



Finance Committee Agenda

City of Newton In City Council

Wednesday, May 30, 2018

7 PM
Room 211

- #281-18 Request to increase the retiree COLA base from \$12,000 to \$13,000**
RETIREMENT BOARD requesting City Council approval of an increase to the retiree Cost Of Living Adjustment (COLA) base from twelve thousand dollars (\$12,000) to thirteen thousand dollars (\$13,000), pursuant to Chapter 32, Section 103(j), such increase to be effective July 1, 2018.
- #327-18 Transfer of \$20,000 for vehicle maintenance for ISD vehicles**
HER HONOR THE MAYOR requesting authorization to transfer the sum of twenty thousand dollars (\$20,000) from Inspectional Services Full-time Salaries to Inspectional Services Vehicle Maintenance to fund the costs of repairs to Inspectional Services Department vehicles.
- #326-18 Acceptance of Mass Housing Grant for \$85,000**
HER HONOR THE MAYOR requesting authorization to accept and expend the Commonwealth of Massachusetts Mass Housing Grant in the amount of eighty-five thousand dollars (\$85,000) for purpose of funding work with an expert fiscal impact team to analyze financial impacts from various building scenarios along Washington and Needham Streets, Riverside, as well as an examination of the proposed new Zoning Ordinance.
- #328-18 Transfer of \$348,000 to fund an agreement with the Teamsters Union**
HER HONOR THE MAYOR requesting authorization to transfer the sum of three hundred forty-eight thousand dollars (\$348,000) from Current Year Reserve Accounts to various department budgets in order to fund the cost items set forth in the one-year contract agreement with the Teamster Union.

The location of this meeting is accessible and reasonable accommodations will be provided to persons with disabilities who require assistance. If you need a reasonable accommodation, please contact the city of Newton's ADA Coordinator, Jini Fairley, at least two business days in advance of the meeting: jfairley@newtonma.gov or (617) 796-1253. The city's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.

Referred to Finance and Programs & Services Committees

#322-18

Home Rule Legislation to modify the 41A tax deferral program for seniors

HER HONOR THE MAYOR seeking Home Rule Legislation allowing the City to modify the local cl. 41A tax deferral program for seniors by increasing the income limit for qualifying and participating property owners.

#195-18

Investment Policy for the Rainy Day Stabilization Fund

COUNCILOR GENTILE, on behalf of the Investment Advisory Committee, submitting its recommendation for an investment policy for the Rainy Day Stabilization Fund.

Respectfully submitted;

Leonard J. Gentile, Chair

Newton Contributory Retirement System

CITY HALL
1000 COMMONWEALTH AVENUE
NEWTON CENTRE, MASSACHUSETTS 02459-1449

RECEIVED
2018 APR 30 AM 11:32
Telephone (7) 796-1095
Fax (617) 796-1098
TDD-TTY (7) 796-1089
E-Mail: kbyrne@newtonma.gov

BOARD
Kimberly A. Fletcher, Esq.
Appointed Member
CHAIR

Thomas Lopez
Elected Member
VICE CHAIR

Susan Dzikowski
Ex-Officio Member

Paul Bianchi
Elected Member

Anthony T. Logalbo
Mayoral Appointee

+

Kelly Byrne
Director
Donna M. Cadman
Administrative Assistant

April 27, 2018

Website:
www.newtonma.gov/retire

Honorable City Council
Newton City Hall
1000 Commonwealth Ave
Newton Centre, MA 02459

Ladies and Gentlemen:

On April 25, 2018, the Newton Retirement Board voted, by a vote of 3-2 (Dzikowski & Logalbo denied), to increase the retiree COLA base from \$12,000 to \$13,000, pursuant to Chapter 32, Section 103(j), such increase to be effective July 1, 2018. Under the provisions of the statute, the Newton City Council must approve the increase in order for it to become effective.

Accordingly, the Newton Retirement Board requests that your Honorable Council docket an item for consideration of this COLA base increase as soon as possible.

Thank you for your consideration of this matter.

Very truly yours,



Kelly Byrne
Director

/kb
cc:

Joseph E. Connarton, Executive Director, PERAC
Mayor Ruthanne Fuller
Maureen LeMieux, Chief Financial Officer
Frank Valeri, President, Retired State, County and Municipal
Employees Assn. of Massachusetts
Anna Berardi, President, City of Newton Retired Employees Assn.
City/School Unions

Newton Contributory Retirement System

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April 27, 2018

BOARD
Kimberly A. Fletcher, Esq
Appointed Member
CHAIR

Thomas Lopez
Elected Member
VICE CHAIR

Susan Dzikowski
Ex-Officio Member

Paul Bianchi
Elected Member

Anthony T. Logalbo
Mayoral Appointee

+

Kelly Byrne
Director

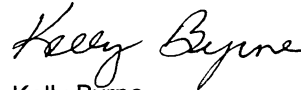
Donna M. Cadman
Administrative Assistant

Mr. Joseph E. Connarton
Executive Director
Public Employee Retirement Administration Commission
5 Middlesex Avenue
Somerville, MA 02145

Dear Mr. Connarton;

Please be advised that the Newton Retirement Board voted, by a vote of 4-1 (Dzikowski denied), at its meeting held on April 25, 2018 to award eligible contributory and non-contributory pensioners of the Newton Retirement System a 3% FY2019 cost-of-living-adjustment (COLA), pursuant to Chapter 32, Section 103(i). By statute, the 3% COLA will be applied to the first \$12,000 of an eligible retirement allowance.

