

TOWN of CAPE ELIZABETH, MAINE

INVESTMENT POLICY

Section A – Investment Objectives

Maine state statutes authorize treasurers to deposit or invest municipal funds by direction of the municipal officers.

Pursuant to 30 M.R.S.A. Sec. 5051A, the Town of Cape Elizabeth shall adopt the following investment objectives in the management and investment of municipal funds:

- The primary objective of the Town's investment activities is the preservation of capital and the protection of investment principal.
- In investing public funds, the Town staff will strive to maximize the return on the portfolio but will avoid assuming unreasonable investment risk.
- The municipality's investment portfolio will remain sufficiently liquid to enable the municipality to meet operating requirements which might be reasonably anticipated.
- The Town will diversify its investments to avoid incurring unreasonable and unavoidable risks regarding specific security types or individual financial institutions.

Section B – Investment Principles

The municipal treasurer shall invest funds for which there is no immediate need, sell and exchange securities so purchased, and deposit such securities for safekeeping. All investment decisions shall be made considering the investment objectives contained in Section A and exercising judgment and care under the circumstances then prevailing.

The following investment principles shall guide the treasurer in the conduct of the municipality's investment program:

1. The municipality may purchase only legally authorized investments under 30 M.R.S.A. sec. 5051A.
2. The maturity date of new investments shall not be further than the time the municipality anticipates that it will need the funds. To maintain liquidity, new investments shall have a maturity of one year or less for municipal operating funds.
3. The Town shall not make investments for the purpose of trading or speculating, such as anticipating an increase of capital through changes in market interest rates.
4. Deposit and investment of funds can only be made in financial institutions that are insured by the FDIC or the PSLIC. Any funds deposited or invested above the \$100,000 insurance limit must be collateralized by the financial institution, or the excess funds must be placed with other financial institutions.
5. Cash balances in all demand deposit accounts shall not exceed compensating balances whenever possible. The treasurer shall strive to invest at least 95% of all available funds on a day-to-day basis.
6. The Town will invest in financial institutions with significant Maine operations as much as possible and can only invest in out-of-state financial institutions where a significant interest rate differential exists.

7. Repurchase agreements can only be obtained from known and financially stable financial institutions. Repurchase agreements must be collateralized by U.S. Government securities with a market value equal to or greater than the Town's investments and be perfected under Maine statutes.
8. The treasurer shall competitively bid all municipal investments in excess of \$10,000 from qualified financial institutions to ensure that funds are invested at the best rate of return, subject to the limitation contained in Paragraph 6.

Section C – Reporting and Control

The treasurer shall report monthly to the Town Manager for the purpose of monitoring the performance and structure of the municipal investments.

In addition, the treasurer shall issue an annual investment report to the Town Council due no later than 60 days after the end of the fiscal year. The report shall include an evaluation of the performance of the investment program for the previous year and present an investment plan for the ensuing year.

Section D – Code of Ethics

All personal involved in the investment program shall adhere to the municipality's Code of Ethics to prevent any real or perceived violation of their fiduciary responsibilities. Such responsibility carrier with it the duty to ensure that all investments are placed without the appearance of any improper influence or personal gain.