City of Bristol
Board of Finance

A meeting of the Banking & Audit Committee will be held on May 10, 2023 at 8:30 a.m. in Meeting Room 1-3 of City Hall, 111 North Main Street, Bristol, Connecticut.

AGENDA

1. Call to Order

2. To review the Water & Sewer Accounts Receivable Process Assessment and to take any action as necessary.

3. To review the City's Investment Policy and to take any action as necessary.

    a. Investment Policy

4. Adjournment

PER ORDER OF THE CHAIRPERSON
David Maikowski

April 23, 2024

To: Banking and Audit Committee
Re: Approval requested for use of banks and money market accounts, and annual review of Investment Policy:

The Treasurer's office respectfully requests the approval of the following bank accounts and broker-dealers in which the City of Bristol invests public funds, excluding investment of employees' retirement funds and post-employment benefits funds. Additional information, including the City's Investment Policy and excerpts from the City Charter and Connecticut General Statutes is included below. The Investment Policy was instituted in 2012.

Proposed approval of financial institutions:

Banks:
1) M&T Bank (acquired People's United Bank in 2022)
2) Liberty Bank
3) Santander
4) TD Bank
5) Thomaston Bank
6) Torrington Savings Bank
7) Webster Bank
8) Wells Fargo Bank

All of the above banks are Qualified Public Depositories, meaning that the institution maintains a branch in the State of Connecticut, and segregates eligible collateral for public deposits, or arranges for a letter of credit to be issued. A public deposit includes moneys of this state or any commission, committee, board or officer thereof.

Broker-Dealers
- Northern Capital Securities Corp. (through RBC Correspondent Services). The firm segregates investor assets which are held at the Depository Trust Company.
- Multi-Bank Securities, Inc. (through Pershing LLC, a wholly owned subsidiary of Bank of New York Mellon). The firm segregates investor assets which are held at the Depository Trust Company.

Cash Equivalents
- State of CT Treasurer's Short-Term Investment Fund (STIF) – Standard & Poor's AAA rated investment pool.

Previously approved financial institutions are as follows:

Banks

- Bank of America (operating accounts were moved to Farmington Bank in 2012)
- Citizens Bank (account not used due to low interest rate)
- Farmington Bank (acquired by People's United Bank in 2018)
- Liberty Bank
- New England Bank
- Rockville Bank (acquired by People's United Bank in 2020)
- Sovereign Bank (acquired by Santander Bank in 2013)
- TD Bank
- Thomaston Savings Bank
- Torrington Savings Bank
- Webster Bank
- Wells Fargo Bank

Broker-Dealers

- Northern Capital Securities Corp.
- Multi-Bank Securities, Inc.
- Morgan Stanley (No longer manages municipal accounts. Holdings moved to Northern Capital in 2019)
- Saxon Securities (Removed to Consolidate Investment Accounts in Dec. 2023)

Cash Equivalents

- State of CT Short Term Investment Account (STIF)

Ryan Bodley
Deputy Treasurer

APPENDIX

Investment Policy

The purpose of this investment policy is to specify the policies and guidelines that provide for the prudent and productive investment of funds. It is the policy of the City of Bristol to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The investment policy will be operated in conformance with federal, state and local statutes governing the investment of public funds.

In accordance with Section 25 of the City Charter, the Board of Finance authorizes the Treasurer to act as the investment officer and to invest all city funds with the exception of pension and various other trust funds.

Scope

This investment policy applies to all financial assets of the City of Bristol. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Internal Service Funds
- Trust and Agency Funds
- Any new fund created by the governing body, unless specifically exempted by the governing body or legally restricted

This investment policy applies to all transactions involving the financial assets and related activity of all foregoing funds. This investment policy excludes investment of employees' retirement funds and post-employment benefits funds.

Except for cash in certain restricted and special funds, the City of Bristol will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Investment Objectives

Investments shall be made in accordance with the following principles:

- Safety
- Liquidity
- Yield

Safety

Safety of principle 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 mitigate credit risk and interest rate risk.

