

TOWN OF CHELSEA
INVESTMENT POLICY

Policy: It is the policy of the Town of Chelsea to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Town and conforming to all state and local statutes governing investment of public funds.

Scope: This investment policy applies to all financial assets of the Town of Chelsea. These funds are accounted for in the Town of Chelsea Annual Financial Report and include:

General Fund	Special Revenue Funds
Capitol Project Funds	Enterprise Funds
Trust and Agency Funds	Retirement/Pension Funds

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.

Objective: The primary objectives, in order, of the Town of Chelsea’s investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the Town of Chelsea 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 securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The Town of Chelsea’s investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements, which might be reasonably anticipated.

Return on Investment: The Town of Chelsea's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Town's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority: Authority to manage the Town of Chelsea's investment program is derived from State Statute. Management responsibility for the investment program is hereby delegated to the **Treasurer** who 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 and investment officials shall disclose to the Board of Selectmen any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town of Chelsea.

Authorized Financial Institutions: The Treasurer shall deal with well-established financial institutions (banks, credit unions) or other recognized investment services only. If the Treasurer desires he should request a certified audit from any financial institution the Town of Chelsea invests in.

Authorized & Suitable Investments: The Chelsea Board of Selectmen desire that special care be taken to ensure instruments of investment include only those allowed by law and that they are comfortable in the Treasurer investing in. Items such as, but not limited to, the following: CD's, repurchase agreements, and savings, U. S. treasury securities or investment accounts.

Safekeeping and Custody: All investment transactions entered into by the Treasurer for the Town of Chelsea shall be held in safe keeping and in certain instances based on the type of investment held by a third party designated by the Treasurer. The Town of Chelsea will diversify its investments by security type and institution. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution.

Maximum Maturities: To the extent possible, the Town of Chelsea will attempt to match its investments with anticipated cash flow requirements. Reserve funds or capital project funds may be invested in various securities for deferring time frames such that investments are made to coincide as nearly as practicable with the expected use of funds.

Internal Control: The Treasurer shall annually have an independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures and lawful investment of funds. The Board of Selectmen will be directly responsible for overseeing investment practices.

Performance Standards: The investment portfolio shall be designate with the objective of obtaining a rate of return throughout the budgetary process and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The Treasurer shall randomly review market yields and determine appropriate investment strategy on current yields and considering future market trends.

Reporting: The Treasurer shall provide the Chelsea Board of Selectmen quarterly investment reports, which provide a clear picture of the status of the current investment portfolio. The Treasurer may randomly include other pertinent information reference investment strategies, economic conditions or possible changes in the portfolio.

Investment Policy Adoption: The Town of Chelsea Board of Selectmen shall adopt the investment policy. The Treasurer and/or the Board of Selectmen may review the adopted policy annually and any modifications made thereto by majority vote of the Board of Selectmen. The investment policy once adopted shall remain in effect unless action shall be taken by the Board of Selectmen to amend the document, create a new policy or cancel the existing investment policy.

This policy was adopted by the Board of Selectmen on December 28, 2011

CHELSEA BOARD OF SELECTMEN

Linda Leotasakos, Chair

Michael Pushard

Benjamin Smith