

Town of Brunswick, Maine

**Finance Committee Meeting
Thursday, August 18, 2016
3:30 – 5:00 PM
85 Union Street – Town Council Chambers**

Agenda

1. Acknowledgement that meeting was properly noticed
2. Adjustments to agenda / Public comment
3. Approval of meeting minutes from 7/21/16
4. Organizational
 - a. Select chair/vice chair
 - b. Review Finance Committee policy
 - c. Review updated 2016-17 meeting calendar
5. Finance Report (JH)
 - a. July expenditure & revenue reports
 - b. 2015-16 year-end outlook
6. Municipal debt
 - a. Current bond issues
 - b. Authorized but not issued
 - c. Assumptions for debt service
7. Investment policy update
 - a. Current policy
 - b. Proposed policy
8. Adjourn

Town of Brunswick, Maine
Town Finance Committee
Thursday, July 21, 2016 ~ 3:30 PM
85 Union Street – Town Council Chambers

Meeting Minutes (Draft)

Committee Members Jane Millett (chaired the meeting), Alison Harris, Dan Harris
Staff: John Eldridge, Julie Henze, John Foster, Branden Perreault
Others: Richard Fisco, Leonard Blanchette (Sewer District), Richard Burns

1. Acknowledgement that Meeting was Properly Noticed

JH confirmed that the meeting was on the Town Calendar

2. Adjustments to agenda / Public Comment

Adjustments to agenda: because Steve Walker is absent, table items 5b and 5c.
No public comment.

3. Approval of meeting minutes from 6/16/16

Alison Harris moved, Jane Millett seconded, to approve the 6/16/16 Finance Committee Meeting minutes. Dan Harris abstained as he was not at the June meeting. Motion carried on votes by Alison Harris and Jane Millett.

4. Mere Point Wastewater District Fees

JH presented item, referring to the memo and attachments in the packet. John Foster presented a history of the Mere Point Wastewater District and a description of the current management and fee structure. The District was designed and constructed in 1992-1993 to service 35 residential properties. The Town and residents received a grant to construct the system, with the requirement that the system is the property of the Town. The Town has an agreement with, and pays, the Sewer District to operate the system. The Town collects payments from the users, and the original fees were established to cover the operating costs as well as additional capital needs. The user fee structure was developed in 1992 and has not been updated since that time. Operating costs - for electricity and Sewer District services - are no longer sufficiently covered by the current fees. In August 2015 one of the leach fields failed and required rebuilding at a cost of \$46K, depleting the reserve fund completely.

Staff is recommending an increase of fees as follows:

	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>
Annual fixed rate per property (billed quarterly)	\$435	\$716	\$281
Annual variable rates per bedroom (billed quarterly):			
Seasonal property	\$38	\$58	\$20
Year Round property	\$76	\$116	\$40

Discussion of costs associated with the District, and the process of establishing updated fees, the distinction between year-round and seasonal, and the Webb Road situation. JM voiced her

concern that the amount budgeted for the capital reserve may not be adequate for future needs. Lennie Blanchette of the Sewer District spoke regarding the condition of the system, stating that the facilities when last inspected were in surprisingly good condition, perhaps partly due to the system having light use in the winter months. Dick Burns, a resident, expressed appreciation of John Foster and the Sewer District, and described the Webb Field system. He conveyed that some of the residents attended a meeting in early July and were accepting of the need to increase fees. The hope is for the residents to form an organization to facilitate discussions with the Town and the Sewer District.

JM asked about the possibility of a special assessment if there are additional failures/capital needs. JE confirmed that a special assessment would be possible, but recommended that the suggested fee schedule be put forward to the Town Council. Based on the process thus far, and the communications with the residents, these rates are a good start, with the expectation that the fee structure will be reviewed again within a year.

AH moved to recommend to the Town Council the fees as proposed by staff, with a commitment to review the fees annually. Second by Dan Harris. Motion carried with Alison Harris and Dan Harris in favor. Jane Millet opposed.

5. Organizational

a. Welcome Councilor Dan Harris

JM introduced DH as a new Finance Committee member.

b. Select chair/vice chair – TABLED

c. Review Finance Committee Policy – TABLED

d. Review regular meeting time/place

Committee confirmed third Thursday at 3:30 pm, in the Council chambers.

e. 2016-17 proposed calendar/schedule of work

JH presented suggested calendar with several workshops added during the CIP development process in the fall, but does not include the three budget workshops that were hosted by the Finance Committee in March 2016.

AH recommended adding certain tasks to the Finance Committee schedule: a review of the auditors and recommendation to continue engagement or conduct RFP process. Appreciates review of tax-acquired properties annually, would also like to look at inventory of Town-owned properties.

6. Finance Report

a. June expenditure & revenue reports

JH briefly discussed the monthly budget reports as of June 30, which were previously presented to the full Council on July 18th. JH noted increases in a couple of revenues in which the fees were added or increased during the year -- Mooring fees: \$17K (budgeted \$0); PW Street Opening fees: \$20K (budgeted \$8K). Not the final June 30th, as Town is still paying invoices related to 2015-16 activity.

b. Year end outlook

JH described the process of estimating the final year end results. Based on current projections, estimates \$400K 'to the good' on the municipal budget – including both revenue and expenditure lines. Estimates on the unassigned fund balance are more complicated, but currently is estimating the Town will be approx. \$100K below target unassigned fund balance of 16.67% of revenues. This shows a positive trend, largely driven by the reduction of the use of fund balance in the 2016-17 budget. Fund balance policy requires a plan to reach target unassigned fund balance within three years.

7. 2016-17 Budget process review

a. Look-back at process

JH referred to the analysis of the budget process done in July 2015, which resulted in the structuring of the budget workshops hosted by the Finance Committee in March 2016. Request is for feedback on those workshops and the budget development process in general.

Committee members expressed appreciation for the workshops, found it helpful to hear from department heads, would like all Town Councilors to attend. In future, would like presentation materials in advance of the workshops.

b. Recommendations for 2017-18 Budget

Discussion of the Finance Committee's role in the development of the budget. Finance Committee policy reads: "Review the annual budget as recommended by the Town Manager and provide commentary to the Town Council." JE clarified that the Town charter requires the Manager to prepare a budget for submission to the Town Council, and the Council as a body to adopt a final budget. The Finance Committee review is an opportunity to review the budget in detail, which is of interest to some counselors but not others.

Budget development calendar will be discussed by the full Council. Finance Committee expressed intention to be in closer communication with the School Finance Committee and the School Department in the budget calendar and expectations.

