



RESERVE & INVESTMENT POLICY

Version 1.5

Adopted: 04/07/23

Amended: _____

Officers

City of Quincy	Mayor Thomas P. Koch, Chair
City of Revere	Mayor Brian M. Arrigo, Vice Chair
City of Boston	Vineet Gupta, Clerk/Secretary
Town of Brookline	Heather Hamilton, Treasurer

Budget & Audit Committee

Town of Arlington	Lenard Diggins
Town of Brookline	Heather Hamilton (Treasurer & Co-Chair)
Town of Millbury	Sean Hendricks
City of Quincy	Frank Tramontozzi, P.E.
City of Revere	Kim Hanton
Town of Wellesley	Colette Aufranc (Co-Chair)

Staff

Brian Kane	Executive Director
Amira Patterson	Transportation Planner

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A. Relationship To By-Laws

This investment/reserves policy shall be implemented at all times consistently with the organization's by-laws, as amended.

B. Relationship To Financial Policy and Procedures

This investment/reserves policy shall be implemented at all times consistently with the organization's financial policy and procedures, as amended.

C. Effect and Duration

This policy comes into effect upon approval by the MBTA Advisory Board based on the recommendation by the Budget & Audit Committee. It remains in effect until superseded or amended by the MBTA Advisory Board upon the recommendation by the Budget & Audit Committee, or other relevant committee.

D. Overview and Purpose

The Advisory Board desires to set out a policy for determining the appropriate level, investment strategy and use of financial reserves (reserves) as part of its *Organizational Assessment and Business Practice Review*.

Financial reserves protect an organization against unforeseen revenue shortfalls as well as providing funding for significant extraordinary, unplanned, or one-time expenses. The MBTA-Advisory Board's revenue is guaranteed by state law (MGL chapter 161A, section 7A), paid by the MBTA, and increases by 2.5% per year by statute. Reserves and investments, therefore, apply to past accumulated surpluses, or future surpluses where revenue exceeds expenses.

Operating funds of the Advisory Board are defined as all funds generated through normal operations over time over and above those funds determined to be identified as reserve funds.

E. Establishment of Reserves

The MBTA-Advisory Board aims to establish and maintain a reserve fund in the range of 35% - 50% of the current period's statutory revenue. By law, the MBTA Advisory Board received 0.25% of all municipal assessments for its expenses. The Budget & Audit Committee may, by resolution, increase the reserve goals. In 2023, for instance, the projected revenue of the organization is \$468,036. 35% of this amount is \$163,813 and 50% is \$234,018. F Investments of operating and Reserve funds:

This policy establishes investment objectives, policies, and guidelines related to reserve fund assets held by the MBTA Advisory Board (the Board). In doing so the policy:

- Clarifies the delegation of duties and responsibilities concerning the management of reserve funds.
- Communicates the objectives to the Board, sub committees, and management.
- Serves as a review document to guide the ongoing oversight of the management of any such investments.

1. **Objectives:** The primary objective of this policy is to responsibly and legally invest operating and reserve funds to earn a modest return/interest income while not exposing the invested assets to more than the most minimal risk of capital losses.
2. **Responsibilities and Delegation:** The Board has a direct oversight role regarding all decisions that impact the Board's reserve funds. The Board shall ensure that

its fiduciary responsibilities concerning the proper management of reserve funds are fulfilled through:

- Determining within this policy
 - the level of funds considered to be “reserve funds” based on the ongoing day to day expenses and anticipated special projects, if any
 - the investment-risk orientation acceptable to the Board
 - appropriate investment asset classes
- Adopting and approving this Investment Policy
- Periodically receiving and reviewing reports from Management, detailing investment activities.

Members of the Board are not held accountable for less than desirable outcomes, but rather for adherence to this policy.

3. Investment Risk Orientation and Appropriate Investment Asset Classes:

Through this policy the board adopts a very low risk tolerance for investments and determines that appropriate low-risk securities have high credit quality with a low risk, low return profile. Investment categories include securities such as Certificates of Deposit with a maximum maturity of one year or less issued by commercial banks, mutual savings banks, savings and loans and cooperative banks. Pooled investment Funds operated under the authority of the State Treasurer, US Treasury Instruments or US Government Agency Obligations and Money Market Funds. The Advisory Board will never place more than \$250,000 (FDIC insurance limit) of operating funds in any single FDIC insured institution

G. Use Of Reserves

As stated in section D above, financial reserves protect an organization against unforeseen revenue shortfalls as well as providing funding for significant extraordinary, unplanned, or one-time expenses. Examples of extraordinary,

unplanned or one-time expenses include, but are not limited to:

- Legal or other expenses that may occur if the AB is pursuing a legislative agenda;
- Expenses related to one-time special studies related to its mission;
- Grants to MBTA-AB member municipalities for a transit related special project or study that the member municipality proposes to undertake. or
- One-time expenses that may occur if the AB is undertaking a technology upgrade or office space change.

Procedures: The use of reserves are for items not included in MBTA-AB annual operating budget to fund items proposed or occurring after the approval of this budget. The procedure for the use of reserves shall be:

- Including transfers from reserves in the annual operating budget which is approved by the full MBTA Advisory Board upon the recommendation of the Budget & Audit Committee.
- Via a resolution of any one of the following: Budget & Audit Committee, Executive Committee, or the full Advisory Board.
- In times of urgent need, with the approval of the Treasurer or the Chair/Co-Chair of the Budget & Audit Committee.

All payments made from the reserves shall be made in compliance with the Financial Policy, and all other relevant policies and procedures.