

Title: Investment Policy Statement for the Town of Bethany Beach

Date of Issue: February 3, 2005

Approved by Town Council: March 18, 2005

Revised by Town Council: April 21, 2017

1. Policy Statement:

It is the policy of the Town of Bethany Beach to invest public funds in a manner, which will provide the highest investment return with the maximum security, while meeting the daily cash flow demand of the Town and conforming to any Federal, State or Local statutes governing the investment of public funds.

2. Scope:

This investment policy applies to all financial assets of the Town. These funds are enumerated in the Town's Comprehensive Annual Report and include:

- a. General Fund (Operating and Reserve Funds)
- b. Special Revenue Funds
- c. Enterprise Funds

3. Delegation of Authority:

The Director of Finance is designated as Investment Officer of the Town and is responsible for investment decisions and activities, under the direction of the Town Manager. The Director of Finance shall maintain written procedures for the operation of the investment program consistent with this investment policy.

4. Personal Responsibility:

The degree of care to be used by the Investment Officer in managing the overall portfolio is the "prudent person" standard. The Investment Officer and Town Council acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for the 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.

Investments shall be made using proper judgment and care under circumstances then prevailing and always with prudence, discretion and intelligence. Investments are never to be speculative but designed with the goal of safety of principal first and income second.

5. Objectives:

The primary objectives, in priority order, of the Town's investment action shall be:

- a. **Safety:** Preservation of principal is the foremost objective of the investment program. Investments of the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual investments cannot exceed the income generated from the remainder of the portfolio.
- b. **Liquidity:** The Town's investment portfolio (both principal and earnings) shall remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.
- c. **Return on investment:** The Town's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Town's investment risk constraints and the cash flow characteristics of the portfolio.

6. Ethics and Conflicts of Interest:

Town Council members and employees involved in the investment process shall refrain from personal business activity that could, in any way, conflict with proper execution of the investment program. Employees and investment officials shall disclose to the Mayor and Town Council any material financial interest in financial institutions that conduct business with the Town and shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's portfolio. Town Council members and employees shall subordinate their personal investment transactions to those of the Town particularly with regard to the time of purchases and sales.

7. Authorized and Suitable Investments:

The Investment Officer may invest funds in the following:

- a. **United States Government Securities:** Issued and supported by the full faith and credit of the U.S. Government & Treasury.
- b. **Certificates of Deposit, Time Deposits and Bankers Acceptances**
- c. **Money Market Accounts in commercial banks**
- d. **Commercial Bank Saving Accounts**

8. Collateralization:

The banking institution must be a domestic institution organized under Federal and State law. To the extent the deposits are not insured by the Federal Deposit Insurance Corporation, such deposits in banks or in savings and loan associations shall only be made if the associations have deposited a like amount of securities in escrow to collateralize the deposits. These securities shall consist of: U.S. Government Securities and Federal Agency Securities. The Investment Officer shall maintain a file of current collateralization statements from each banking institution.

Funds invested in any institution may not exceed the combined total of the collateralized escrow deposit and FDIC insurance.

9. Diversification:

The Town will diversify its investments by type, institution and maturity date.

10. Maximum Maturities:

To the extent possible the Investment Officer shall attempt to match the investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town shall not invest funds in securities with maturity dates longer than two years.

11. Performance Standards:

The investment portfolio strategy shall be designed to obtain a market average rate of return, taking into account the Town's investment risk constraints and cash flow needs.

A report listing investments and investment performance shall be provided to the Town Council on an annual basis in April of each year.

12. Market Yield:

The Town's investment strategy shall always be one of prudence. Given this strategy the basis used to determine whether market yields are being achieved shall be the current Treasury Bill or the Fed Funds rate.

13. Investment Policy Adoption:

The Town's investment policy will be adopted by resolution of the Town Council. The Council shall review the policy on an annual basis in April of each year.