8. Adjourn

Town of Brunswick, Maine
Finance Committee

Purpose. The purpose of this policy is to establish the composition and responsibilities of the Town's Finance Committee.

Members. The Finance Committee shall be a standing committee of the Town Council. The Committee shall be comprised of three members of the Town Council appointed by the Council Chair. Members shall be appointed annually after the adoption of the annual budget and prior to July 1st. Members shall each serve terms of one year, concurrent with the July 1st to June 30th fiscal year. At its first meeting, the Committee shall select its chair and vice chair. Should, in the opinion of the Council Chair, circumstances require the extension of the Committee's term beyond the end of the fiscal year, the Chair shall announce his/her determination to the Town Council and the terms shall be temporarily extended. The succeeding Committee shall serve the remainder of the term until June 30, unless subsequently extended.

Meetings. The Committee shall meet at least once per month. The meeting dates shall be established at the Committee's first meeting. The Committee chair shall call additional meetings as the chair deems necessary, as voted by a majority of the Committee's members, or as directed by the Town Council. The Committee shall give public notice of its meetings in accordance with Maine's Freedom of Access Act (FOAA) and rules established by the Town Council. A majority of the members appointed to the Committee shall constitute a quorum. A majority of concurring votes shall be necessary to constitute an action on any matter.

Responsibilities. The Finance Committee shall perform the following tasks and functions:

1. Encourage and participate in long-range financial planning.
2. Review the annual budget as recommended by the Town Manager and provide commentary to the Town Council.
3. Review monthly budget to actual statements as prepared by the Finance Department.
4. Review ordinances, official statements and other documents connected with the issuance of debt.
5. Review the Town's risk management activities and insurance coverage.
6. Review, as requested by the Town Manager, bid specifications and requests for proposals for the purchase of goods or services.
7. In consultation the Town's administration, assist or prepare policies and/or procedures relating to the financial affairs of the Town.
8. The Finance Committee shall assume the duties of the Capital Improvement Plan Committee.
9. The Finance Committee shall assume the duties of the Audit Committee.
10. Review and report on the Town's investments.

11. Receive and review the reports and recommendations of the Town's Trust Fund Advisory Committee.
12. Perform such other tasks and functions as may be delegated to it by the Town Council from time to time.

The Finance Committee may adopt rules of procedure, consistent with this policy, to enable it to perform its functions.

Conflict of Interest. Members of the Finance Committee shall adhere to the conflict of interest policy was established by the Town Council in its Rules and Procedures.

Administration. The Finance Director shall be responsible to provide for the administration of the affairs of the Finance Committee, including preparing agendas and minutes, posting public hearings, handling correspondence, and maintaining all official records.

Proposed to Town Council: July 21, 2014
Adopted by Town Council: August 4, 2014
Amended by Town Council: February 16, 2016

**Town of Brunswick
2016-17 Meeting Calendar**

RESPONSIBLE	DATE	DAY	TIME	*	ACTION	COMMENTS
Manager	8/1/2016	Mon		CIP		CIP Information and Instructions to Departments
Depts	9/30/2016	Fri		CIP		Department CIP submissions due
Fin Committee	10/20/2016	Thu	3:30 PM	CIP	Finance Committee meeting	Joint meeting w/ School Finance Committee?? Auditors; Receive Manager's CIP
Fin Committee	11/10/2016	Thu	3:30 PM	CIP	Finance Committee workshop	CIP Workshop - department presentations
Fin Committee	11/17/2016	Thu	3:00 PM	CIP	Finance Committee meeting	CIP
Fin Committee	12/1/2016	Thu	3:30 PM	CIP	Finance Committee workshop	CIP Workshop - department presentations
Fin Committee	12/15/2016	Thu	3:30 PM	CIP	Finance Committee meeting	CIP
Manager	1/9/2017	Mon		Budg		Munic Budget Information and Instructions to Departments
Fin Committee	1/19/2017	Thu	3:30 PM		Finance Committee meeting	Joint meeting w/ School Finance Committee?? Auditors presentation
Fin Committee	2/2/2017	Thu	3:30 PM	CIP	Finance Committee workshop	CIP Workshop
Depts	2/10/2017	Fri		Budg		Munic Depts Personnel Budgets Due
Fin Committee	2/16/2017	Thu	3:30 PM	CIP	Finance Committee meeting	Finalize CIP
Depts	2/17/2017	Fri		Budg		Munic Department Budgets Due
Manager	2/20/2017	Mon		Budg		Munic Department Budget Reviews Begins
Council	3/6/2017	Mon	7:00 PM	CIP	Regular Council Meeting Fin Committee CIP	Council Receives CIP
Assessor	3/10/2017	Fri		Budg	Assessor Valuation	Valuation Estimates
Fin Committee	3/16/2017	Thu	3:30 PM	Budg	Finance Committee meeting	Budget, review Tax-acquired properties
Council	3/20/2017	Mon	7:00 PM	Budg	Regular Council Meeting Budget Update	
School Dept	3/22/2017	Wed	7:00 PM	Budg	School Board mtg? Review School Budget	School Prelim Budget Numbers approved
Manager	3/31/2017	Fri		Budg		Munic Department Budget Reviews Ends
Council	4/3/2017	Mon	7:00 PM	Budg	Regular Council Meeting Budget Update	
School Dept	4/5/2017	Wed	7:00 PM	Budg	School budget public forum?	
School Dept	4/12/2017	Wed	7:00 PM	Budg	School Board mtg? Finalize School Budget	
Council	4/18/2017	Tue	7:00 PM	Budg CIP	Regular Council Meeting Mgr Budget / Set PH	Council Receives Budget Council Sets Public Hearing
Manager	4/18/2017	Tue		Budg	Present Manager's Budget to Council	
Council	4/20/2017	Thu	6:00 PM	Budg	Council CIP/Budget Workshop	Manager's Proposed CIP
Fin Committee	4/20/2017	Thu	3:30 PM	Budg	Finance Committee meeting	Joint meeting w/ School Finance Committee?? Budget workshop??
Public	4/21/2017	Fri		Budg	Public Notice	Clerk Sends Public Hearing Notice
Council	4/27/2017	Thu	6:00 PM	Budg	Council Workshop	School Budget Presentation
Council	5/4/2017	Thu	6:00 PM	Budg	Council Budget Workshop	
Council	5/11/2017	Thu	7:00 PM	Budg CIP	Public Hearing Budget and CIP	Charter Section 502
Council	5/18/2017	Thu	6:00 PM	Budg	Council Workshop Budget Deliberations	
Fin Committee	5/18/2017	Thu	3:30 PM	Budg	Finance Committee meeting	Budget
Council	5/25/2017	Thu	7:00 PM	Budg CIP	Special Council Meeting Budget & CIP Adoption	Adoption 10 or More Days after Public Hearing
Public	6/13/2017	Tue	8:00 AM	Budg	School Budget Referendum	20-A MRSA 1486

