

Town of Mount Desert
Investment Policy
Adopted March 1986
Amended May 4, 2010
Amended May 3, 2016
Amended May 2, 2023

PURPOSE

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

Pursuant to 30-A MSR 5706-5717; the municipality of Town of Mount Desert, Maine shall adopt the following investment objectives in the management and investment of municipal funds:

The primary objective of the municipality's investment activities is the preservation of capital and the protection of investment principal.

In investing public funds, the municipality will strive to maximize the return on the portfolio.

The municipality's investment portfolio will remain sufficiently liquid to enable the municipality to meet operating requirements which might be reasonably anticipated.

The municipality will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

The municipal Treasurer shall invest funds for which there is no immediate need, consistent with 30-A MSR5706-5717, sell and exchange securities so purchased, and deposit such securities for safekeeping. All investment decisions shall be made considering the investment objectives contained herein and exercising judgment and care under the circumstances then prevailing.

The Treasurer may utilize Trust Department services of approved banks.

BACKGROUND

In addition to short term investment of operational funds, the Town has put aside for investment certain funds accumulated over time for which there is not an immediate need. It is these funds which will generally be invested through the Trust companies.

Although these monies are not to be considered as permanent endowment, it is not contemplated that they will be expended in the immediate future. They should be regarded as reserve funds, and it is the desire of the Selectmen to develop investment guidelines to be followed by the fund managers in selecting securities for investment.

Broadly speaking, the funds are to be divided into two parts. One part, -at least (\$500,000) of the total, is to be considered a relatively short term reserve to be available on short notice for use by the Town. The second part, consisting of the balance, shall be held as a long-term reserve.

SPECIFIC GUIDELINES FOR THE TRUST COMPANIES:

The managers of the funds are directed to invest both the long term and the short term reserves with the goal that the total return of the funds shall at least equal the rate of inflation over a five year time span as measured by the GNP price deflator.

SHORT TERM RESERVE

The short term reserve shall be invested in certificates of deposit, money market funds, U.S. Treasury obligations, U.S. Government agency obligations, insured cash sweep, and corporate debt instruments with at least an A rating.

No security shall carry a maturity of more than five years, and the average maturity of all assets in the short term reserve shall be no longer than three years.

The securities of any one issuer shall not constitute more than 5% of the short term reserve. Obligations of the U.S. Treasury, or Government agencies, guaranteed by the U.S. Government, shall not be subject to this restriction.

The current yield on the short term reserve fund as a whole shall at least equal the U. S. Treasury one year bill rate.

LONGER TERM RESERVE

The fund manager shall invest the assets of this portion of the fund similarly to those securities listed in the SHORT TERM RESERVE guidelines above, but without limitation as to maturity on fixed income instruments.

In addition, equities, and convertible debt securities may be bought, subject to the limitation that the percentage of common stocks and convertible securities should not exceed 65%, as measured by market value.

Investments will also be subject to the limitation that the securities of any one issuer shall not exceed 5% of the total fund, except for obligations of the U.S. Treasury and Government agency bonds as defined above.

PERFORMANCE:

The total return of the long term reserve should be compared to appropriate investment indices.

The performance figures should be prepared semi-annually, on the first and third quarters of the fiscal year, and will be compared over a three to five year time span. Reports from the trusts should be utilizing an investment basis format rather than a trust format.

REPORTING

The Treasurer shall report quarterly to the Board of Selectmen for the purpose of monitoring the performance and structure of the municipal investments.

In addition, the Treasurer shall issue an annual investment report due no later than 30 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.

REVIEW

It shall be the duty of the Investment Committee, as appointed by the Board of Selectmen, to review the reports of the Treasurer and the Trusts.

The committee shall be composed of: - a member of the Board of Selectmen; a member of the Warrant Committee; and three citizens of the Town. Three (3) voting members must be present to constitute a quorum. The Town Treasurer and Town Manager participate as non-voting ex officio members.

Said committee will meet quarterly for this purpose. The Committee may make recommendations to the Board of Selectmen for redistribution of the funds, withdrawal or adjustment of Trust balances and reinvestment, and/or withdrawal or application to reduce taxes of any interest earnings on the investments.

It is the express intention of the Board of Selectmen to protect future value of the funds, and therefore, it shall be the policy of the Board of Selectmen to disregard any realized or unrealized capital gain in the fund when considering earnings available for withdrawal.

All municipal personnel involved in the investment program shall adhere to the Town's Charter to prevent any real or perceived violation of their fiduciary responsibilities

TOWN OF MOUNT DESERT RESERVE FUND INVESTMENT POLICY

A. Investment Objectives

- ✓ Preservation of capital/protection of investment principal
- ✓ Total rate of return at least equal to the inflation rate (GDP price deflator) over five-year periods
- ✓ Total fund return to compare favorably with established market indices over 3-5 year periods

B. Investment Guidelines and Constraints

- ✓ Liquidity requirement – \$500,000
- ✓ Social/Moral Constraints – 7% to 12% of equity allocation invested in existing Environmental, social and governance (ESG) fund(s)
- ✓ Equity Securities (common stocks and convertible securities):
 - Portfolio maximum = 65% of total fund
 - Portfolio minimum = 35% of total fund
 - Position/issuer maximum = 5% of total fund
- ✓ Fixed-income Securities:
 - Credit quality = “A” minimum
 - Maturity Limitations = None
 - Portfolio maximum = 65% of total fund
 - Portfolio minimum = 35% of total fund
 - Position/issuer maximum = 5% (exception: U.S. Treasury and government agency securities)

C. Spending Policy

- ✓ 100% of income (interest and dividend income) distributed within the trust
- ✓ Principal, realized, and unrealized capital gains may be distributed in conformance with the Town Charter.