Sincerely,



Kelly Byrne
Director

/kb
cc:

- ✓ Mayor Ruthanne Fuller
- Newton City Council
- David Olson, City Clerk/Clerk Council
- Maureen LeMieux, Chief Financial Officer
- Frank Valeri, President, Retired State, County and Municipal Employees Assn. of Massachusetts
- Anna Berardi, President, City of Newton Retired Employees Assn. City/School Unions



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

#327-18

Telephone
(617) 796-1100

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(617) 796-1113

TDD/TTY

(617) 796-1089

Email

rfuller@newtonma.gov

May 14, 2018

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Council docket for consideration a request to authorize the transfer of \$20,000 from Acct # 0122001-511001 Inspectional Services Full Time Salaries to Acct # 0122001-52403 ISD Vehicle Maintenance to cover the costs of repairs to ISD vehicles.

Thank you for your consideration of this matter.

Sincerely,

Ruthanne Fuller
Mayor

RECEIVED
NEWTON CITY CLERK
2018 MAY 14 PM 3:52
DAVID A. OLSON, CMC
NEWTON, MA 02459



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

#326-18

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rfuller@newtonma.gov

May 16, 2018

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

RECEIVED
Newton City Clerk
2018 MAY 16 PM 12:12
DAVID A. OLSON, CNO
NEWTON, MA 02459

I write to request that your Honorable Council docket for consideration a request to accept the Commonwealth of Massachusetts, MassHousing Grant funds in the amount of \$85,000. This grant will specifically allow Newton to work with an expert fiscal impact team to analyze financial impacts to the City from various building scenarios along Washington and Needham Streets, Riverside, as well as an examination of our proposed new Zoning Ordinance when in draft form. The project will include creation of a development impact model that can be used by the City for future projects. Impacts to Newton Public Schools will be included in the analysis.

Thank you for your consideration of this matter.

Sincerely,

Ruthanne Fuller, Mayor



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

#326-18
Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Barney S. Heath
Director

MEMORANDUM

TO: Marc Laredo, President Newton City Council
Newton City Council Members

FROM: Barney Heath, Director of Planning & Development

DATE: May 18, 2018

SUBJECT: MassHousing Fiscal Impact Grant

Cc: Jonathan Yeo, Chief Operating Officer

The City's Planning Department routinely looks for grant opportunities which can leverage outside resources (often State grants) to advance our understanding and work on important City of Newton issues. Recent examples of such leveraging have included grant awards for our Climate Change Vulnerability Assessment (currently in a final draft) and the stormwater section of our forthcoming Street Design Guide.

We are deeply interested in determining the full fiscal impacts of proposed developments and the development of more robust financial modeling techniques that we can use in the coming months and years. Therefore, the Planning Department applied to a state agency, MassHousing, in March 2018 to request funding to hire a consultant to undertake this analysis and develop a model. More specifically, our grant request was to engage a financial consultant to develop a "Newton specific" fiscal impact model which could be applied to various development proposals across the City, which currently total about 2,500 housing units. This estimate was derived from the following anticipated development proposals: Northland off Needham Street (960), Riverside (660), Craft Street (500) and West Newton (440). None of these projects have even made it yet in detailed proposal form to the City but proponents have outlined them in public forums. The goal is to have the analytical-modeling tool funded by the grant be helpful as one component of the Washington Street Vision Plan – given the timely opportunity to engage the public on this important aspect of development.

The grant award from MassHousing is not conditional. MassHousing's grant programs provide funding to a wide range of projects across the Commonwealth. Newton was fortunate to be among the 15 communities that were awarded this technical assistant grant.

Like many State grant program announcements, the City was specifically requested to def~~er~~^{#326-18} announcement in Newton until after the formal announcement this past Monday afternoon at the State House. Following the MassHousing press release, a couple of news agencies subsequently but incorrectly reported that Newton was a "Housing Choice" community. The Housing Choice designation is a separate program of Mass Housing.

MassHousing had several firms on their pre-qualified listing of subconsultants with which successful grant recipients could partner. We specifically asked for and were assigned the firm TishlerBise, a fiscal/economic/planning team that has worked on dozens of similar projects across the country, including Massachusetts. TishlerBise is also a subconsultant of the Principle Group for the Washington Street Vision Plan so their work will begin soon. Carson Bise, who holds an MBA and AICP Planning certification, will serve as project manager, is a national leader in developing and implementing fiscal impact models. He has essentially written the book on the topic. The team will be conducting in-depth discussions with City departments including Newton Public Schools.

We look forward to involving the City Council in this important financial analysis modeling effort.



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

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(617) 796-1100

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rfuller@newtonma.gov

May 14, 2018

RECEIVED
Newton City Clerk
2018 MAY 14 PM 3:51
DAVID A. OLSON, CMC
Newton, MA 02459

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Council docket for consideration a request to transfer the amounts listed below from Current Year Reserve Accounts to cover salary, signing bonus, longevity, overtime and any other accounts that are based on the wages of members of the Teamsters Union.

This request is in anticipation of the 176 members of the Teamsters Union (formerly NMEA) ratifying an agreement that has been reached for the FY2018 time period. This funding had been carried as a wage reserve in the current year's budget in anticipation of reaching a settlement.

Transfer \$250,000 from 0110498-5797 to the following:

0111501-511002	Public Buildings - Wages	\$ 30,000
0140101-511002	DPW General Fund - Wages	\$175,000
0160201-511002	Parks & Recreation - Wages	\$ 45,000

Transfer \$18,000 from 26A10491-5197 to the following:

26A401A-511002	Stormwater Fund - Wages	\$ 18,000
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Transfer \$30,000 from 27A10498-5790 to the following:

27A401Y1-511002	Sewer Fund - Wages	\$ 30,000
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Transfer \$50,000 from 28A10498-5790 to the following:

28A401Z1-511002	Water Fund - Wages	\$ 50,000
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Thank you for your consideration of this matter.