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FOR 2017 01

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
<u>00 Fill</u>							
19000 General Fund Transfers Out	1,453,828	1,453,828	.00	.00	.00	1,453,828.00	.0%
TOTAL Fill	1,453,828	1,453,828	.00	.00	.00	1,453,828.00	.0%
<u>10 General Government</u>							
11000 Administration	606,061	606,061	24,204.03	24,204.03	.00	581,856.97	4.0%
11100 Finance Department	733,405	733,405	43,563.53	43,563.53	89.98	689,751.49	6.0%
11150 Technology Services Dept	371,032	371,032	69,617.93	69,617.93	.00	301,414.07	18.8%
11200 Municipal Officers	90,665	90,665	1,136.15	1,136.15	.00	89,528.85	1.3%
11210 Munic Bldg - 85 Union	212,281	212,281	5,836.80	5,836.80	11,355.12	195,089.08	8.1%
11220 Munic Bldg - 28 Federal	0	0	2,481.12	2,481.12	.00	-2,481.12	100.0%
11230 Risk Management	529,827	529,827	143,006.85	143,006.85	.00	386,820.15	27.0%
11240 Employee benefits	0	0	-16,600.86	-16,600.86	.00	16,600.86	100.0%
11250 Cable TV	67,269	67,269	4,452.68	4,452.68	-1,519.11	64,335.43	4.4%
11300 Assessing	315,863	315,863	19,566.76	19,566.76	3,500.00	292,796.24	7.3%
11600 Town Clerk & Elections	347,453	347,453	14,786.79	14,786.79	.00	332,666.21	4.3%
11900 Planning Department	498,664	498,664	24,947.87	24,947.87	.00	473,716.13	5.0%
11950 Economic Development Dept	120,071	120,071	5,200.52	5,200.52	.00	114,870.48	4.3%
TOTAL General Government	3,892,591	3,892,591	342,200.17	342,200.17	13,425.99	3,536,964.84	9.1%
<u>20 Public Safety</u>							
12100 Fire Department	3,238,027	3,238,027	185,410.09	185,410.09	46,918.64	3,005,698.27	7.2%
12150 Central Fire Station	41,258	41,258	980.55	980.55	3,413.99	36,863.46	10.7%
12160 Emerson Fire Station	51,200	51,200	1,983.77	1,983.77	1,733.91	47,482.32	7.3%
12200 Police Department	3,745,376	3,745,376	203,265.26	203,265.26	3,780.65	3,538,330.09	5.5%
12210 Police Special Detail	0	0	864.34	864.34	.00	-864.34	100.0%
12220 Emergency Services Dispatch	817,420	817,420	40,273.70	40,273.70	.00	777,146.30	4.9%
12250 Police Station Building	104,892	104,892	4,703.41	4,703.41	.00	100,188.59	4.5%
12280 Marine Resources	189,911	189,911	8,976.08	8,976.08	.00	180,934.92	4.7%
12310 Streetlights	215,000	215,000	15,444.92	15,444.92	.00	199,555.08	7.2%
12320 Traffic Signals	31,600	31,600	517.66	517.66	.00	31,082.34	1.6%
12330 Hydrants	465,000	465,000	5,508.64	5,508.64	.00	459,491.36	1.2%
12340 Civil Emergency Preparedness	2,000	2,000	.00	.00	.00	2,000.00	.0%

FOR 2017 01

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
TOTAL Public Safety	8,901,684	8,901,684	467,928.42	467,928.42	55,847.19	8,377,908.39	5.9%
<hr/> 30 Public Works							
13100 Public Works Administration	492,640	492,640	21,699.62	21,699.62	274.75	470,665.63	4.5%
13110 PW General Maintenance	1,720,179	1,720,179	68,497.08	68,497.08	9,532.60	1,642,149.32	4.5%
13130 Refuse Collection	629,847	629,847	6,424.80	6,424.80	.00	623,422.20	1.0%
13140 Recycling	331,644	331,644	-386.00	-386.00	.00	332,030.00	-1%
13150 PW Central Garage	724,456	724,456	21,826.15	21,826.15	9,125.01	693,504.84	4.3%
TOTAL Public Works	3,898,766	3,898,766	118,061.65	118,061.65	18,932.36	3,761,771.99	3.5%
<hr/> 40 Human Services							
14100 General Assistance	173,351	173,351	7,214.76	7,214.76	1,989.85	164,146.39	5.3%
14120 Health & Social Services	2,766	2,766	.00	.00	.00	2,766.00	.0%
TOTAL Human Services	176,117	176,117	7,214.76	7,214.76	1,989.85	166,912.39	5.2%
<hr/> 45 Education							
14500 School Department	37,695,535	37,695,535	751,704.25	751,704.25	.00	36,943,830.75	2.0%
TOTAL Education	37,695,535	37,695,535	751,704.25	751,704.25	.00	36,943,830.75	2.0%
<hr/> 50 Recreation and Culture							
15000 Recreation Administration	431,115	431,115	24,218.03	24,218.03	732.93	406,164.04	5.8%
15050 Rec Buildings and Grounds	723,726	723,726	40,674.41	40,674.41	-5,371.62	688,423.21	4.9%
15250 Rec Building 211	175,585	175,585	3,817.37	3,817.37	-1,375.96	173,143.59	1.4%
15300 Teen Center	16,000	16,000	16,000.00	16,000.00	.00	.00	100.0%
15310 People Plus	123,200	123,200	117,200.00	117,200.00	.00	6,000.00	95.1%
15400 Curtis Memorial Library	1,373,500	1,373,500	113,208.37	113,208.37	.00	1,260,291.63	8.2%
TOTAL Recreation and Culture	2,843,126	2,843,126	315,118.18	315,118.18	-6,014.65	2,534,022.47	10.9%
<hr/> 60 Intergovernmental							

