

Town of Redding, CT

Investment Policy

Approved September 27, 2010

OBJECTIVES:

The primary objectives, in priority order, of investment activities of the Town of Redding shall be safety, liquidity, and yield:

SAFETY

Safety of principal is the foremost objective of the investment and deposit program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

- ***Credit Risk***

The Town will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the safest types of securities, pre-qualifying the financial institutions and advisers with which the Town will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

- ***Interest Rate Risk***

The Town will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, daily liquid money market mutual funds, or investment pools.

LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary markets or local government investment pools which offer same-day liquidity.

YIELD

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

STANDARDS OF CARE:

PRUDENCE

The standard of prudence to be used by the Treasurer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures and this 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 the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

ETHICS

Redding town officials and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Board of Finance in writing any material interests in financial institutions with which they and the Town conduct business. They shall further disclose any personal financial/investment positions that could be related to the Town's investment portfolio.

DELEGATION of AUTHORITY

Authority to manage the investment program is granted to the Treasurer and derived from CGS 3-24f, 3-27a, 7-400 and 7-402. Responsibility for the operation of the investment program is hereby delegated to the Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Finance. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Treasurer shall provide a monthly report of all investments and investment activity to the Board of Finance. The investment program shall be

operated in conformance with all federal, state, and other legal requirements. The Treasurer shall not invest in any instrument with a maturity longer than one year without written approval by the Board of Finance.

DEPOSIT of PUBLIC FUNDS:

In accordance with CGS 7-402, and to the extent provided below, the Treasurer may deposit public funds in any qualified public depository, as identified by the Banking Commission; all such deposits shall be made in the name of the Town.

SUITABLE and AUTHORIZED INVESTMENTS:

The following investments will be permitted by this policy and are further limited by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government;
- U.S. Government agency and instrumentality obligations that have been approved in advance in writing by the Board of Finance and that have a liquid market with a readily determinable market value;
- The State Treasurer's Short Term Investment Fund (STIF) established pursuant to CGS 3-27a.
- The State Treasurer's Tax-Exempt Proceeds Fund (TEPF) established pursuant to CGS 3-24a.
- Certificates of deposit and other evidences of deposit at qualified public depositories, as defined in CGS 36a-330, in an amount which may not exceed the maximum FDIC insurance limit unless approved in advance in writing by the Board of Finance.
- Repurchase agreements that have been approved in advance in writing by Town Counsel and the Board of Finance and are fully collateralized with US Government and US Government agency securities held by a third-party custodian bank.
- Money market mutual funds that have been approved in advance in writing by the Board of Finance and are regulated by the Securities and Exchange Commission, and whose shares are maintained at a constant value of one dollar and whose portfolios consist of instruments that are direct obligations of, or guaranteed by, the US Government.

This policy shall be reviewed annually by the Board of Finance, or when conditions warrant.