Sincerely,

Ruthanne Fuller
Mayor



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

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(617) 796-1100

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May 16, 2018

RECEIVED
Newton City Clerk
2018 MAY 16 PM 12: 12
DAVID A. OLSON, CMC
NEWTON, MA 02459

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Council docket for consideration a request from the Board of Assessors to seek Home Rule legislation allowing the City to modify the local cl. 41A tax deferral program for seniors by increasing the income limit for qualifying and participating property owners.

Under Clause 41A, seniors may be able to delay payment of their property taxes. A property tax deferral does not discharge the tax obligation. Instead, it defers payment until the senior sells the property or passes away. A deferral allows seniors to use resources that would go to pay taxes to defray living expenses instead with the goal of enabling seniors on modest and oftentimes fixed incomes to stay in our city by delaying payment of real estate taxes. Taxpayers who qualify may defer all or part of their taxes.

The income limit set by G.L. c. 59, sec. 5, cl. 41A in 1991 is \$40,000. In 2004, recognizing increases in the cost of living in the Newton area, the City was granted Home Rule legislation to allow a new upset limit of \$60,000. This amount has not been adjusted since then. Currently 64 qualifying property owners in the City avail themselves of the tax deferral program. Although the City of Newton has the greatest number of participating homeowners in the Commonwealth, we know that a moderate increase in the limit would help additional seniors in our community.

Although we are requesting an income cap that is commonly referred to as the senior citizen "circuit breaker" amount (currently \$86,000), we do not expect to increase to that level immediately, if at all. Rather we are in the process of evaluating inflationary trends over the past 10 years, social security increases during that timeframe, and area median income. Additionally, although this is a "tax deferral" program and the City will ultimately collect all taxes due, this program will impact cash receipts and consequently "Free Cash" and therefore we must be cognizant of what the City can afford.

With all of this in mind, I request that the Home Rule legislation continue to authorize the actual income level be set by ordinance, with an upset income cap set by what is commonly referred to as the senior citizen "circuit breaker" tax provisions found at G.L. c. 62, sec. 6, subsection (k). Since the state evaluates and revises this income limit annually, the City would not require home rule legislation in the future but could increase the level by changing our local ordinance provided that the City's upset income level did not exceed the state maximum. The following is a draft of the Home Rule legislation.

DRAFT HOME RULE LEGISLATION

Notwithstanding clause forty-first A of section 5 of chapter 59 of the General Laws, the city of Newton may, by ordinance, adopt a maximum qualifying gross receipts amount of more than \$40,000 but not more than the maximum qualifying gross receipts amount determined by the commissioner of revenue for the purposes of subsection (k) of section 6 of chapter 62, for a married couple filing a joint return.

The Home Rule Legislation needs to be filed with the General Court within the next few weeks in order to be passed by the General Court this calendar year. Following passage of the Home Rule Legislation, Section 27-10 of the City's ordinance which sets the income eligibility for Newton's cl. 41A will then need to be revised, which is when the City Council will have to approve the amount set.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "Ruthanne Fuller". The signature is written in a cursive, flowing style.

Ruthanne Fuller
Mayor

INVESTMENT POLICY

GUIDELINES

FOR THE

NEWTON RAINY DAY

STABILIZATION FUND

Adopted Date

Newton Rainy Day Stabilization Fund Investment Policy Statement

INTRODUCTION

In 2010 the City of Newton established a Rainy Day Stabilization Fund and on December 21, 2015, the City Council (formerly known as the Board of Aldermen) of the City of Newton through Board Order # 337-15 authorized the conversion of the Undesignated Stabilization Fund (known as the Rainy Day Stabilization Fund) to a formal statutory stabilization fund per MGL Chapter 40, Section 5B to improve investment income earnings for the Rainy Day Stabilization Fund. The fund was established as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic, expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the City's control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The primary reason for these segregated funds is not only to prevent these reserves from being depleted for unrelated city needs, but to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need while creating a growing safeguard for the debt and credit rating vital to the City.

To ensure that the Rainy Day Stabilization funds are available for multiple years of an economic downturn, no more than 1/3rd of the funds can be used in any single fiscal year. Appropriations may be made from the Rainy Day Stabilization Fund into the General Fund for operating purposes, upon the recommendation of the Mayor and by a two-thirds vote of the City Council. The target size of the Rainy Day Stabilization Fund is 5% of the annual general fund operating budget. The fund reached the desired goal of 5% of the City's Budget in November 2014 and has remained at that level ever since.

Maintaining a Rainy Day Stabilization Fund that totals 5% of the City's Annual Budget requires that the City set aside 5% of the annual budget increase each year or approximately \$750,000. Because interest rates have been historically low for the past several years, the City has had to "appropriate" a large portion of this amount, consequently preventing the appropriation of these funds that would otherwise be used to provide City services or improve City infrastructure. Therefore, as mentioned previously, the City Council of the City of Newton approved Board Order # 337-15 to authorize the conversion of the Undesignated Stabilization Fund (known as the Rainy Day Stabilization Fund) to a formal statutory stabilization fund.

Consistent with MGL c. 40 §5B, the Treasurer may invest stabilization funds in a trust company, co-operative bank or savings bank, national bank, federal savings bank or federal savings and loan association, provided these institutions have locations in Massachusetts and provided

federally or state-chartered banks are insured by the FDIC; in participation units in a combined investment fund established by the Treasurer of the Commonwealth pursuant to MGL c. 29 §38A; or in securities that are legal investments for savings banks under Massachusetts Law, pursuant to the “List of Legal Investments” issued annually by the Commissioner of Banks pursuant to MGL c. 167 §§15A - 15K.

Additionally, the City Council, through Board Order # 25-15, established the City’s Investment Advisory Committee. Per the Board Order, the Investment Advisory Committee was established to maximize investment income earnings on temporarily idle cash in the City treasury, consistent with state and federal law and City investment policies. The activities of the Investment Advisory Committee shall be advisory only.

