

INVESTMENT POLICY **Town of East Montpelier**

PURPOSE. In accordance with 24 V.S.A. § 1571(b), moneys received by the Town Treasurer on behalf of the Town may be invested and reinvested by the Treasurer with the approval of the selectboard. The purpose of this Investment Policy is to establish the investment objectives, standards of investing prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of the funds of the Town.

This Policy does not apply to trust funds held by the Town. These trust funds are managed under a separate investment policy for trust assets, adopted by the Selectboard in accordance with 24 V.S.A. § 2432. It does not apply to bond fund investments made in accordance with applicable bond debenture requirements.

OBJECTIVES. The primary objectives in priority order of investment of the funds of the Town shall be safety, liquidity, yield, and local investment:

Safety. Safety of principal shall be the foremost objective of Town funds. Investments will be undertaken so as to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk (the risk of loss due to the failure of the security) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in market interest rates).

Liquidity. The Town's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. This will be accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands.

Yield. The core of investments will be limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Yield is of secondary importance compared to safety and liquidity objectives.

Local Investment. Local investment is of tertiary importance compared to the safety, liquidity, and yield objectives described above.

POOLING. Except where prohibited by law, cash and reserve balances from all funds will be consolidated to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

STANDARD OF CARE. The standard of care to be used by the Treasurer and Selectboard shall be the prudent person standard.

CONFLICTS OF INTEREST. The Selectboard and the Treasurer shall refrain from personal business activity that could conflict with the proper execution and management of the Town's investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the Town conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the Town's investments. Selectboard members and the treasurer shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

INTERNAL CONTROLS. The Selectboard and Treasurer will establish a system of internal controls, which shall be documented in writing to prevent the loss of invested funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Town.

AUTHORIZED INVESTMENTS AND INSTITUTIONS. Public deposits shall only be made in qualified public depositories as established by Vermont law.

The following investments will be permitted under this policy:

Certificates of deposit and other evidences of deposit at financial institutions

REPORTING. The Treasurer will prepare a monthly investment report that analyzes the status of the current investment portfolio and the individual transactions executed over the last month.

The foregoing Policy is hereby adopted by the Selectboard and the Treasurer of the Town of East Montpelier, Vermont, this ___ day of _____ and is effective as of this date until amended or repealed.

Seth Gardner, Chair

Carl Etnier

Casey Northrup

Kim Swasey

Gene Troia

Town Treasurer Don Welch