

Town of Hermon, Maine Investment Policy

Policy

It is the policy of Town of Hermon to invest public funds in a manner which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the entity.

Title 30-A Section 5706 et seq. of the Maine Revised Statutes Annotated, authorizes Treasurers to invest municipal funds by direction of the Municipal Officers. All investment instruments allowed in this policy must be expressly authorized by the Maine Statutes. However, it must be recognized that legal does not mean necessarily suitable and that this policy reflects the intent of the Town's investment plan.

The purpose of this policy is to focus objectives and to clarify the accountability of the investment guidelines delegated to the Treasurer and the Finance Director. The Town wishes to safeguard the principal as well as to maintain liquidity for invested funds rather than prioritizing a maximum yield on those investments against increased risks.

Scope

This investment policy applies to all financial assets and funds of the Town of Hermon listed as follows:

- General Fund
- Enterprise Funds
- Capital Improvement Funds
- Special Revenue Funds
- Trust and Agency Funds

Objective

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

- **Safety.** Safety of principal is the foremost objective of the investment program.
- **Liquidity.** The Town's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements, which might be reasonably anticipated.

- ***Return on Investment.*** The Town's investment portfolio shall be designed with the objective of attaining a maximum rate of return throughout budgetary and economic cycles, but investing in only the highest quality instruments.
- ***Diversity.*** The Town will diversify its investments, when practical, to avoid incurring unreasonable risks regarding specific security type or individual institutions.

Investment Principles:

1. In order to maintain liquidity, that the maturity date of the investment shall not fall beyond the time the Town anticipates it will need the funds. Monies in the General Fund shall have investment maturities of one year or less. In the case of non-operating funds, investments shall have maturities consistent with the anticipated date of expenditure of the funds at the time the investment is made.
2. If in the best interest of the Town, a daily Sweep investment account shall be established and maintained to automatically invest available funds on a day-to-day basis.
3. Choice of banks for deposits and investments of funds are limited to those financial institutions which are insured by the FDIC. Any funds deposited that exceed the FDIC insurance limit must be collateralized by the financial institution at 110% of the face value of the deposit or preferably be fully insured by an independent agency.
4. Repurchase agreements may only be obtained from financial institutions whose assets exceed \$1 billion, or from financial institutions authorized by the Town Council. Repurchase agreements must be collateralized at a minimum of 102% of principal or be fully insured by an independent agency.
5. Any designated collateral shall consist of U.S. Treasury or U.S. Government Agency obligations.
6. Preference will be given to banking institutions that have an established full service office in the Bangor region.
7. All participating banks must be evaluated to determine key ratio to factor performance.
8. Any use of a professional money manager must have a custodial safekeeping arrangement in place, in accordance with Maine law.

Authorized Investments:

1. Obligations of the U.S. Government, or its agencies; all purchases made through competitive quotes.
 - U.S. Treasury Bills
 - U.S. Treasury Notes
 - U.S. Treasury Bonds
 - U.S. Government Agency Securities
 - U.S. Government Sponsored Corporation Instruments
2. Certificates of deposit. CD's should be purchased based upon the results of competitive quote.
3. Repurchase Agreements with underlying collateral (REPO)
 - Secured by U.S. Treasuries @ 102% of cost
4. Rated Money Market Mutual Funds invested in U.S. obligations.
5. Pooled Investments, such as Local Government Investment Pools that are in investments limited by Maine State Statutes to the extent that a favorable interest rate of at least 1/8 of 1% exists.

Safekeeping & Custody

All security collateral, including the collateral for repurchase agreements, will be held by a third party custodian, or Trust Department designated by the Treasurer and evidenced by safekeeping receipts. The safekeeping agreements must be in accordance with Maine law.

Ethics and Conflicts of Interest

Officers and employees of the Town involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. No Finance Department employee shall have any material financial interests in the financial institutions with which it conducts business, nor shall he/she accept any gifts, free service or payment of any kind for performing his/her duties under this policy. The Treasurer shall further abide by the G.F.O.A. Code of Professional Ethics.

Authorized Financial Institutions

A minimum of annual review of the financial condition of previously qualified banking institutions will be conducted by the Finance Director.

Periodically, or at least every three years, the Finance Director shall prepare a *Request for Proposal* to engage the services of the best qualified financial institutions for its primary banking services. The RFP shall include requests for investment services, which may be considered separately from banking services if deemed in the best interest of the Town. Results of bids for services or *Requests for Proposals* shall be summarized by the Finance Director and presented by the Town Manager for approval by the Town Council.

Reporting to Town Manager and Town Council

The Finance Director shall prepare and submit a monthly statement of the Town's cash and investment status to the Town Manager and Town Council.

Adopted 12-17-2015