



To: Town Manager, Eileen Cabanel  
From: Finance Director/Assistant Town Manager Paul T. Micali  
Subject: Investment Policy  
Date: November 23, 2020

As parts of the Town's Annual audit our auditors noted that the Town's investment policy has to be reaffirmed in the current fiscal year on accordance with State statute which requires annual review and adoption. They recommended that this review and Council approval be done in compliance with State statute.

RSA 35:9 and 41:29 require the Town Council to annually reconsider its policy for the investment of public funds held by the Town Treasurer. In my opinion, the investment policy that was adopted by the Town Council last year is still a viable document. The creditworthiness ratios incorporated therein reflect input from the State Banking Commissioner, the FDIC, and a national bank rating agency. Therefore, your formal renewal of our current investment policy, as presented on the attachment, is respectfully requested.

Please be advised that all monies that are presently held by the Town Treasurer are invested in strict compliance with this investment policy and are earning interest at the most attractive rates available. Furthermore, these investments are fully collateralized. For added safety, investments of the Town Treasurer are diversified and extremely liquid, i.e. they consist of deposits in the New Hampshire Public Deposit Investment Pool and in several New Hampshire banks that may be withdrawn at any time without penalty.

Town of Merrimack  
INVESTMENT POLICY

This investment policy applies to all public funds held by the Town Treasurer in accordance with RSA 41:29 and to capital reserve funds held by the Trustees of Trust Funds in accordance with RSA 35:9.

Deposits and investments shall be made only in obligations of the United States, in the New Hampshire Public Deposit Investment Pool, and in New Hampshire banks that are FDIC-insured. The following restrictions shall apply to deposits and investments in banks.

No more than \$2,000,000 shall be deposited or invested, without perfected collateral, in any one bank.

Unsecured deposits and investments of more than \$100,000 in banks that do not meet at least six of the following creditworthiness ratios are prohibited.

Unsecured deposits and investments of more than \$1,000,000 may be made only in banks that meet at least seven of the following creditworthiness ratios.

<u>Cash and Securities</u> Deposits	25% minimum
<u>Capital</u> Deposits	5% minimum
<u>Capital</u> Loans	7% minimum
<u>Capital</u> Assets	5% minimum
<u>Loans</u> Deposits	80% maximum
<u>Net Charge-Offs</u> Loans	.75% maximum
<u>Net Income</u> Assets	.70% minimum
<u>Net Income</u> Capital	13% minimum

Capital + Allowance for Loan Losses

Average Assets + Allowance For Loan Losses 6% minimum\*

\* Subject to change per FDIC Part 235 minimum equity standards.

Adopted by Town Council on December 3, 2020.

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