually by the Treasurer/Deputy Treasurer and any modifications made thereto must be adopted by the Board of Selectmen & Board of Finance.

- B. This policy shall be delivered to all of the following:
 - 1. The Board of Selectmen & Board of Finance and all investment staff of the Town of New Fairfield.
 - 2. All depository institutions or fiduciaries for public funds of the Town of New Fairfield.
 - 3. External auditors for the Town of New Fairfield.
 - 4. Brokers/dealers who conduct trades with the Town of New Fairfield.
 - 5. Financial advisors of the Town of New Fairfield.

End of Policy (see attached Glossary)

Glossary of Investment Terms

Agency Securities - The securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are *not* backed by the full faith and credit of the U.S. Government.

Basis Point (bp) - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 4.75% to 5.50% increased by 75 basis points.

Benchmark - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

Bid - The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

Book entry - A system of recording securities ownership through electronic accounts.

Broker - A broker brings buyers and sellers together for a commission.

Certificates of Deposit (CDs) - A debt instrument issued by banks usually paying interest with maturities ranging from seven days to several years.

Collateral - Underlying securities that are pledged to secure deposits of public funds. Also used in conjunction with repurchase agreements to protect the entity from default by the counter party.

Current Yield - The relationship between the annual coupon interest rate and the market price of a fixed-income security. In calculating current yield, only the coupon interest payments are considered; no consideration is given to capital gain/loss or interest on interest.

Custody - The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

Dealer - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his or her own account.

Delivery versus Payment (DVP) - A settlement procedure where payment for a securities purchase is made simultaneously with the transfer of the purchased securities. The same procedure applies for a securities sale; the securities are transferred as payment is made.

Discount Securities - Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S.

Treasury Bills

Discount - The amount by which a bond sells under its par (face) value.

Diversification - Dividing investment funds among a variety of securities, offering independent returns, to reduce risk inherent in particular securities.

Federal Deposit Insurance Corporation (FDIC) - A federal agency that insures bank deposits - currently up to \$250,000 per depositor.

Federal Funds Rate - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates since it is set daily by the market.

LIBOR (London Inter-Bank Offered Rate) - The primary fixed income index referenced rates used in the Euromarkets. Most international floating rates are quoted as LIBOR plus or minus a spread.

Liquidity - A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Market Value - The price at which buyers and sellers trade similar items in an open marketplace.

Master Repurchase Agreement - A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's right in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity Date - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

Money Market Fund - An open-ended mutual fund that invests in commercial paper, bankers acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The funds net asset value remains a constant \$1/share - only the interest rate goes up or down.

Money Market - The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

Net Asset Value (NAV) - The total assets minus liabilities, including any gains or losses on investments or currencies, and any accrued income or expense, used in account valuation.

Offer - The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Par Value - The stated or face value of a bond. Specifies the payment amount at maturity.

Passive Investment Management - An investment strategy where securities are bought with the intention of holding them to maturity or investments in benchmark products designed to yield a market rate of return.

Rate of Return - The amount of income received from an investment, expressed as a percentage. A *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.

Repurchase Agreements (Repos) - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

S&P Ratings -

AAA - The debt having the highest rating assigned by Standard & Poor's. It has the highest capacity to pay interest and its ability to repay principal is extremely strong. Securities rated AAA are referred to as gilt-edged.

AA - This debt, which is the lowest rating assignable to investment grade securities, is regarded as having an adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories. - The debt having a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A - This debt has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of change in circumstances and economic conditions than debt in higher rated categories.

BBB - This debt, which is the lowest rating assignable to investment grade securities, is regarded as having an adequate capacity to pay interest and repay principal.

BB, B, CCC, and CC - These ratings are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance to the terms of the obligation.

C - This is reserved for income bonds on which no interest is being paid.

D - This rating is for debt which is in default. No interest or principal payments are being made.

Safekeeping - A procedure where securities are held by a third party acting as custodian for a fee.

Thomson Bank Watch - Rating agency for banks. Thomson's ratings on short-term securities span from TBW-1 through TBW-4. Long-term instruments are rated A through E.

Total Return - Interest income plus capital gains (or minus losses) on an investment.

Treasury bill (T-Bill) - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

Treasury Bond or Note - Debt obligations of the federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

Variable Rate Note - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly or monthly based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

Yield - The rate of annual income return on an investment, expressed as a percentage. Income Yield is obtained by dividing the current dollar income by the current market price or the security. Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.