The Committee shall take no action that is inconsistent with State law or the City Charter or Code of Ordinances, nor shall it abridge any investment management authority/responsibility assigned to the City Treasurer/Collector or Trustee by virtue of State Law; City Charter or Code of Ordinance; or trust agreement.

The purposes of the Investment Advisory Committee shall be:

- 1) To advise the City Treasurer/Collector on investment management options that minimize the need for ongoing tax levy subsidies for the City’s Rainy Day Stabilization Fund, while maintaining appropriate levels of liquidity and complying with State law governing the investment of Stabilization Fund assets.
- 2) To advise the City Treasurer/Collector on investment management options to maximize investment earnings on temporarily idle operating cash that are consistent with liquidity needs; State and Federal law; and City investment policies.
- 3) To advise the City Treasurer/Collector on investment management options to maximize investment earnings on trust and internal service funds, consistent with liquidity needs; State and Federal law; and any related trust agreements.
- 4) To assist the Finance Committee in monitoring the City’s compliance with state law and City investment policies.
- 5) To recommend changes in the City’s investment policies and/or State law, when the Committee determines that such changes are appropriate in order to meet the City’s investment management safety/liquidity/return objectives.

RESPONSIBILITIES AND SCOPE

A. RESPONSIBILITIES

The Mayor, the Treasurer and the Comptroller, in consultation with the Investment Advisory Committee, shall develop the policy for investment of the City of Newton Rainy Day Stabilization Fund for the approval of the City Council. This policy shall be reviewed on a regular basis and, at a minimum, every five years. The Treasurer shall report on the review

to the City Council Finance Committee.

Pursuant to the City of Newton Investment Policy (Board Order # 15-13) the Treasurer has the responsibility and authority to manage the investment of City funds (see Massachusetts General Laws, Chapter 44, section 55B and Acts of 1985, Chapter 740). The Treasurer shall carry out established written procedures and internal controls for the operation of the investment program consistent with this 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. If the Treasurer wishes to make a decision to deviate from the terms of this policy, the Treasurer shall obtain prior written approval from the City Council. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The selection of financial institutions and broker/dealers authorized to engage in transactions with the City of Newton shall be at the sole discretion of the Treasurer in consultation with the Investment Advisory Committee.

The Treasurer and those responsible to the Treasurer shall be bonded as required by law and insured for their fiduciary responsibilities.

The Treasurer shall be responsible for monitoring changes to the General Laws governing the type and method of investing City funds referred to in this Investment Policy.

B. SCOPE

This investment policy is to be used by the Treasurer as a general guideline for the investment of the City of Newton's Rainy Day Stabilization Fund. This policy specifically applies to the Rainy Day Stabilization Fund and only the Rainy Day Stabilization Fund.

STANDARDS OF CARE

A. PRUDENCE

The standard of prudence used by the Treasurer, employees, and City of Newton Investment Advisory Committee members involved in the investment process shall be the "prudent person" standard. Such fiduciaries must act in the manner of a prudent person, with judgment and care, discretion and intelligence. They must act not for speculation but for investment, considering the probable safety of the capital as well as the probable income to be derived, with the understanding that no investment is completely without risk. 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.

A. ETHICS AND CONFLICT OF INTEREST

The Treasurer and employees involved in the investment process as well as members of the Investment Advisory Committee shall disclose any business relationship that could conflict

with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

OBJECTIVES

The Rainy Day Stabilization Funds are to be invested in a manner which will meet the specific purpose of the fund – to be available for extraordinary and unforeseen revenue disruption or catastrophic expenditure, while no more than 1/3rd of the funds are used in any single fiscal year. The investment activities shall conform to all applicable federal and state statutes and City ordinances governing the investment of public funds.

Consistent with MGL c. 40 §5B, the Treasurer may invest stabilization funds in a trust company, co-operative bank or savings bank, national bank, federal savings bank or federal savings and loan association, provided these institutions have locations in Massachusetts and provided federally or state-chartered banks are insured by the FDIC; in participation units in a combined investment fund established by the Treasurer of the Commonwealth pursuant to MGL c. 29 §38A; or in securities that are legal investments for savings banks under Massachusetts Law, pursuant to the “List of Legal Investments” issued annually by the Commissioner of Banks pursuant to MGL c. 167 §§15A - 15K.

Prohibited Investments

The City at the present time will not make direct investments in the following types of investments:

- Hedging, or speculative type of investments;
- Reverse Repos, Leveraging or similar investments;
- Master Trust and Custodial Bank Security Lending Programs;
- Unregistered or Registered Letter Stock;
- Private Placements, Short Sales, Margin Trading, Futures, Commodities;
- Non-publicly-traded Limited Partnerships and Limited Liability Corporations (LLC);
- Real Estate Purchases (excluding REITs);
- Any other investment type not authorized by this policy; and,
- Any entity doing business with Sudan pursuant to Newton City Ordinances Sec. 2-117, except as exempted by the ordinance.

RETURN ON INVESTMENT

TIER 1 – 1ST 34% OF THE FUND

Safety of principal and liquidity are the foremost goals of Tier 1 (or the 1st 34%) of the City's

Rainy Day Stabilization Fund. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. Safety also is the assurance that the investment expectation will be fulfilled in a timely fashion. To attain this objective, diversification of types of investments, duration of investments and financial institutions holding the investments shall be considered. The Treasurer shall invest in quality issues and comply with state statutes regarding investment requirements.

Suitable investments for the Tier 1 – 1st 34% of the Fund include the following:

- Demand Deposit Accounts (DDA's),
- Money Market Accounts (MMA's and MMDT),
- Certificates of Deposit (CD's) with a maturity of 1 year or less, but "available" if needed within 5 business days of request of the funds, and
- Treasury securities with a 1-year maturity or less.