The City of Bristol will minimize credit risk, the risk of loss due to failure of the issuer or backer by:

- Limiting investments to the types of investments listed in this investment policy
- Pre-Qualifying the financial institutions , brokers/dealers, intermediaries, and advisors with which Bristol will do business
- Diversifying the investment portfolio so that potential losses in individual securities will be minimized.

The City of Bristol will minimize interest rate risk, the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished structuring the portfolio so that the securities mature concurrent with the cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio may be placed in money market mutual funds or state government investment pools, which offer same-day liquidity for short-term funds.

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. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Prudence

The "prudent person" rule shall be the standard used by the City staff and shall be applied in the context of managing the overall portfolio. City staff acting in accordance with written procedures 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 appropriate action is taken to control adverse developments.

Delegation of Authority

Responsibility for the operation of the investment program is hereby delegated to the Treasurer or the Deputy Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with the 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's Office. The Treasurer/Deputy Treasurer will have the authority to make investments as deemed appropriate and within the guidelines of the Investment Policy.

Ethics and Conflicts of Interest

Rules and policies promulgated by the Treasurer shall be designed in the best interest of the City and its citizens, and shall not afford special financial advantage to any individual or corporate member of the financial investment community.

Authorized Financial Institutions, Depositories, and Brokers/Dealers

All investments must be made in securities authorized by CGS 3-24f, 3-27f or 7-400 or in deposits authorized by CGS 7-401-402. To further clarify, the City shall only do business with qualified public depositories. Eligibility may be based on the recent certified Qualified Public Depository Qualification Form which is prepared by each institution. At a minimum, the City's Treasurer shall conduct an annual evaluation of each institution's credit worthiness to determine whether it should be an authorized institution.

Financial institutions which serve as depositories of City funds shall comply with all prevailing collateralization provisions of the State of Connecticut.

Internal Controls

The Treasurer shall establish and maintain a system of internal controls. The controls shall be designed to prevent and control loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions. The internal control structure shall be designed to provide reasonable assurance that the cost of the control should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgements by management.

The internal controls shall address the following points:

- Competitive bids on investments
- Division of duties among staff
- Custodial safekeeping
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers

Safekeeping

All investment securities purchased or owned by the City shall be held in third-party safekeeping by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and other pertinent information.

Diversification

The City of Bristol shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual issuers or maturities. Diversification strategies shall include:

- Limiting to ten percent (10%) of the overall portfolio the amount that may be invested in deposits with a single bank, unless the deposits are fully-insured or fully collateralized.
- There is no limitation on the percentage of the overall portfolio that may be invested in; (1) U.S. government agency obligations and in repurchase agreements fully collateralized by such securities, (2) an authorized custodial arrangement, pool or money market fund or (3) STIF
- Investments in securities that are not readily marketable, other than securities or deposits that mature within one year, may not exceed twenty percent (20%) of the portfolio's net assets at the time of purchase, and
- Investing in securities with varying maturities.

This section does not apply to bank accounts used for temporary deposit of receipts and deposits needed to cover disbursements that are expected to clear over the next seven days.

Investment decisions shall be based on the relative and varying yields and risks of individual securities and the municipality's liquidity requirements.

Reporting Requirements

Semi-annually, the Treasurer shall prepare a report of investments and present it to the Board of Finance. This report will include any data on investment instruments being held, as well as any narrative necessary for clarification. See example report attached.

Approval of Investment Policy

The City's Investment policy shall be adopted by resolution of the City of Bristol Board of Finance. The policy shall be reviewed annually and any modifications made thereto must be approved by the Board of Finance.

Authorization and Compliance Addendum

The transfer of funds in connection with the City's bank and investment accounts is governed by agreements which are certified by the Bristol Town and City Clerk and designate the Treasurer, Deputy Treasurer, Comptroller, Assistant Comptroller, and Senior Accountant as authorized individuals/signers.

The City's primary bank is currently People's United Bank. Controls are managed through the bank's website to establish an individual's level of authority. This includes wire and ACH daily limits currently at $15.0 million and $8.0 million, respectively. ACH transactions are entered into the bank's system by a staff person and approved and released by an authorized signer. External wire transfers require dual approval by two authorized signers. All authorized individuals have administrative authority to set individuals up in the online system.