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60	Intergovernmental	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
16000	County tax	1,410,855	1,410,855	.00	.00	.00	1,410,855.00	.0%
	TOTAL Intergovernmental	1,410,855	1,410,855	.00	.00	.00	1,410,855.00	.0%
70	Unclassified							
17000	Promotion and Development	171,699	171,699	125,362.61	125,362.61	.00	46,336.39	73.0%
17010	Additional School Assistance	10,000	10,000	.00	.00	.00	10,000.00	.0%
17020	Cemetery Care	7,000	7,000	1,000.00	1,000.00	.00	6,000.00	14.3%
17030	Wage Adjustment Account	158,000	158,000	.00	.00	.00	158,000.00	.0%
	TOTAL Unclassified	346,699	346,699	126,362.61	126,362.61	.00	220,336.39	36.4%
80	Debt Service							
18020	2006 CIP G/O Bonds	236,000	236,000	.00	.00	.00	236,000.00	.0%
18030	2011 GO CIP Bonds	226,135	226,135	.00	.00	.00	226,135.00	.0%
18040	Police Station Bond	394,625	394,625	.00	.00	.00	394,625.00	.0%
	TOTAL Debt Service	856,760	856,760	.00	.00	.00	856,760.00	.0%
	GRAND TOTAL	61,475,961	61,475,961	2,128,590.04	2,128,590.04	84,180.74	59,263,190.22	3.6%

** END OF REPORT - Generated by Julie Henze **

FOR 2017 01

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
10 Taxes						
111190 41101 Property Taxes	40,255,220	40,255,220	.00	.00	40,255,220.00	.0%
111190 41103 Deferred Property Tax	-200,000	-200,000	.00	.00	-200,000.00	.0%
111190 41104 Tax Abatements	-75,000	-75,000	.00	.00	-75,000.00	.0%
111190 41105 Interest on Taxes	65,000	65,000	8,954.84	8,954.84	56,045.16	13.8%
111190 41106 Tax Lien Costs Revenu	15,000	15,000	530.32	530.32	14,469.68	3.5%
111190 41107 Tax Lien Interest Rev	15,000	15,000	.00	.00	15,000.00	.0%
111190 41109 Payment in Lieu of Ta	225,000	225,000	.00	.00	225,000.00	.0%
111190 41199 Miscellaneous tax adj	4,279	4,279	.00	.00	4,279.00	.0%
111191 41110 Excise Tax - Auto	2,965,000	2,965,000	302,221.88	302,221.88	2,662,778.12	10.2%
111191 41111 Excise Tax Boat/ATV/S	25,000	25,000	1,863.30	1,863.30	23,136.70	7.5%
111191 41112 Excise Tax - Airplane	3,000	3,000	.00	.00	3,000.00	.0%
TOTAL Taxes	43,297,499	43,297,499	313,570.34	313,570.34	42,983,928.66	.7%
TOTAL REVENUES	43,297,499	43,297,499	313,570.34	313,570.34	42,983,928.66	
20 Licenses & Fees						
121111 42207 Passport Fees	11,000	11,000	825.00	825.00	10,175.00	7.5%
121111 42209 Passport Picture Reve	4,000	4,000	255.00	255.00	3,745.00	6.4%
121411 42100 Building Permits	145,000	145,000	19,924.70	19,924.70	125,075.30	13.7%
121411 42101 Electrical Permits	34,000	34,000	5,196.27	5,196.27	28,803.73	15.3%
121411 42102 Plumbing Permits	23,000	23,000	3,247.50	3,247.50	19,752.50	14.1%
121611 42200 Hunting & Fishing Lic	1,200	1,200	66.00	66.00	1,134.00	5.5%
121611 42201 Dog License Fee	2,550	2,550	55.00	55.00	2,495.00	2.2%
121611 42202 Vital Statistics	48,000	48,000	4,390.00	4,390.00	43,610.00	9.1%
121611 42203 General Licenses	20,770	20,770	370.00	370.00	20,400.00	1.8%
121611 42204 Victulars/Innkeepers	19,425	19,425	875.00	875.00	18,550.00	4.5%
121611 42205 Shellfish Licenses	17,950	17,950	275.00	275.00	17,675.00	1.5%
121611 42206 Neutered/Spayed Dog L	4,670	4,670	64.00	64.00	4,606.00	1.4%
121611 42210 Mooring fees	21,700	21,700	100.00	100.00	21,600.00	.5%
121911 42300 Planning Board Appl F	25,000	25,000	1,837.68	1,837.68	23,162.32	7.4%
122121 42400 Fire Permits	2,000	2,000	.00	.00	2,000.00	.0%
122221 42500 Conc Weapons Permits	400	400	40.00	40.00	360.00	10.0%
122221 42501 Parking Permit fee	425	425	.00	.00	425.00	.0%
123131 42600 Public Works Opening	6,000	6,000	500.00	500.00	5,500.00	8.3%
TOTAL Licenses & Fees	387,090	387,090	38,021.15	38,021.15	349,068.85	9.8%
TOTAL REVENUES	387,090	387,090	38,021.15	38,021.15	349,068.85	
30 Intergovernmental						

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			ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
131122	43505	FD EMPG grant	15,000	15,000	.00	.00	15,000.00	.0%
131132	43103	Highway Grant Fund	199,000	199,000	.00	.00	199,000.00	.0%
131142	43104	State General Assista	35,000	35,000	.00	.00	35,000.00	.0%
131190	43102	State Tax Exemption R	42,000	42,000	.00	.00	42,000.00	.0%
131192	43101	State Revenue Sharing	1,109,837	1,109,837	102,682.56	102,682.56	1,007,154.44	9.3%
131192	43106	Snowmobile Receipts	1,400	1,400	.00	.00	1,400.00	.0%
134546	43120	State Education Subsi	10,976,063	10,976,063	.00	.00	10,976,063.00	.0%
TOTAL Intergovernmental			12,378,300	12,378,300	102,682.56	102,682.56	12,275,617.44	.8%
TOTAL REVENUES			12,378,300	12,378,300	102,682.56	102,682.56	12,275,617.44	
40 Charges for services								
141111	44110	Agent Fee Auto Reg	50,000	50,000	4,924.00	4,924.00	45,076.00	9.8%
141111	44111	Agent Fee Boat/ATV/Sn	1,500	1,500	174.00	174.00	1,326.00	11.6%
141211	44121	Rental of Property	1,200	1,200	100.00	100.00	1,100.00	8.3%
141611	44131	Advertising Fees	0	0	122.55	122.55	-122.55	100.0%
142121	44155	Ambulance Service Fee	850,000	850,000	55,674.63	55,674.63	794,325.37	6.5%
142121	44166	Special Detail - Fire	1,000	1,000	.00	.00	1,000.00	.0%
142221	44161	Witness Fees	1,000	1,000	300.00	300.00	700.00	30.0%
142221	44162	Police Reports	4,500	4,500	.00	.00	4,500.00	.0%
142221	44163	School Resource Offic	86,000	86,000	.00	.00	86,000.00	.0%
142221	44165	Special Detail - Poli	3,000	3,000	1,024.00	1,024.00	1,976.00	34.1%
142221	44167	Dispatch Services fee	143,760	143,760	20,913.29	20,913.29	122,846.71	14.5%
143431	44175	Recycling Revenue	20,000	20,000	1,293.10	1,293.10	18,706.90	6.5%
144545	44100	School Tuition, etc	83,339	83,339	.00	.00	83,339.00	.0%
145051	44121	Rental of Property	1,000	1,000	.00	.00	1,000.00	.0%
TOTAL Charges for services			1,246,299	1,246,299	84,525.57	84,525.57	1,161,773.43	6.8%
TOTAL REVENUES			1,246,299	1,246,299	84,525.57	84,525.57	1,161,773.43	
50 Fines & Penalties								
151611	45108	Gen License Late Pena	175	175	25.00	25.00	150.00	14.3%
151611	45109	Mooring Fee Late Pena	1,250	1,250	100.00	100.00	1,150.00	8.0%
151611	45110	Victualers Lic Late P	225	225	200.00	200.00	25.00	88.9%
151611	45111	Shellfish License Lat	600	600	.00	.00	600.00	.0%
151621	45103	Unlicensed Dog Fines	6,000	6,000	125.00	125.00	5,875.00	2.1%
152121	45104	False Alarm Fire	1,000	1,000	.00	.00	1,000.00	.0%