TIER 2 – 2ND 33% OF THE FUND

Investments will be limited to relatively low risk financial instruments in anticipation of earning a fair return relative to the risk being assumed. Similarly, investments are limited to financial instruments that have higher credit risks with all fixed income investments rated A, or above by Standard & Poor's (S&P) or a similar rating by another nationally recognized rating agency.

Suitable investments for the Tier 2 – 2nd 33% of the Fund include the following:

- Longer term – 2 year CDs (brokered and collateralized),
- Treasury securities with a maturity of up to 2 years,
- Commercial Paper rated A or higher, and
- Bonds.
- Investments not to exceed 2 years in maturity, but "available" if needed within 5 business days of request of the funds.

TIER 3 – REMAINING 33% OF THE FUND

The final 33% of the fund – or Tier 3 - shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and liquidity needs. Tier 3 – final 33% of the fund may be invested in those securities allowed by MGL for Stabilization Funds. Such funds should be consistent with the following guidelines:

- Portfolio diversification, liquidity, and professional management;
- Maturity of funds should be staggered;
- Regulated by the Securities and Exchange Commission;
- Portfolio contains no direct investment in derivative products; or individual stocks
- Mutual funds and other pooled products. ,

Tier 3 – Suitable Investments

Suitable investments to be considered for the Tier 3 – final 33% of the Fund include index funds, mutual funds, US Treasuries, unlevered diversified exchange traded funds, U.S. agency bonds, municipal bonds, and investment grade corporate bonds.

- a. **Mutual funds** should be selected with due consideration given to performance history, current management history, and costs, including management fees,

buying and selling “loads.”

- b. **Unlevered Diversified Exchange Traded Funds**
- c. **Fixed income instruments** must be U.S. Government or its Agencies or State or corporate obligations below A. Duration of the instruments must be prudently selected by the investment managers.
- d. **Cash equivalents** must have ratings of Standard and Poor’s A-1 or Moody’s P-1.

Tier 3 - Asset allocation targets should be as follows. Investment management of the assets of the fund shall be in accordance with the strategic asset allocation parameters as mandated by the Treasurer who may in consult with the Investment Advisory Committee from time to time. Benchmarks are always recommended to gauge success of an investment strategy. The issue is that the investment managers are not managing the fund for growth of assets but rather to preserve capital and growth beyond the Lipper Money Market Index. Tier 3 asset allocation targets shall be as follows:

<u>Asset Class</u>	<u>Range</u>	<u>Benchmark</u>
Diversified equities or equity funds ¹	0% - 30%	S&P 500 or MSCI (Morgan Stanley Capital International) ACWI (All Country World Index)
Bond	0% -85%	Bloomberg Barclays US Aggregate Bond Index
Short Term Bond (1-5 year Maturities)	0% - 85%	Bloomberg Barclays Capital U.S. 1-3 Year Treasuries Index
Cash and cash equivalents	0% - 100%	Lipper Money Market

Rebalancing the fund. Adjustments shall be made to keep the asset allocation and diversification within guidelines as specified in the above table. The rebalancing should occur at the time of the semi-annual review. Exceptions to the limits as specified above can only be made with approval of three-fourths of the entire Investment Advisory Committee.

OTHER POLICY REQUIREMENTS

Semi-Annual review. At least semi-annually, the Newton Rainy Day Fund Investment Advisory Committee shall formally review the asset allocation plan and the portfolio performance.

¹ At no time shall more than 10% of the total value of the Rainy Day Stabilization Fund be invested in this class of funds.

Insurance. If a custodian is chosen, the custodian must furnish insurance from the Securities Investor Protection Corporation (SIPC) and such further coverage, as the Treasurer deems necessary to protect the portfolio's value against the custodian's business failure.

Buffer. In order to accomplish these objectives, the City has temporarily provided a reserve of \$2 million over and above the target value of the fund (5% of the City's Operating Budget). If the value of the fund should drop below 5% of the operating budget for more than 90 days, the City shall take action to reimburse the fund up to the 5% within the following 90 days.

OTHER CONSIDERATIONS

Reinvesting in the Newton Community. As with the City of Newton's Overall Investment Policy, the Treasurer and/or custodian is encouraged to consider financial institutions that have a record of financially reinvesting in the Newton community when making investment decisions; such consideration to be subordinate to the specifications and guidelines set forth within this Investment Policy.

The **Newton Rainy Day Fund Investment Committee** has adopted this Investment Policy Statement on XXXX, XX, 2018. (signed copy on file).

The Commonwealth of Massachusetts

OFFICE OF THE

COMMISSIONER OF BANKS

LIST OF LEGAL INVESTMENTS

Pursuant to

GENERAL LAWS

CHAPTER 167

SECTION 15A

As of July 1, 2017
Terence A. McGinnis
Commissioner of Banks

LIST OF LEGAL INVESTMENTS

July 2017

This Legal List of Investments is prepared as of July 1, 2017. Investors are advised to take note of changes to individual investments on this List that occur after this date.

The following is a list of and related provisions regarding stocks, bonds, notes, railroad equipment trust certificates and other interest-bearing obligations which, in the opinion of the Division of Banks, are now legal investments, under the provisions of Massachusetts General Laws chapter 167, sections 15A-15K, inclusive.

As used throughout this document and in G.L. c. 167, sections 15A-15K, inclusive, the terms "legal list" and "legal investments" shall mean the list of securities approved for investment by the Commissioner. All references to the General Laws herein are as amended or added by Chapter 343 of the Acts of 2014.

