



# PORTLAND MAINE

*Strengthening a Remarkable City, Building a Community for Life • [www.portlandmaine.gov](http://www.portlandmaine.gov)*

## INVESTMENT POLICY

*Revised: 09/2011*

### **Policy**

It is the policy of the City of Portland to invest funds in a manner which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

### **Scope**

This investment policy applies to all financial assets of the City of Portland. These funds are accounted for in the City of Portland's Budget and Comprehensive Annual Financial Report and include:

- General fund
- Special revenue funds
- Capital project funds
- Enterprise funds
- Trust and agency funds
- Cemeteries and Endowments <sup>1</sup>

### **Prudence**

Investments shall be made with judgment and care - under circumstances then prevailing - 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.

---

<sup>1</sup> Both the Cemetery and the Endowment funds have an investment policy specific to them. Refer to "[INVESTMENT POLICY; Statement of Investment Guidelines and Objectives for the Cemetery and Endowment Funds](#),"(published on the City of Portland website; [www.portlandmaine.gov](http://www.portlandmaine.gov)).



# PORTLAND MAINE

*Strengthening a Remarkable City, Building a Community for Life • [www.portlandmaine.gov](http://www.portlandmaine.gov)*

## INVESTMENT POLICY

*Revised: 09/2011*

### Objective

The primary objectives, in priority order, of the City of Portland's investment activities shall be:

- **Safety.** Safety of principal (capital preservation) is the foremost objective of the investment program. Investments of the City of Portland 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 City of Portland's investment portfolio will remain sufficiently liquid to enable the City of Portland to meet all operating requirements which might be reasonably anticipated.
- **Return on investment.** The City of Portland's investment portfolio shall be designated with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City of Portland's investment risk constraints and the cash flow characteristics of the portfolio.
- **Point of Presence.** Institutions with a physical point of presence within the legal limits of the City of Portland, Maine, will be given preference provided that the previous 3 objectives are equal to or preferable to any known institution who fail to meet this objective.

### Delegation of Authority

Authority to manage the City of Portland's investment program is derived from 30-A, M.R.S.A. Section 5706 et seq and Portland City Code (Code, 1968, Section 2-17) and is delegated by the City Council to the Finance Director. S/he shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

### Ethics and 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 to the Finance Director and the City Manager any



# PORTLAND MAINE

*Strengthening a Remarkable City, Building a Community for Life • [www.portlandmaine.gov](http://www.portlandmaine.gov)*

## INVESTMENT POLICY

*Revised: 09/2011*

material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City of Portland's portfolio.

### **Prohibited Interest**

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

### **Authorized Financial Dealers and Institutions**

The Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness, preferably who maintain an office in the City of Portland. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). The Treasurer shall obtain evidence of this qualification prior to investing with said firm. No public deposit shall be made except in a qualified public depository as established by state laws. For the list of "Authorized Financial Dealers and Institutions see Exhibit A, page 6.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Finance Director.

### **Authorized Investments**

The City of Portland is authorized to invest only in the following types of securities:

- Obligations of the U.S. government, its agencies and instrumentalities
- Certificates of deposit and other evidences of deposit at banks and savings and loan associations
- Prime bankers acceptances
- Prime commercial papers
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing



# PORTLAND MAINE

*Strengthening a Remarkable City, Building a Community for Life • www.portlandmaine.gov*

## INVESTMENT POLICY

*Revised: 09/2011*

### **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.S.R.A. 30-A, 5706.

### **Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, entered into by the City of Portland 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 City of Portland will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, no more than 50 percent of the City of Portland's total investment portfolio will be invested in a single security type or with a single financial institution. Exception; the 50 percent limit may be extended up to 75 percent for pooled cash and investments held with the City's primary relationship banking institution provided that it is fully collateralized by an Irrevocable Letter of Credit pledged against a Federal Home Loan Bank of the United States.

### **Maximum Maturities**

To the extent possible, the City of Portland will attempt to match investments with anticipated cash requirements. Unless matched to a specific cash flow, the City of Portland will not directly invest in securities maturing more than one year from the date of purchase. However, the City of Portland may collateralize its repurchase agreements using longer investments not to exceed five years to maturity.

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

### **Internal Controls**

The Finance Director shall establish an annual process of independent review by an external auditor. This review will enhance internal control by assessing compliance with policies and procedures



# PORTLAND MAINE

*Strengthening a Remarkable City, Building a Community for Life • www.portlandmaine.gov*

## INVESTMENT POLICY

*Revised: 09/2011*

### **Accounting Method**

Investments will be carried on the City's books at cost. Gain or losses from investment sales will be credited or charged to investment income at the time of sale. Premiums or discounts on securities may be amortized over the life of the securities.

### **External Management**

The City Manager, with the approval of the Finance Committee, may contract with a qualified external money management company in order to benefit from portfolio diversification, credit research, full-time portfolio management, and economies of scale that are unavailable from the City's internal 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 City may invest in corporate stocks, bonds or other debentures subject to the limitations in M.S.R.A/ 30-A.

### **Investment Policy Adoption**

The City of Portland's investment policy shall be adopted by the Finance Director and administered by the Treasury Director. The policy shall be reviewed on an annual basis and will be referred to the Finance Committee for periodic review.

- Approved by the Finance Committee of the Portland City Council on January 5, 1995
- Updated by the Finance Director and Treasury Director on July 26, 2005.
- Updated by the Finance Director and Treasury Director on December 1, 2006.
- Updated by the Finance Director, Treasury Director, and approved by the members of the City's Finance Committee on July 23, 2008
- Updated by the Assistant Finance Director and Treasury Director on March 1, 2010
- Updated by Treasury Director on September 16, 2011 – Exhibit A; name changes / mergers and acquisitions



# PORTLAND MAINE

*Strengthening a Remarkable City, Building a Community for Life • [www.portlandmaine.gov](http://www.portlandmaine.gov)*

## INVESTMENT POLICY

*Revised: 09/2011*

### **EXHIBIT A - Authorized Financial Dealers and Institutions**

#### **Banks (listed alphabetically):**

Bangor Savings Bank  
Bank of America  
Bank of Maine  
Bath Savings Institution  
Camden National Bank  
Citibank  
Citizens Bank  
Gorham Savings Bank  
Key Bank of Maine or Key Corp.  
Northeast Bank  
Norway Savings Bank  
People's United Bank  
TD Bank

#### **Securities Firms (listed alphabetically):**

Bank of America Merrill Lynch  
Fidelity Investments, Government Markets Division  
KeyBank National Association  
Morgan Stanley Smith Barney LLC