

Rockport Investment Policy



Rockport, Maine – Approved October 9, 2012
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1. BACKGROUND INFORMATION

The Town of Rockport (“the Town”), incorporated in 1891, is located on Penobscot Bay along the Midcoast of Maine. The Town operates under a Select Board- Manager form of government, with a five-member Board. The Town Manager is the Town’s Chief Operating Officer and is appointed by the Chair and confirmed by the Board.

The Town Manager is the Town’s Treasurer. Title 30-A, Sections 5706 and 5711 of the Maine Revised Statutes provide that the Treasurer shall invest municipal funds upon direction of the municipal officers. Title 30-A, Section 5719 provides that a municipality has no authority to make any investments other than those permitted by statute.

The following Investment Policy addresses the methods, procedures and practices, which must be exercised to ensure effective and judicious fiscal and investment management of the Town’s funds. The purpose of this Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the Town of Rockport.

2. SCOPE

This Policy shall apply to the investment management of the following financial assets:

Cemeteries – Public Assistance - Wastewater

These funds may be pooled for investment purposes. The investment income derived from the pooled investment account may be allocated to the various funds based on the applicable balance on an annual basis as of each fiscal year end.

3. RESPONSIBILITIES

Investment Committee

The purpose of the Investment Committee of the Town of Rockport is to evaluate the investment performance of the town’s long term funds, and to make recommendations to the Select Board as to the investment strategy, investment advisor to be retained, and other matters relating to the investment and application of long term funds. The committee serves at the will of the Select Board and operates under approved bylaws.

Finance Director

The Finance Director represents the Treasurer on the Investment Committee. The Finance Director provides the primary interface to the external Investment Manager; distributes the financial reports and other mailing from the Investment Manager to the Committee, and prepares other reports as may be required.

4. PRUDENCE

The standard of prudence to be used for managing the Town’s assets shall be Title 18-B, Section 901 through 908 of the Maine Revised Statutes which in general states that investments shall 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, considering safety, income and maintenance of liquidity.

1. Safety: The safety of principal and preservation of capital in the overall portfolio.
2. Income: The income to be derived throughout budgetary and economic cycles, taking into account prudent investment risk constraints and the cash-flow characteristics of the portfolio.
3. Maintenance of liquidity: Maintenance of sufficient liquidity to meet all operating and other cash requirements with which a fund is charged that is reasonably anticipated.
4. The Town's investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally without risk and that the investment activities of the Town are a matter of public record. Accordingly, the Town recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.
5. The Treasurer and authorized investment personnel acting in accordance with these written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Town Manager and appropriate action is taken to control adverse developments.

5. OBJECTIVES

1. The Town's principal investment objectives are:
 - a. Preservation of capital and protection of investment principal;
 - b. Maintenance of sufficient liquidity to meet anticipated cash flows;
 - c. Attainment of a market value rate of return;
 - d. Diversification to avoid incurring unreasonable market risks;
 - e. Maximization of funds available for investment; and
 - f. Conformance with all federal, state and local statutes, rules or regulations.

6. DELEGATION OF AUTHORITY

1. Under the Maine Revised Statutes Title 30-A Sections 5706 through 5719 and the Rockport Town Charter, responsibility for the investment of the Town's funds covered by this Investment Policy resides with Treasurer. The Investment Committee is responsible for developing Town policy regarding the investment and custody of the

Town's funds to include Cemeteries – Public Assistance – and Wastewater. The Treasurer shall implement this Policy after it is approved by the Select Board.

2. The Treasurer has the authority to conduct investment transactions, or delegate to the investment manager as recommended by the Investment Committee and approved by the Select Board. The Town Manager (acting as Treasurer) may delegate authority to other specifically authorized staff members, namely the Finance Director. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy
3. The Town may engage the support services of outside professionals in regard to its investment program, as referenced in Title 30-A Section 5706(4).

7. ETHICS AND CONFLICTS OF INTEREST

Elected officials, appointees, 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 or create the appearance of an impairment of their ability to make impartial investment decisions. These same individuals shall disclose to the Town Manager any material financial interests they have in financial institutions that conduct business with the Town and they shall subordinate their personal investment transactions to those of the Town.

8. PROHIBITED INTEREST

No Town employee or appointee shall invest Town funds in any instrument or institution in which he or she has a direct or indirect financial interest; nor shall he or she accept any gift, free service or payment of any kind for performing their duties under this policy.

9. INVESTMENT DIVERSIFICATION, LIQUIDITY AND PERFORMANCE

It is the Town's intent to have a diversified portfolio of stocks and bonds. The maximum exposure to common stocks shall be 60% of the portfolio, but, at the discretion of the portfolio manager, it may be less but no lower than 40%.

1. Equities: 20-30 individual companies are expected to be within the equity portion of the investment in order to achieve diversification by industry and market capitalization. No position at inception may be more than 5% of the equities and no holding should represent more than 10% of the equity portion. REITs may have a 0-10% weighting. Convertible bonds and convertible preferred shares may be used within the equity portion of the portfolio. However, they will be subject to the same position size requirements for common shares. There is no prohibition to owning a foreign security but performance in the portfolio shall be measured against the S&P 500.
2. Bonds may represent up to 40% of the portfolio but no less than 20%. In order to achieve diversification, bond funds may be used. Individual bond holdings may be held but each holding may not represent more than 5% of the portfolio. All bonds should be principally

domestic (USA) or Canadian and at a minimum A investment grade. Bond performance shall be measured against the Citibank 1-3 year A rated bond index.

3. Bond maturities shall be three years or less. The Investment Committee shall review this requirement on a semi-annual basis and immediately communicate any change to the investment manager.
4. Cash in the portfolio may range from 10-20%. The spend rate on the capital shall be no more than 5% annually. Sufficient notice shall be given to the manager of the Town's cash requirements so as to raise cash if necessary in a non-disruptive manner. Cash balances should be held in a Treasury only money market fund.
5. The following are not permitted in the portfolio:
 - a. Options;
 - b. Derivatives;
 - c. Direct ownership of commodities;
 - d. Leverage or use of margin;
 - e. Private equity;
 - f. Venture capital.

Any questions concerning a permissible asset should be referred to the Investment Committee. Adjustments to this policy may be made periodically.

10. REPORTING

Accounting and reporting on the Town's investment portfolio shall conform to Generally Accepted Accounting Principles (GAAP) and the Government Accounting Standards Boards (GASB) recommended practices. The Treasurer or designee shall prepare at least quarterly and submit on a periodic basis, at least annually, to the Select Board a report of the investments held by the Town, the current market valuation of the investments and performance results. The report shall include a summary of investment earnings during the period.

11. STATUTORY COMPLIANCE

Nothing in the Town's Investment Policy shall be read to contravene with State law 30-A M.R.S.A. Sections 5706 through 5719 (the "Act").

12. POLICY REVIEW AND ADOPTION

This Investment Policy was developed by the Investment Committee, and has been approved and adopted by the Select Board of the Town of Rockport by resolution on October 9, 2012 and amended on July 13, 2015 and it replaces any previously dated investment policies, guidelines or lists of authorized investments. This Investment Policy shall be reviewed periodically by the Treasurer, or Investment Committee, and may be amended by the Select Board as conditions warrant.