An entity issuing stocks, bonds, notes or other interest-bearing obligations shall apply directly to the Commissioner of Banks and identify itself as being eligible for possible inclusion on the List under Sections 15E to 15K of G.L. c. 167, provided, however, that investments governed by said Section 15B must follow the process for inclusion on the List set out in that statute.

Approval of any security by the Commissioner of Banks for addition to or inclusion in the List should not in any way be construed as a recommendation by the Division for investment. Each investor has the

responsibility of evaluating the merits of a particular investment for the individual institution as well as determining whether that investment meets the investor's financial objectives.

For more information contact:

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FEDERAL, STATE, AND INTERNATIONAL OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, section 15C)

An entity that may invest pursuant to section 15A or the legal list may invest in bonds, notes or other interest-bearing obligations of the following classes:

1. United States: Direct obligations of the United States or in obligations that are unconditionally guaranteed as to the payment of principal and interest by the United States.
2. Massachusetts: Legally issued, assumed or unconditionally guaranteed bonds, notes or other interest-bearing obligations of this Commonwealth, including legally issued bonds, notes or other indebtedness of an entity established as a public instrumentality by general or special law.
3. Other States: Legally issued, assumed or unconditionally guaranteed bonds, notes or other interest-bearing obligations of any state of the United States other than this Commonwealth, which has not, within the 20 years prior to the making of such investment, defaulted for a period of more than 120 days in the payment of any part of either principal or interest of any legally issued or assumed obligation; provided that the full faith and credit of such state shall be pledged for the payment of the principal and interest of such obligations.
4. Canada: Bonds, notes or other obligations issued, or guaranteed as to both principal and interest, by the Dominion of Canada or any of its provinces; provided (a) that such bonds, notes or obligations shall be payable in United States funds either unconditionally or at the option of the holder of the bonds, notes or other obligations; and (b) that at the date of investment the Dominion of Canada or the applicable province shall not have been in default in the payment of interest or principal of any of its obligations for a period in excess of 31 days at any time within the 20 years preceding such date of investment. Not more than 5% of the assets of an entity authorized to invest pursuant to section 15A or the legal list may be invested in obligations authorized under this paragraph.
5. Other International Obligations: Bonds, notes or obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank or the Asian Development Bank containing an unconditional promise to pay, or an unconditional guarantee of the payment of, the interest on the bonds, notes or obligations regularly and the principal of the bonds, notes or obligations by a specified date, in United States currency; provided that not more than 3% of the assets of an entity authorized to invest pursuant to section 15A or the legal list shall be invested in such bonds, notes or obligations; and provided, further, that the Commissioner may at any time on his or her own initiative suspend the authorization granted by this clause for periods as the Commissioner may determine.

6. Federal Agency Obligations:

- (a) Obligations of, or instruments issued by, and fully guaranteed as to principal and interest by the Federal National Mortgage Association, established under the federal National Housing Act, 12 U.S.C. 1715 et seq., as amended;
- (b) Debentures, bonds or other obligations issued by any Federal Home Loan Bank or consolidated Federal Home Loan Bank debentures or bonds issued by the Federal Home Loan Bank Board under the Federal Home Loan Bank Act, 12 U.S.C. 1421 et seq., as amended;
- (c) Debentures issued by the Central Bank for Cooperatives or consolidated debentures issued by said central bank and the 12 regional banks for cooperatives under the Farm Credit Act, as amended;
- (d) Collateral trust debentures or other similar obligations issued by any federal intermediate credit bank or consolidated debentures or other similar obligations issued by the federal intermediate credit banks under the Federal Farm Loan Act, as amended;
- (e) Farm loan bonds issued by any federal land bank under the Federal Farm Loan Act, as amended;
- (f) Promissory notes representing domestic farm labor housing loans authorized under federal law when the notes are fully guaranteed as to principal and interest by the Farmers Home Administration of the United States Department of Agriculture;
- (g) Bonds, notes or obligations issued, assumed or guaranteed by the Export-Import Bank of the United States;
- (h) Obligations of any person, including any form of mortgage-backed security, as to which the payment of principal and interest according to the terms of such obligations shall be guaranteed by the Government National Mortgage Association under the provisions of the National Housing Act, as amended;
- (i) Certificates issued by the Federal Home Loan Mortgage Corporation representing interests in mortgage loans made, acquired or participated in by said Federal Home Loan Mortgage Corporation;
- (j) System-wide obligations issued under the provisions of the Farm Credit Act, as amended, by the institutions included in the federal farm credit system.

MUNICIPAL OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, section 15D)

An entity authorized to invest pursuant to section 15A or the legal list may invest in bonds, notes or other interest-bearing obligations of the following classes:

1. Massachusetts: Legally issued or assumed bonds, notes or other interest-bearing obligations of a county, city, town or legally established district of this Commonwealth.
2. Other States: Legally issued or assumed bonds, notes or other interest-bearing obligations of a county, city, town or legally established district outside of the Commonwealth; provided, however, that this clause shall not authorize investments in obligations of any city or town outside of the Commonwealth which have been in default for more than 120 days in the payment of any part of principal and interest of all bonds, notes or other interest-bearing obligations legal for investment under this section.

3. Full Faith and Credit Requirement: The full faith and credit of the county, city, town or district shall be pledged for the full payment of principal and interest of all bonds, notes or other interest-bearing obligations legal for investment under any provision of this section.

RAILROAD OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, section 15E)

Bonds, notes or other interest-bearing obligations of railroad corporations subject to the conditions, limitations and requirements of section 15E.

Not more than 20% of the assets of the entity shall be invested in the railroad obligations.

RAILROAD EQUIPMENT OBLIGATIONS AND TRUST CERTIFICATES

Investments in railroad equipment obligations shall be those of, or guaranteed by, a railroad incorporated in the United States or any state and which is doing business principally within the United States.