Wire and ACH transactions are documented on a form indicating the amount and date of the transaction and the individual transferring and approving the funds for transfer. Supporting documentation is attached to the form and maintained in the reconciliation files for each account in the Treasurer's Office.

Payroll uploads are processed by the payroll and treasurer's office staff and require approval by an authorized signer.

Reviewed by Board of Finance: January 2023

Excerpt from the Town Charter 25-(x) BOARD OF FINANCE

- **Sec. 25. - Board of finance.**

(x)

The board of finance, as fiscal agent for city funds, may deposit, invest and reinvest the same as allowed for a municipality by and in accordance with the statutes of the State of Connecticut, as the same may be amended from time to time. The board may authorize the city treasurer to deposit, invest, or reinvest city funds pursuant to this section. Neither said sinking fund nor any part thereof shall ever be used by the city in any other way than for the redemption and payment of such bonds. Any sinking funds of the city, established by law, shall be continued for the purposes for which such funds were created.

Excerpts from the Connecticut General Statutes

Sec. 7-400. Investment of funds. The treasurer of any municipality, as defined in section 7-359, upon approval by the budget-making authority, as defined in said section, of any metropolitan district, of any regional school district, of any district as defined in section 7-324, and of any other municipal corporation or authority authorized to issue bonds, notes or other obligations under the provisions of the general statutes or any special act may invest the proceeds received from the sale of bonds, notes or other obligations, or other funds, including the general fund, as hereinafter provided:

(1) In (A) the obligations of the United States of America, including the joint and several obligations of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all the federal land banks, all the federal intermediate credit banks, the Central Bank for Cooperatives, The Tennessee Valley Authority, or any other agency of the United States government, or (B) shares or other interests in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust registered or exempt under the Investment Company Act of 1940, 15 USC Section 80a-1 et seq. as from time to time amended, provided (i) the portfolio of such custodial arrangement, pool, investment company or investment trust is limited to obligations described in subparagraph (A) of this subdivision and repurchase agreements fully collateralized by any such obligations; (ii) such custodial arrangement, pool, investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; (iii) such custodial arrangement or pool is managed to maintain its shares at a constant net asset value or such investment company or investment trust is rated within one of the top two credit rating categories and, for any investment company or investment trust not managed to maintain its shares at a constant net asset value, within one of the top two risk rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; and (iv) the municipal corporation or authority only purchases and redeems shares or other interests in such investment company or investment trust through the use of, or the custodian of such custodial arrangement or pool is, a bank, as defined in section 36a-2, or an out-of-state bank, as defined in said section, having one or more branches in this state.

(2) In the obligations of any state of the United States or of any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.

(3) In the obligations of the state of Connecticut, or any regional school district, town, city, borough or metropolitan district in the state of Connecticut, provided that at the time of investment the obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.

The following sections 7-401 and 7-402 requires the qualified public depository to provide information to the Connecticut Department of Banking.

Sec. 7-401. Definitions. As used in sections 7-402 and 7-403, the following words and terms shall have the following meanings unless the context indicates another meaning or intent:

(1) "Deposit" or "deposits" means demand deposits, time deposits, certificates of deposit, share accounts, term share accounts and share certificate accounts;

(2) "Municipality" means any town, city or borough, whether consolidated or unconsolidated, and any school district, regional school district, district, as defined in section 7-324, metropolitan district, and each municipal corporation, organization or authority and taxing district not previously mentioned in this subdivision;

(3) "Out-of-state bank" means an out-of-state bank, as defined in section 36a-2;

(4) "Public funds" means any moneys collected or received by, or in the custody of, any person and belonging to, or held in trust for, the municipality, including, but not limited to, moneys held in trust or for some public or charitable purpose by the municipality; and

(5) "Qualified public depository" means a qualified public depository, as defined in section 36a-330.

