

Town of



AMHERST *Massachusetts*

Treasurer/Collector

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TO: Select Board
John Musante, Town Manager
Sanford Pooler, Finance Director

FROM: Claire McGinnis, Treasurer/Collector

DATE: April 13, 2012

RE: Petition Article 30 (ATM) related to Banking Policy

I have reviewed the petition article and submit for your review a few basic but critical points related to the Town's banking and investments.

The Treasurer's responsibility is to provide for the safety, liquidity, and yield of municipal funds. These guiding principles are emphasized in the proposed Town of Amherst Investment Policy, currently in draft form. I will present this draft policy to the Finance Committee later this year.

The role of the Treasurer is defined by Massachusetts General Law.

- Chapter 44, section 55 allows the Treasurer to invest surplus funds not needed for the immediate obligations of payroll and accounts payable. This section also:
 - Defines which institutions qualify for municipal funds.
 - Defines the maximum term or duration of investment type.
 - Sets the upper limit on capital ratio with any given banking institution at 60% of that institution's assets.
 - Disallows the Treasurer from holding office or being an employee at an institution where depositing municipal funds.
 - Requires the Treasurer to consult with a nationally recognized bank rating organization.
- Chapter 44, section 55B states outright the guiding principles of safety, liquidity and yield. It also obligates the Treasurer to seek the "highest amount of interest reasonably available" within the limitations set by the laws.
- Chapter 44, section 54 defines the institutions allowed for investment of Trust Funds and the Stabilization Fund.
- Chapter 44, section 55A provides protection to the Treasurer who follows all these laws. I would not want the Town Meeting to pass any provision in by-law or policy which puts the Treasurer, or Town funds, outside of the normal protections.

In addition to the requirements Massachusetts law, there are best practices to consider. Banking services are purchased like any other service where comparison of costs and functionality are considered. The Accounts Payable and Payroll operations, as well as the Collector's Depository account, were chosen by competitive bid, using cost and other definable criteria important to the efficiency of running the organization. Moving these accounts would be extremely disruptive and could incur additional costs for the same level of service. As the attached chart shows, I currently invest most of the town's funds in local banks.

Town of Amherst Banking and Investment Profile

Bank	Primary Location	% of our Cash on Hand	Security	Earnings Rate	Type of Money
Easthampton Savings	Easthampton, MA	9%	Green/***/B	0.55%	Health CTF
Florence Savings	Florence, MA	6%	Green/***	0.45%	General Fund (GF)
Greenfield Savings	Greenfield, MA	11%	Green/***/BB	0.30%	GF
Century	Medford, MA	16%	Green/***	0.45%	GF
Peoples Savings	Holyoke, MA	19%	Green/***/BB	0.60%	GF
UniBank	Whitinsville, MA	1%	Green/***	0.25%	GF
MMDT (State Municipal Pool)	Boston, MA	14%	not rated	0.22%	GF & Health CTF
Abby Capital	Boston, MA	9%	not rated	varies	Stabilization and Trusts
Peoples United (BWM when acct opened)	CT	0%	Green/***	0.00%	Operations Account
TD Bank (SIS when acct opened)	Canada	15%	Green/***	0.25%	Centennial Bond Proceeds
		100%			
	Massachusetts subtotal	76%			

Figures are as of May 1, 2012