The outstanding Philadelphia Plan Equipment Trust Certificates of the following companies are legal.

Burlington Northern Santa Fe
Norfolk Southern Railway Company
Union Pacific Railroad Company

TELEPHONE COMPANY OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, s. 15F)

Bonds, notes or other obligations of telephone companies subject to the conditions, limitations and statutory requirements of section 15F.

Not more than 20% of the assets of the entity shall be invested in the bonds of telephone companies.

All outstanding issues, which meet statutory requirements, of the following companies:

AT & T, Inc. [\[1\]](#)
Carolina Telephone & Telegraph Company
Indiana Bell Telephone Company
United Telephone Company of Pennsylvania
Verizon Florida, Inc. (formerly General Telephone Company of Florida)
Verizon New England, Inc. (formerly New England Telephone & Telegraph Company)
Verizon New Jersey, Inc. (formerly New Jersey Bell Telephone Company)
Verizon New York, Inc. (formerly New York Telephone Company)
Verizon, Northwest, Inc. (formerly General Telephone Company of the Northwest, Inc.)
Verizon Pennsylvania, Inc. (formerly Bell Atlantic Pennsylvania)
Verizon Virginia, Inc. (formerly Chesapeake & Potomac Telephone Company of Virginia)

Holders of obligations of companies affected by the mergers or acquisitions noted below should contact the appropriate service representative office of the company for further direction:

1. The merger of Bell Atlantic and GTE was finalized on June 30, 2000 under the new name of Verizon Communications.

2. SBC Communications completed the acquisition of Ameritech Corporation on October 8, 1999.
3. SBC Communications completed the acquisition of AT & T Corporation on November 21, 2005. See footnote.
4. AT & T completed the acquisition of Bell South Corporation on December 29, 2006.
5. CenturyTel, Inc., and EMBARQ merged on July 1, 2009 to become CenturyLink, Inc.
6. Frontier Communications Corporation acquired Verizon Communications, Inc. local exchange businesses in fourteen states effective July 1, 2010.

[1] SBC Communications completed the acquisition of AT & T Corporation on November 21, 2005. Following the acquisition, SBC adopted AT&T, Inc. as its name.

GAS, ELECTRIC LIGHT AND WATER OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, s. 15G)

A. Massachusetts Companies

Bonds, notes or other interest-bearing obligations of a gas, electric light or water company incorporated or doing business in this Commonwealth and subject to the control and supervision of the Commonwealth.

B. Other Companies

Bonds of any company which at the time of the investment is incorporated under the laws of the United States or any state and transacting the business of supplying electrical energy or artificial gas or natural gas purchased from another company and supplied in substitution for or in mixture with artificial gas for light, heat, power and other purposes or transacting any or all of the business. The bonds shall be part of an original issue of not less than \$25,000,000 in principal amount.

C. Investment Limitations

Not more than 25% of the assets of the entity shall be invested in obligations under this section and no more than 4% shall be invested in the obligations of any 1 company.

AEP Texas Central Company (formerly Central Power & Light Company)
AEP Texas North Company (formerly West Texas Utilities Company)
Allete (formerly Minnesota Power and Light)
Alliant Energy (formerly Interstate Power Company)
Atlantic City Electric Company
Carolina Power & Light Company (d/b/a Duke Energy Progress, Inc.)
Constellation Energy Group (formerly Baltimore Gas & Electric)
Delmarva Power & Light Company
Duke Energy Corporation
Empire District Electric Company
Eversource Energy
Florida Power & Light Company
Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)

Gulf Power Company
Hawaiian Electric Company
Idaho Power Company
Kentucky Utilities Company
Louisville Gas and Electric Company
Madison Gas & Electric Company (formerly MGE Energy)
Narragansett Electric Company
New England Power Company
Northern States Power Company (Minnesota)
Northern States Power Company (Wisconsin)
OGE Energy (formerly Oklahoma Gas and Electric Company)
Potomac Electric Power Company
PPL Electric Utilities Corporation (formerly Pennsylvania Power & Light Company)
Public Service Company of Oklahoma
Public Service Electric & Gas Company
South Carolina Electric & Gas Company
Southern Indiana Gas & Electric Company
Southwestern Electric Power Company
Southwestern Public Service Company
Virginia Electric & Power Company
Wisconsin Electric Power Company
Wisconsin Power & Light Company
Wisconsin Public Service Corporation

STOCK OF BANKS AND BANK HOLDING COMPANIES

Statutory Requirements: (Now governed by G.L. c. 167, s. 15H and 15I)

An entity that may invest pursuant to section 15A or the legal list may invest in the common stock of (i) a bank in stock form incorporated under the laws of and doing business within the Commonwealth; provided, however, that there shall be no preferred stock outstanding; or, in the common stock of a federally chartered bank in stock form doing business within the Commonwealth; provided, however that there shall be no preferred stock outstanding; provided further, that state-chartered or federally-chartered banks shall be well capitalized under bank regulatory criteria;

(ii) In the common stock of a state-chartered bank or federally chartered bank doing business anywhere within the United States, which is a member of the Federal Reserve System and is well capitalized under bank regulatory criteria;

(iii) In the common stock of a bank holding company as defined in chapter 167A; provided, however, that the stock shall be received pursuant to an offer made by the bank holding company to exchange shares of its common stock for shares of a bank in stock form incorporated under the laws of the Commonwealth or for shares of a federally chartered bank doing business in the Commonwealth; or provided, however, that the stock shall be received pursuant to a plan for the merger or consolidation of the bank with or into or the transfer, sale or exchange of property or of assets of the bank or with a bank in stock form incorporated under the laws of the Commonwealth or a federally chartered bank doing business in the Commonwealth the stock of the bank, as the case may be, shall be at the time owned by the bank holding company.