FOR 2017 01

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
152221 45100 Ordinance Fines	600	600	25.00	25.00	575.00	4.2%
152221 45101 Parking Tickets	30,000	30,000	1,970.00	1,970.00	28,030.00	6.6%
152221 45102 Leash Law Fines	200	200	.00	.00	200.00	.0%
152221 45105 False Alarm Police	10	10	.00	.00	10.00	.0%
TOTAL Fines & Penalties	40,060	40,060	2,445.00	2,445.00	37,615.00	6.1%
TOTAL REVENUES	40,060	40,060	2,445.00	2,445.00	37,615.00	
60 Interest earned						
161193 46100 Interest Earned	60,000	60,000	.00	.00	60,000.00	.0%
TOTAL Interest earned	60,000	60,000	.00	.00	60,000.00	.0%
TOTAL REVENUES	60,000	60,000	.00	.00	60,000.00	
70 Donations						
171952 47000 BDC Contrib to Econ D	30,000	30,000	.00	.00	30,000.00	.0%
TOTAL Donations	30,000	30,000	.00	.00	30,000.00	.0%
TOTAL REVENUES	30,000	30,000	.00	.00	30,000.00	
80 Use of fund balance						
181100 48000 Unapprop General Fund	600,000	600,000	.00	.00	600,000.00	.0%
184500 48004 School Balance Forwar	2,599,363	2,599,363	.00	.00	2,599,363.00	.0%
TOTAL Use of fund balance	3,199,363	3,199,363	.00	.00	3,199,363.00	.0%
TOTAL REVENUES	3,199,363	3,199,363	.00	.00	3,199,363.00	
90 Other						
191111 49000 Finance Miscellaneous	4,000	4,000	120.00	120.00	3,880.00	3.0%
191192 49100 Cable Television	245,000	245,000	.00	.00	245,000.00	.0%
191611 49000 Town Clerk Miscellane	1,350	1,350	164.00	164.00	1,186.00	12.1%
191911 49000 Planning Miscellaneou	1,000	1,000	16.50	16.50	983.50	1.7%

FOR 2017 01

	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
192121 49000 Fire Miscellaneous	1,000	1,000	11.76	11.76	988.24	1.2%
192221 49000 Police Miscellaneous	6,000	6,000	125.00	125.00	5,875.00	2.1%
193131 49000 Public Works Miscella	2,000	2,000	49.00	49.00	1,951.00	2.5%
194545 49000 School Miscellaneous	63,000	63,000	.00	.00	63,000.00	.0%
195051 49000 Recreation Miscellane	0	0	1,700.00	1,700.00	-1,700.00	100.0%
199980 48100 General Fund Transfer	514,000	514,000	.00	.00	514,000.00	.0%
TOTAL Other	837,350	837,350	2,186.26	2,186.26	835,163.74	.3%
TOTAL REVENUES	837,350	837,350	2,186.26	2,186.26	835,163.74	
GRAND TOTAL	61,475,961	61,475,961	543,430.88	543,430.88	60,932,530.12	.9%

** END OF REPORT - Generated by Julie Henze **

E. Long-term Liabilities

1. General obligation bonds

The Town issues general obligation debt to provide funds for acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Annual Principal Payments</u>	<u>Amount Outstanding</u>
<u>Governmental Activities</u>					\$ 200,000	
2006 Fire Station & Truck	2006	\$ 3,125,000	4.00%	2021	to 275,000	\$ 1,000,000
2010 Elementary School	2010	21,462,250	2.00% to 5.50%	2030	1,073,113	16,096,687
2011 GO Bonds	2011	4,120,000	2.00% to 3.00%	2021	to 555,000	1,350,000
2013 Police Station	2013	5,500,000	2.00% to 3.50%	2033	275,000	4,675,000
						<u>\$ 23,121,687</u>

All long-term debt of the Town of Brunswick has been issued as general obligation. All of the 2010 Elementary School Bonds were issued through the Maine Municipal Bond Bank (MMBB). A large percentage of those were issued as Build America Bonds (BABs). Interest on BABs is taxable. The issuer, in this case MMBB, files annually for an interest subsidy from the US Treasury. The subsidy lowers the effective interest rate. Further, 87% of the debt service on the Elementary School Bonds is eligible for State subsidy.

The amounts required to amortize all bonds and notes outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>				
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>BABs Subsidy</u>	<u>Net Total</u>
2017	\$ 1,818,112	\$ 845,262	\$ 2,663,374	\$ (220,447)	\$ 2,442,927
2018	1,818,113	792,810	2,610,923	(210,212)	2,400,711
2019	1,818,112	736,377	2,554,489	(198,584)	2,355,905
2020	1,818,113	677,038	2,495,151	(185,937)	2,309,214
2021	1,818,112	616,621	2,434,733	(172,916)	2,261,817
2022-2026	6,740,563	2,322,970	9,063,533	(653,854)	8,409,679
2027-2031	6,740,562	884,813	7,625,375	(233,522)	7,391,853
2032-2033	550,000	18,906	568,906	-	568,906
Total	\$ 23,121,687	\$ 6,894,797	\$ 30,016,484	\$ (1,875,472)	\$ 28,141,012

For the year ended June 30, 2016, the Town paid \$2,098,113 in principal and \$894,062 in interest (net of \$228,895 BABs subsidy) for a total of \$2,763,280 in debt service payments. Due to federal sequestration, the BABs subsidy was reduced in FY 16 by a total of \$15,565, or a 6.8% reduction. 87% of the sequestration reduction is eligible for State subsidy. The Town anticipates BABs subsidy reductions in future years, but cannot estimate the amount of the reduction going forward.

