

Town of Boothbay Harbor Investment Policy and Guidelines

POLICY

It is the policy of the Town of Boothbay Harbor (the Town) to invest public funds in a manner that will provide safety of principal, obtain a reasonable rate of return, meet the daily cash flow demands of the Town and conform to all State and local laws governing the investment of public funds.

Authority to manage the Town's investment program is derived from 30-A M.R.S.A. Sections 5706 through 5719. No person may engage in an investment transaction on behalf of the Town except as provided under the terms of this policy.

All Town investments must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment.

SCOPE

This investment policy applies to all financial assets of the Town as approved by the Selectmen and approved by Town warrants. These funds may include but are not limited to:

- Capital project funds
- Trust and agency funds
- Endowments and trusts
- General funds
- CDBG funds

OBJECTIVES

The primary objectives, in priority order, of the Town's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be made in a manner that seeks to ensure preservation of capital in the overall portfolio.
2. **Liquidity:** The Town's investment portfolio shall remain sufficiently liquid (daily liquidity) to enable the Town to meet all operating requirements that might be reasonably anticipated through cash flow analysis.
3. **Return on Investment:** The Town's investment portfolio shall be designated with the objective of attaining a reasonable rate of return, taking into account the Town's investment risk constraints and the cash flow characteristics of the portfolio.

Investment managers are explicitly prohibited from using margin, private placements, limited partnership, letter stock, short sales, commodities, futures and any other derivative instrument without explicit prior approval from both the Town Treasurer and the Selectmen.

Undue concentration in individual industries, individual securities or economic sectors will be avoided. In furtherance of this policy, no investment in a single issue or security shall exceed 5% of the total amount of the securities issued by a single entity at the time of investment, other than US Government securities; and not more than 5% of the Town's total equity securities shall be invested in a single security at the time of investment, other than US Government securities.

PROCEDURAL GUIDELINES

A. Asset Allocation and Rebalancing - Subject to recommendations, if any, from and a quarterly review by the Town Manager, the investment manager shall allocate investments across asset classes as it deems appropriate consistent with these Investment Policies and Guidelines. Market fluctuations, new gifts and spending may tend to shift overall asset allocations from those established. In addition, portfolio and policy changes may require periodic asset reallocation. The Town Manager shall recommend the reallocation of assets when reallocation is deemed appropriate. Decisions to rebalance asset mixes should always focus on the existing policy framework and mown valuation relationships. At report on current asset allocations shall be made to the Selectmen at least annually.

B. New Asset Investment -New funds available for investment will be invested according to the current allocation targets.

C. Investment Consultant Guidelines -The Town Manager may, from time to time, subject to approval by the Selectmen, seek the services of an investment consultant or advisor. Such consultants will fully disclose their business relationships with any existing or proposed investment manager or investment firm employed by the Town and they may, under no circumstances, receive direct or indirect compensation from such firms as a result of an established or potential relationship with the Town. Compensation for services rendered by a consultant will be in the form of direct payment by the Town only.

D. Investment Managers - The investment of assets, as stated, will be delegated to professional investment managers. The investment managers shall have complete discretion to make purchases and sales of securities and to alter the ratios of types of securities in the portfolio within the established guidelines.

To ensure that the managers meet the Town's objectives, the Town Manager will from time to time review these Investment Policies and Guidelines and provide direction and advice to the investment managers.

The Selectmen reserve the right to cease doing business with any investment manager or institution at any time with or without cause. The Town Manager also reserves the right to liquidate all or part of a portfolio at any time, subject to the approval of the Selectmen.