Sec. 7-402. Deposit of public money and trust funds. (a) Any public official of any municipality may deposit any public funds received, held or controlled by such public official and belonging to such municipality, or otherwise held by such public official as such public official or as a custodian or trustee on behalf of such municipality, (1) in any qualified public depository, or (2) in an amount not exceeding the Federal Deposit Insurance Corporation insurance limit, in any out-of-state bank which is not a qualified public depository, designated by such public official; provided such deposit shall only be made in such public official's name as such public official, custodian or trustee or in the name of the municipality to which the money belongs. The interest or other pecuniary consideration such depository allows for or upon such deposit of public funds shall belong to and accrue to the benefit of such municipality. In no case shall the deposit by such public official in any one such depository exceed in the aggregate at any one time seventy-five per cent of the total capital of such depository, as determined in accordance with applicable federal regulations and regulations adopted by the Banking Commissioner under section 36a-332. Any qualified public depository receiving deposits of public funds pursuant to this section is required to disclose such information relating to public deposits as the Banking Commissioner may require by regulations which the commissioner shall adopt in accordance with the provisions of chapter 54. The regulations shall include, but not be limited to, disclosure of the most current quarterly statement of condition and statement of income. Nothing in this section shall affect additional restrictions on the deposit of public funds imposed by the provisions of the charter of any municipal corporation.

(b) Any person, other than a public official, who receives, has control of, or is the custodian or trustee of, public funds promptly following the receipt or other acceptance of such public funds shall request the authority specified in this subsection to designate one or more depositories permitted under subsection (a) of this section as a depository for the whole or any part of such funds. The authority shall be (1) the board of selectmen, if the funds belong to a town that does not have a charter, special act or home rule ordinance relating to its government, (2) the first selectman, mayor or other chief executive officer described in a charter, special act or home rule ordinance relating to the government of a city, consolidated town and city, consolidated town and borough or a town having a charter, special act or home rule ordinance relating to its government, if the funds belong to such an entity, (3) the regional board of education, if the funds belong to a regional school district, (4) the warden, if the funds belong to a borough or (5) the chairman of the executive committee or other chief executive officer, if the funds belong to a district, metropolitan district or other municipal corporation. Such authority, upon the receipt of such request, may, in writing, designate one or more depositories and may, within the limitations of this section, specify the public fund or funds and the maximum amount thereof which may be deposited in each of such depositories. The instrument designating such depository or depositories shall be filed in the office of the town clerk in the case of a town and with the clerk of any other municipality. Such authority may, at any time, in writing, revoke such designation and may designate one or more other depositories. Prior to the designation by such authority of a depository, the person making such request may, within the limitations of this section, deposit public funds in any depository permitted under subsection (a) of this section. All deposits of public funds shall be in the name of the municipality or in the official name of the fund, person or trustee. The interest or pecuniary consideration such depository allows for or upon such deposit of public funds shall belong to and accrue to the benefit of the municipality or to the corpus of the fund held in trust.

(c) If the laws of this state have, in all other respects, been complied with, any person acting on behalf of, or as custodian or trustee for, any municipality, who deposits public funds in any depository shall, because of failure, insolvency, receivership, forced closing or restricted operation of such depository, or a bank and credit union holiday or banking emergency proclaimed under the provisions of the laws of the United States or of this state, be relieved of personal responsibility for public funds so deposited and the surety or sureties upon the bond of such person shall be likewise relieved to the same extent as such person. The provisions of this section shall not be construed to relieve any such person or such person's surety or sureties from the obligation to account for the whole or such part of public funds so deposited as and when the same may be obtained by such person from such depository.

Sec. 3-24f. Purchase of investments in Tax-Exempt Proceeds Fund by other state instrumentalities. Participation certificates or securities of the Tax-Exempt Proceeds Fund issued by the Treasurer under the provisions of sections 3-24a to 3-24h, inclusive, are hereby made legal investments for all municipalities within the state, and all other authorities, agencies, instrumentalities and political subdivisions of the state or of any municipality within the state.

Sec. 3-27f. Investment by Treasurer in participation certificates. Legal investments. Treasurer may invest in participation certificates of the Short Term Investment Fund (STIF).

Sec. 36a-333. (Formerly Sec. 36-386). Collateral requirements. This section sets forth collateral requirements based on risk, and identifies eligible collateral, collateral procedures, and reporting requirements.