Additional debt authorizations: On July 7, 2014, the Town Council adopted “An Ordinance Authorizing the Acquisition and Installation of Heating, Ventilation, Cooling, and Related Equipment at the Junior High School, with Total Project Costs Not to Exceed \$454,080 (plus any other costs authorized hereunder), and Further Authorizing Issuance of Bonds and Notes in an Amount not to Exceed \$454,080 (plus cost of issuance), plus any Additional Appropriation Authorized Hereunder.” The Town is authorized to make advances, from the Town’s general fund to a capital projects fund, in an aggregate amount not to exceed \$454,080. The air quality project was completed in May, 2015 using funds advanced from the General Fund. The School Department is expected to budget repayments of the advance over five years, in which case bonds may not be issued for this purpose.

On September 2, 2014, the Town Council adopted “An Ordinance Authorizing Storm Drain Improvements and Reconstruction of Nancy Drive, Patricia Road and Pierce Lane, with Total Project Costs Not to Exceed \$580,000 (plus any other authorized costs), and Further Authorizing Issuance of Bonds and Notes in an Amount not to Exceed \$580,000 (plus the cost of issuance).”

On December 1, 2014, the Town Council adopted “An Ordinance Authorizing the Upgrading of Heating, Ventilation, Cooling, and Related Improvements at Emerson Station, with Total Project Costs Not to Exceed \$150,000 (plus any other costs authorized hereunder), and Further Authorizing Issuance of Bonds and Notes in an Amount not to Exceed \$150,000 (plus cost of issuance), plus any Additional Appropriation Authorized Hereunder.”

On September 21, 2015, the Town Council adopted “An Ordinance Authorizing the Funding and Completion of Reappraisal and Revaluation of All Taxable Real Property and All Tax-exempt Real Property Located Within the Town of Brunswick With Total Project Costs Not to Exceed \$400,000 (plus any other costs authorized hereunder), and Further Authorizing Issuance of Bonds and Notes in an Amount not to Exceed \$400,000 (plus cost of issuance), plus any Additional Appropriation Authorized Hereunder.”

On October 5, 2015, the Town Council adopted “An Ordinance Authorizing the Replacement and Upgrade of the Boiler and Domestic Hot Water System at Brunswick High School, with Total Project Costs Not to Exceed \$575,000 (plus any other costs authorized hereunder), and Further Authorizing Issuance of Bonds and Notes in the Amount not to Exceed \$575,000 (plus cost of issuance), plus any Additional Appropriation Authorized Hereunder.”

On March 21, 2016, the Town Council adopted an “Ordinance Authorizing various Health, Safety and ADA Compliance Improvements at the Coffin Elementary School and the Brunswick Junior High School, with Total Project Costs Not to Exceed \$1,517,664, and Further Authorizing Issuance of Bonds and Notes in an Amount not to Exceed \$934,729 (following loan forgiveness of \$582,935).”

On June 6, 2016, the Town Council adopted “An Ordinance Authorizing the Removal and Replacement of Exterior Trim Elements of the Brunswick Town Hall, with Total Project Costs Not to Exceed \$200,000 (plus any other costs authorized hereunder), and Further Authorizing Issuance of Bonds and notes in an Amount not to Exceed \$200,000 (plus cost of issuance), plus any Additional Appropriation Authorized Hereunder.”

State reimbursement for debt service expenditures: The State of Maine currently subsidizes the Town for debt service costs for state approved school construction projects. The subsidy is based on formulas prescribed in Title 20-A M.R.S.A. Continuation of such subsidy is dependent upon the formulas and continued appropriations by the state legislature.

Legal debt limit: The amount of debt a Maine municipality may have is governed by Title 30-A M.R.S.A. section 5702. The law limits total debt and debt for specific categories. The Town’s debt is within both the total and categorical limits prescribed in the law. A full presentation of the debt limit calculations can be found in the statistical section of this Comprehensive Annual Financial Report (CAFR).

TOWN OF BRUNSWICK, MAINE
Legal Debt Margin Information
June 30, 2016

Debt Limit by Category

The amount of debt a Maine municipality may have is governed by Title 30-A M.R.S.A. section 5702. The law limits total debt and debt for specific categories. Total debt cannot exceed 15% of the Town's last full State Valuation. Debt for specific categories is limited to a percentage of State valuation. As the following table indicates, based on a 2016 State Valuation of \$2,082,600,000, the Town is in compliance with the total and categorical debt limits:

<u>Type of Debt</u>	<u>Maximum Percent Allowable</u>	<u>Maximum Allowable Amount</u>	<u>Principal Amount Outstanding</u>	<u>Legal Debt Margin</u>
School	10.00%	\$ 208,260,000	\$ 16,096,688	\$ 192,163,312
Storm or Sanitary Sewer	7.50%	156,195,000	-	156,195,000
Municipal Airport Special Distric	3.00%	62,478,000	-	62,478,000
Municipal	7.50%	156,195,000	<u>7,025,000</u>	149,170,000
Total Maximum Debt	15.00%	\$ 312,390,000	<u>\$ 23,121,688</u>	\$ 289,268,312

Legal Debt Margin Calculation for Fiscal Year 2016

State Valuation	\$ 2,082,600,000
Debt Limit - 15% of State Valuation	312,390,000
Less outstanding debt applicable to debt limit	<u>(23,121,688)</u>
Legal Debt Margin	<u>\$ 289,268,312</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 296,340,000	\$ 313,927,500	\$ 325,800,000	\$ 330,720,000	\$ 321,225,000	\$ 304,207,500	\$ 297,517,500	\$ 303,937,500	\$ 300,060,000	\$ 312,390,000
Total debt applicable to limit	<u>10,510,000</u>	<u>8,785,000</u>	<u>7,240,000</u>	<u>5,715,000</u>	<u>30,177,250</u>	<u>27,439,138</u>	<u>30,211,025</u>	<u>27,322,912</u>	<u>25,219,800</u>	<u>23,121,688</u>
Legal debt margin	\$ 285,830,000	\$ 305,142,500	\$ 318,560,000	\$ 325,005,000	\$ 291,047,750	\$ 276,768,362	\$ 267,306,475	\$ 276,614,588	\$ 274,840,200	\$ 289,268,312
Total debt applicable to the limit as a percentage of debt limit	3.55%	2.80%	2.22%	1.73%	9.39%	9.02%	10.15%	8.99%	8.40%	7.40%

