

City of Boston
Interim Cash Investment Policy
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I. PURPOSE

The City of Boston (the “City”) is the largest municipality in the Commonwealth of Massachusetts, the financial center of New England, and the seat of the 10th largest metropolitan statistical area in the United States. A fast-growing and vibrant city, over the last 10 years Boston has seen its recurring revenue grow by 40%, with the largest percentage of that growth occurring within the last 5 years.

With significant growth in revenue comes significant growth in investable cash. As such, the City is in the process of updating its cash investment management policies to account for its evolving financial position, its ever-present desire to maximize investment earnings while making preservation of capital as its primary goal, and its desire to support financial institutions that maintain a significant presence within the City and provide valuable support to the residents of Boston.

This interim investment policy (or “Interim Policy”) is adopted to guide, on a temporary basis, the City’s cash investment practices. It is intended that the Interim Policy will be replaced with a final, more comprehensive policy at such time that it is available. This Interim Policy does not change current practice, but rather memorializes and refines key aspects of the City’s cash management practices.

II. SCOPE

The City maintains significant cash balances in various funds and various accounts. Funds within the scope of this Interim Policy are any of those under the direct purview of the Collector-Treasurer with the exception of those maintained in trust or in escrow. Such Trust funds are being governed by a separate investment policy. This Interim Policy also does not apply to assets of the Boston Retirement System, which are managed by the Boston Retirement Board and governed by its policies. Funds held in escrow for the repayment of debt service on refunded bonds are governed by the terms of the applicable escrow agreements and are outside the scope of this Interim Policy.

The specific funds governed by this Interim Policy include the following categories:

- **General Funds** are made up of revenues derived primarily from property taxes, excise taxes, local sales taxes, local aid amounts received from the Commonwealth, fines, and permit fees. Such revenues are used for the general operations of the City.
- **Special Funds** are made of up revenues originating from federal or state grants. Such revenues are accounted for separately and used for the specific purposes as determined by various agreements between the City and the grantors.
- **Non Revenue Funds** are generally made up of amounts generated from the sale of bonds and notes. Such amounts are generally used for capital investment.

III. POLICY

It is the policy of the City to invest funds in a manner consistent with its objectives, as further described herein, while at all times maintaining available funds in amounts sufficient to satisfy its financial obligations and to do so within the limits of applicable state law and City ordinance.

IV. OBJECTIVES

The City seeks to invest available cash in a manner that takes into account its three primary objectives of Safety, Liquidity, and Return on Investment as described below:

- **Safety.** Preservation of capital is the City's primary and overriding investment objective. The City accomplishes this objective by adhering to the constraints set forth in this Interim Policy—constraints that appropriately limit duration and concentration. This objective is further prioritized by incorporating, as eligible investments, options representing some of the most secure available.
- **Liquidity.** The City will maintain adequate liquidity in its investment portfolio by ensuring that, at all times, significant amounts are maintained in investments allowing for daily access. Further, eligible open-market securities are limited to those maintaining significant trading volume and, therefore, readily available pricing information.
- **Return on Investment.** To the extent that it does not present undue risk, the City will seek to maximize its portfolio yield through the competitive procurement of open-market U.S. Treasury and Agency securities and the investment of funds not needed for regular business in investments of longer duration.

IV. ELIGIBLE INVESTMENTS

Section 55 of Chapter 44 of the Massachusetts General Laws generally governs the investment of public funds. Additional statutes may allow broader authority, but the City generally does not avail itself of this authority. Additional restrictions are self-imposed by the City. Authorized investments allowed by both statute and this Interim Policy are restricted to the following:

- Demand deposits in trust companies, savings banks, national banks, banking companies, and cooperative banks with such deposits being either fully insured or fully collateralized;
- Term deposits or certificates of deposit with a maturity not exceeding 3 years with such deposits being either fully insured or fully collateralized;
- Money market funds with the highest rating from at least 1 major rating agency;
- U.S. Treasury or Agency securities with a remaining maturity not exceeding 1 year;

- Repurchase Agreements collateralized by U.S. Treasury or Agency securities for a term not exceeding 90 days; and
- Participation units in the Massachusetts Municipal Depository Trust (or “MMDT”).

IV. METHOD OF PLACEMENT

The City’s primary banking relationship is the result of a triennial competitive procurement, last conducted in June, 2016. This bank (or “Primary Bank”) facilitates the City’s daily transactions into and out of its most active accounts. Aside from funds needed in the transaction of regular business, the City may hold additional funds on deposit with the Primary Bank subject to certain compensating balance agreements or negotiated rates. Funds not immediately needed may be deposited in or invested with various other institutions generally at the discretion of the Collector-Treasurer.

The determination to invest in non-Primary Bank demand deposits, certificates of deposit, or repurchase agreements is at the discretion of the Collector-Treasurer and takes into account the available terms, any other City investments on deposit in the institution, and the extent of the proposing institution’s presence within the City. As a matter of practice, the Collector-Treasurer does not solicit deposits or repurchase agreements, but, instead, responds to proposals as they are presented, with the agreed-upon final rate or ongoing rate calculation the result of negotiation. As a part of this negotiation, the current MMDT rate is taken into account as an alternate available daily rate. Generally, for all non-Primary Banks, total deposits (not including accruing or reinvested interest) will be limited to \$25 million per institution. In the event that a proposing institution maintains Tier I capital levels in excess of \$5 billion, additional deposits may be considered by the City.

Any purchase of open-market U.S. Treasury or Agency securities will be the result of a competitively-bid solicitation, with final award being made to the firm providing such securities at the lowest cost to the City. Any subscription of State and Local Government Series securities (“SLGS”) will be made at the prevailing rate of such securities.

Any purchase of shares of money market funds or participation units in MMDT will be at the discretion of the Collector-Treasurer, with consideration being given to rates offered by available investment alternatives.