(iv) In the common stock of a bank holding company as defined in said chapter 167A acquired otherwise than as set forth in the first paragraph or in the common stock of a bank holding company as defined in the federal Bank Holding Company Act of 1956, 12 U.S.C. 1841 et seq.; provided, however, that the holding company shall own 80 per cent or more of the voting stock of the qualifying bank; provided further, that if at any time after an investment in the common stock of the bank holding company, no bank

of the holding company shall meet the requirements of clauses (iii) or (iv), the holding company's stock shall be disposed of within the reasonable time as the Commissioner shall determine; and

(v) In the common stock of a company as defined in chapter 167A or in said federal Bank Holding Company Act of 1956; provided, however, that the banking institution or bank represents at least 50% of the company's assets at book value at the end of its fiscal year immediately preceding the date of investment or at the date of investment in the case of a newly formed company.

(vi) In the purchase of the whole or any part of the stock of a savings bank, co-operative bank, federal savings and loan association or federal savings bank; provided, however, that the bank or association shall be well capitalized under bank regulatory criteria.

INSURANCE COMPANY STOCKS

Statutory Requirements: (Now governed by G.L. c. 167, section 15J)

An entity that may invest pursuant to section 15A or the legal list may invest in the capital stock of any insurance company that may conduct a fire and casualty insurance business; provided, however that no insurance stock shall be purchased if the cost of the insurance stock added to the cost of the insurance stocks and bank stocks already owned shall exceed 66 2/3% of the total of the assets of the entity.

BANK DEBENTURES AND NOTES

Statutory Requirements: (Now governed by G.L. c. 167, section 15K)

An entity that may invest pursuant to section 15A or the legal list may invest in the securities of any of the following classes: debentures, convertible debentures, notes or other evidences of indebtedness of a banking corporation in the common stock of which the corporation may invest pursuant to paragraph 1 of section 15H; provided, however, that the entity that may invest pursuant to said section 15A or the legal list shall be well capitalized under regulatory criteria; or of a banking corporation in the common stock of which the corporation may invest pursuant to paragraph 2 of said section 15H shall be well capitalized under regulatory criteria.

OTHER OBLIGATIONS

Now governed by G.L. c. 167, section 15B)

Massachusetts Bay Transportation Authority: Various Issues^[2]

Massachusetts Port Authority: Various Issues

Massachusetts Turnpike Authority: Various Issues^[3]

Tennessee Valley Authority: Various Issues

Washington D.C. Metropolitan Area Transit Authority:

^[2] Massachusetts transportation agencies, including the Massachusetts Bay Transportation Authority, were integrated into the Massachusetts Department of Transportation effective November 1, 2009.

^[3] Massachusetts transportation agencies, including the Massachusetts Turnpike Authority, were integrated into the Massachusetts Department of Transportation effective November 1, 2009.

COMMON AND PREFERRED STOCKS

(Now governed by G.L. c. 167, section 15B)

Pursuant to G.L. c. 167, s. 15B(g), not more than 10% of the assets of the entity shall be invested in investments authorized under this section.

Abbott Laboratories

Altria Group (formerly Philip Morris Companies)

American International Group, Inc.

Bank of America Corporation

Bristol Myers Squibb Company

Coca Cola Company

Consolidated Edison

Eli Lilly & Company

Emerson Electric Company

General Electric Company

General Mills, Inc.

Hewlett-Packard Company

Johnson & Johnson

Kimberly-Clark Corporation

McDonald's Corporation

Merck & Co., Inc. (merged with Schering-Plough Corporation)

PepsiCo, Inc.

Pfizer, Inc.

Procter & Gamble Company

Rockwell Automation (formerly Rockwell International Corporation)

Southern Company

Unilever N. V.

INVESTMENT FUNDS

As provided under General Laws chapter 167, section 15B, such list shall include the name of any investment fund, approved by the commissioner, which invests only in such stocks, bonds, notes and other interest-bearing obligations which are legal investments as provided herein. The shares of any such investment fund so approved shall be legal investments pursuant to this section to the same extent as any such stocks, bonds, notes and other interest bearing obligations.

Pursuant to General Laws chapter 167, s. 15B(g), not more than 10% of the assets of the entity shall be invested in investments authorized under this section.

BLACKROCK/iSHARES EXCHANGE TRADED FUNDS:

iShares U.S. Treasury Bond ETF
iShares Treasury Floating Rate Bond ETF
iShares Short Treasury Bond ETF
iShares 1-3 Year Treasury Bond ETF
iShares 3-7 Year Treasury Bond ETF
iShares 7-10 Year Treasury Bond ETF
iShares 10-20 Year Treasury Bond ETF
iShares 20 Year+ Treasury Bond ETF
iShares Agency Bond ETF
iShares TIPS Bond ETF
iShares 0-5 Year TIPS Bond ETF
iShares GNMA Bond ETF
iShares MBS ETF

BLACKROCK PROVIDENT INSTITUTIONAL FUNDS:

T-Fund

DREYFUS:

Government Cash Management
Treasury & Agency Cash Management
Treasury Securities Cash Management (formerly Treasury Prime Cash Management)

FEDERATED INVESTORS FUNDS:

Federated Government Income Trust

Federated Government Ultrashort Duration Fund

Federated U.S. Government Securities Fund: 2-5 yrs.

FIDELITY:

Fidelity Treasury Portfolio

Fidelity Treasury Only Money Market Fund

RBC:

RBC US Government Money Market Fund: Institutional Classes 1 and 2

TRANSWESTERN CAPITAL:

Institutional Short Duration Government Bond Fund

TRUST FOR CREDIT UNIONS:

Ultra Short Duration Portfolio

Short Duration Portfolio

UBS GLOBAL ASSET MANAGEMENT:

UBS Select Treasury Institutional Fund