Debt Service	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Bond Year	29	30	31	32	33	34	35	36
Issued Debt								
2006 GO Bonds - Fire Station, Ladder Truck	252,000.00	244,000.00	236,000.00	228,000.00	220,000.00	212,000.00	204,000.00	-
2011 GO Bonds HBS School (BABs net)	1,541,574.40	1,523,153.89	1,505,853.43	1,485,236.26	1,462,031.28	1,436,936.00	1,411,143.20	1,384,652.88
2011 GO Bonds	612,050.00	596,000.00	306,450.00	298,350.00	290,250.00	282,150.00	282,150.00	274,050.00
2013 GO Bonds	<u>405,625.00</u>	<u>400,125.00</u>	<u>394,625.00</u>	<u>389,125.00</u>	<u>383,625.00</u>	<u>378,125.00</u>	<u>372,625.00</u>	<u>367,125.00</u>
Debt Service on Issued Debt	2,811,249.40	2,763,278.89	2,442,928.43	2,400,711.26	2,355,906.28	2,309,211.00	2,269,918.20	2,025,827.88
From Other Sources								
TIF Debt - 2011	83,480.00	82,060.00	78,315.00	76,245.00	74,175.00	72,105.00	70,035.00	-
School Subsidy (estimated)	<u>1,341,738.95</u>	<u>1,325,706.30</u>	<u>1,310,648.50</u>	<u>1,292,703.95</u>	<u>1,272,507.05</u>	<u>1,250,664.88</u>	<u>1,228,215.61</u>	<u>1,205,159.25</u>
Debt Service on Issued Debt from other sources	1,425,218.95	1,407,766.30	1,388,963.50	1,368,948.95	1,346,682.05	1,322,769.88	1,298,250.61	1,205,159.25
Net Debt Service on Issued Debt (from Prop Taxes)	1,386,030.45	1,355,512.59	1,053,964.93	1,031,762.31	1,009,224.23	986,441.12	971,667.59	820,668.63
		(30,517.86)	(301,547.66)	(22,202.62)	(22,538.08)	(22,783.11)	(14,773.53)	(150,998.96)
Authorized But Not Issued								
BJHS Air Quality	-	90,816.00	90,816.00	90,816.00	90,816.00	90,816.00	-	-
Nancy/Patricia/Pierce Road Reconstr.	-	-	-	53,746.67	52,741.33	51,736.00	50,730.67	49,725.33
Emerson Station Building Repairs	-	-	-	18,750.00	18,375.00	18,000.00	17,625.00	17,250.00
Property Revaluation	-	-	-	89,600.00	87,680.00	85,760.00	83,840.00	81,920.00
BHS Boiler Plant Replacement	-	-	-	74,750.00	73,025.00	71,300.00	69,575.00	67,850.00
Town Hall Exterior Trim	-	-	-	15,000.00	14,750.00	14,500.00	14,250.00	14,000.00
Debt Service on Authorized but Not Issued	-	90,816.00	90,816.00	342,662.67	337,387.33	332,112.00	236,020.67	230,745.33
Existing plus ABNI Debt Service (from other sources)	1,425,218.95	1,407,766.30	1,388,963.50	1,368,948.95	1,346,682.05	1,322,769.88	1,298,250.61	1,205,159.25
Existing plus ABNI Net Debt Service (from Prop Taxes)	1,386,030.45	1,446,328.59	1,144,780.93	1,374,424.98	1,346,611.56	1,318,553.12	1,207,688.26	1,051,413.96
		60,298.14	(301,547.66)	229,644.05	(27,813.41)	(28,058.44)	(110,864.86)	(156,274.29)

Town of Brunswick, Maine
Capital Improvement Program
Assumptions

Tier	Bond Years	Bond Year Start							
		30	31	32	33	34	35	36	37
5	0-5	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%
10	6-10	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%
15	11-15	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%
20	16-20	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
25	21-25	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%
30	26-30	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
Base:	2.20%								
Year Inc.	0.10%								
Tier Inc:	0.50%								

Bond Year	Fiscal Year	
30	2015-16	Elementary School
31	2016-17	State Subsidy: 87.04%
32	2017-18	
33	2018-19	Taxes
34	2019-20	One percent: \$395,000
35	2020-21	
36	2021-22	
37	2022-23	

- (a) The first year debt service payment is an estimate assuming level principal payments and the rates and terms shown. Actual rates and terms will be determined if and when bonds are issued.
- (b) Assumes a 1% Tax Rate increase equals: **\$395,000**
- (c) This is the estimated total debt service over the life of the bonds. It assumes the rates and terms shown.

INVESTMENT POLICIES
TOWN OF
BRUNSWICK, MAINE

Council
Adopted
2/25/85

Section A - Investment Objectives

Maine state statutes authorize treasurers to deposit or invest municipal funds by direction of the municipal officers.

Pursuant to 30 MRSA § 5051A, the municipality's investment goal is the preservation of capital and the protection of investment principal.

In investing public funds, the municipality will strive to maximize the return on investments but will avoid assuming unreasonable investment risk.

The municipality's investment portfolio will remain sufficiently liquid to enable the municipality to meet operating requirements which might be reasonably anticipated.

The municipality will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

Section B - Investment Principles

The municipal treasurer shall invest funds for which there is no immediate need, sell and exchange securities so purchased, and deposit such securities for safekeeping. All investment decisions shall be made considering the investment objectives contained in Section A and exercising judgment and care under the circumstances then prevailing.

The following investment principles shall guide the treasurer in the conduct of the municipality's investment program:

1. The municipality may purchase only legally authorized investments under 30 MRSA § 5051A.
2. The maturity date of new investments shall not be further than the time the municipality anticipates that it will need the funds. To maintain liquidity, new investments shall have a maturity of one year or less for municipal operating funds.

- 25
3. The municipality shall not make investments for the purpose of trading or speculating, such as anticipating an increase of capital through changes in market interest rates.
 4. Investment in certificates of deposit can only be made in financial institutions that participate in the federal deposit insurance system. Any funds invested above the \$100,000 insurance limit, must be collateralized by the financial institution.
 5. Available cash balances in checking accounts shall not exceed required compensating balances. The treasurer shall invest available funds on a day to-day basis.
 6. The municipality will invest in state financial institutions as much as possible and can only invest in out-of-state financial institutions when a significant net interest rate differential exists. The significant difference shall be 1/8 of 1%.
 7. Repurchase agreements may only be obtained from known and financially stable financial institutions. Repurchase agreements must be collateralized by U.S. Government securities with a market value equal to or greater than the municipality's investment and be perfected under Maine Statutes.
 8. The treasurer shall competitively bid municipal investments in excess of \$99,000 from qualified financial institutions to ensure that funds are invested at the best rate of return, subject to the limitation contained in paragraph 6.

