

Town of Newcastle

Investment Policy

Policy:

2014

It is the policy of the Town of Newcastle Maine to invest public funds in a manner which will provide safety of principal with a market rate of return while meeting the cash flow demands of the town, conforming to all state statutes and local ordinances governing the investment of public funds.

Scope:

This investment policy applies to all financial assets of the Town of Newcastle.

The funds included in the annual audited report for the Town of Newcastle include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Trust and Agency Funds
- Cemetery Funds
- Endowments (if any)

And shall be invested in accordance with Maine State Statutes Title 30A, Sections 5706, 5711-5719.

Prudence:

Investments shall be made with judgment and care, under prevailing circumstances which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the 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 appropriate action is taken to control adverse developments.

Objective:

The primary objective of the Town of Newcastle investment activities shall be:

- *Safety:* Safety of principal is the foremost objective of the investment program. Investments of the Town shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- *Liquidity:* The Town investment portfolio will remain sufficiently liquid to enable the Town to meet operating requirements, which might be reasonably anticipated.
- *Return on Investment:* The Town investment portfolio shall be designated with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Town investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority:

Authority to manage the Town of Newcastle investment program is the sole responsibility of the Board of Selectmen. The Selectmen delegate to the Treasurer the implementation of the investment program. No person may engage in an investment transaction except as provided under the terms of this policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of any other Town officials.

Ethics & Conflicts of Interest:

Officers and employees 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. Employees and investment officials shall disclose annually to the Board of Selectmen any material financial interests in financial institutions that conduct business with the town, and they shall further disclose annually any personal financial/investment positions that could be related to the Town of Newcastle portfolio.

Prohibited Interest:

No Town employee shall invest Town funds in any instrument or institution in which he/she has any direct financial interest, nor shall he/she accept any gift, free personal service or payment of any kind for performing their duties under this policy. Employment of an employee or an employee's family members by the financial institution shall not be considered to be a financial interest, unless such employment is contingent upon the investment of Town funds in that institution.

Authorized Financial Dealers & Institutions:

The Treasurer and Town Administrator, with oversight from the Town Selectmen, shall conduct investment transactions with financial and investment securities approved by the Finance Committee. In selecting financial institutions for deposits or investment of Town funds, the Treasurer and Town Administrator shall review the financial institutions' audited financial statements, proof of National Association of Securities Dealers (NASD) certification, proof of state registration, and certification of having read, understood, and agreed to comply with the Town's investment policy. The Treasurer and Town Administrator should also complete an annual review of the financial condition and registration of qualified financial institutions.

Authorized Investments:

The Town of Newcastle is authorized to invest pursuant to 30A, M.R.S.A., Sections 5711-5717.

Collateralization:

Collateralization of accounts and deposits will be required only when exceeding an amount equal to 25% of capital, surplus, and undivided profits as defined in M.R.S.A. 30-A, Section 5706.

Safekeeping & Custody:

All security transactions, including collateral for repurchase agreements, entered into by the Town of Newcastle shall be conducted on a "delivery vs. payment basis. Securities will be held by a third party custodian, or Trust Department designated by the Treasurer and evidenced by safekeeping receipts.

Diversification:

The Town of Newcastle will diversify its investments by security type. With the exception of U. S. Treasury securities, no more than 50% of the Town of Newcastle investment portfolio will be invested in a single security type. Any investment firm working with Town monies shall make investments pursuant to M.R.S.A. 30-A, Section 5706.

Maximum Maturities:

To the extent possible, the Town of Newcastle will attempt to match investments with anticipated cash requirements. Unless matched to a specific cash flow, the Town of Newcastle will not directly invest in securities maturing more than four years from date of purchase. The Town may invest in securities maturing in 5-10 years provided the rate of return is guaranteed and all dividends are available for quarterly withdrawal.

Trust and endowment funds may be invested in securities exceeding four years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Accounting Method:

Investments will be carried on the Town's books at fair market value as required by Governmental Accounting Standards Board (GASB) Statement No. 31. Interest on securities will be credited to investment income at the time of sale. The values of investment securities will be accrued as of each fiscal year end.

External Management:

The Treasurer with the approval of the Board of Selectmen and review by the Finance Committee may contract with a qualified external money management company in order to benefit from portfolio diversification, credit research, full portfolio management, and economies of scale that are unavailable to the Town Staff. Any such contract will define and control the risks of the portfolio and establish performance criteria for monitoring and evaluating results.

Upon advice of the contracted, qualified external money management company, the Town may invest in corporate stocks, bonds or other debentures subject to limitations in M.R.S.A. 30-A.

Approved at the Board of Selectmen's meeting January 22, 2014