Section C - Reporting and Control

The town auditor shall, as a part of his annual financial audit, include comments relative to compliance with investment policies.

Section D - Code of Ethics

Personnel shall administer the investment program so as to prevent any real or perceived violation of their fiduciary responsibilities. Such responsibility carries with it the duty to ensure that all investments are placed without any improper influence or personal gain.

Section E - Transfer Authorization

To accomplish the investment principles, outlined above, the Town Council hereby designates the Town Treasurer as agent for the purpose of making cash transfers between checking accounts or short term investments by means of bank transfer or issuance of transfer of fund checks when he deems it advisable to improve the interest income therefrom and to invest any surplus funds in short term investments including savings accounts, certificates of deposit and such other investments as the Town Council may approve.

Town of Brunswick Investment Policy

I. Introduction

The intent of the Investment Policy of the Town of Brunswick (“Town”) is to define the parameters within which funds are to be managed. In methods, procedures and practices, the policy formalizes the framework for the Town’s investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the Town’s funds. The guidelines are intended to be broad enough to allow the investment officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

II. Governing Authority

The investment program shall be operated in conformance with federal, state, and other legal requirements, including the State of Maine Title 30-A M.R.S.A. section 5706, and 5711-5719.

III. Scope

This policy applies to activities of the Town of Brunswick with regard to investing the financial assets of all funds. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Maine. The covered funds, and any new funds created by the Town unless specifically exempted by the oversight board and this policy, are defined in the Town of Brunswick’s Comprehensive Annual Financial Report.

Proceeds from certain bond issues, and separate endowment assets are covered by separate policies.

Except for funds in certain restricted and special funds, the Town commingles its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. General Objectives

The primary objectives, in priority order, of investment activities shall be:

1. Safety

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

a. Credit Risk

The Town of Brunswick 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 types of securities listed in Section VIII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Town will do business in accordance with Section VI, 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.

b. Interest Rate Risk

The Town of Brunswick 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, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see Section IX).

2. *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 to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. *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 of safety and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

4. *Special Considerations*

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State. The Town may accept a proposal from an eligible institution which provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community and economic development projects.

V. **Standards of Care**

1. *Prudence*

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 this investment policy and exercising due diligence shall be relieved of personal liability 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.

The "prudent person" standard states that,

“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.”

2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure

shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the Town of Brunswick.

3. Delegation of Authority and Responsibilities

Authority to manage the investment program is granted to the Treasurer, hereinafter referred to as investment officer and derived from the following: Brunswick Town Charter, Article V, Section 507. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

VI. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. Authorized Financial Institutions, Depositories, and Broker/Dealers

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of FINRA certification
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the Town of Brunswick's investment policy.
- Evidence of adequate insurance coverage.

A periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

2. Minority, Emerging and Community Financial Institutions

From time to time, the investment officer may choose to invest in instruments offered by minority, emerging and community financial institutions. All terms and relationships will be fully disclosed prior to purchase, and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law.

VII. Safekeeping and Custody

1. Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the Town of Brunswick's safekeeping institution prior to the release of funds.

2. Third-Party Safekeeping

Securities will be held by an independent third-party custodian selected by the Town. All securities will be evidenced by safekeeping receipts in the Town's name.

3. *Internal Controls*

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in written procedures that shall be reviewed and updated annually.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Staff training and
- Review, maintenance and monitoring of security procedures both manual and automated.

The external auditor shall provide an annual independent review to assure compliance with state law, policies and procedures.

VIII. Suitable and Authorized Investments

1. *Investment Types and Credit Guidelines*

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable. Typical types of securities include:

- U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments;
- Certificates of Deposit;
- Bankers' acceptances;
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Fully collateralized Repurchase agreements collateralized in compliance with this Policy, governed by a SIFMA Master Repurchase Agreement and with a maximum maturity;
- SEC registered money market mutual funds; and
- Local government investment pools.

2. *Collateralization*

Where allowed or required by state law and in accordance with the GFOA Recommended

Practices on Collateralizing Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

IX. Investment Parameters

1. Diversification

It is the policy of the Town of Brunswick to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, assets in all Town funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

2. Maximum Maturities

To the extent possible, the Town of Brunswick shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Town shall adopt weighted average maturity limitations consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as collateralized deposit accounts, local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

X. Reporting

1. Annual report

The investment officer shall prepare an investment report at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last year. The report should be provided to the Town's Finance Committee. The report will include, at a minimum, the following:

- a. An asset listing showing cost and market value of each security, type of investment, issuer, and interest rate;
- b. Maturity distribution of the portfolio;
- c. Average portfolio credit quality; and,
- d. Distribution by type of investment.

2. Annual audit

Management shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

XI. Policy Considerations

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be

exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officer and any other appropriate authority, as well as the individuals charged with maintaining internal controls.

XII Approval of Investment Policy

The investment policy and any modifications to that policy shall be formally approved and adopted by the Town Council, and shall be reviewed annually by the Finance Committee

XIII. Attachments

The following documents, as applicable, are attached to this policy:

Glossary

State of Maine Title 30-A M.R.S.A. section 5706, and 5711-5719

GFOA Best Practices and Advisories: Collateralizing Public Deposits (2007 – GFOA TIM Committee)

DRAFT

Glossary

US Treasury Obligation

Direct obligations of the United States Treasury whose payment is guaranteed by the United States.

GSE – Agency Obligations

US Government Agencies, Government Sponsored Enterprises (*GSEs*), Corporations or Instrumentalities of the US Government – Federal Instrumentality Securities include, but are not limited to Federal National Mortgage Association (*FNMA*), the Federal Home Loan Mortgage Corporation (*FHLMC*), Federal Home Loan Banks (*FHLB*), and the Federal Farm Credit Bureau (*FFCB*).

Commercial Paper

Commercial Paper* that is rated A1/P1 and has long term bonds which have a minimum rating of AA- by Standard and Poor's and Aa3 by Moody's

Bankers' Acceptances

Bankers' acceptances, if the bankers' acceptances are: (i) Guaranteed by, and carried on the books of, a qualified financial institution; (ii) Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations. For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Maine.

Repurchase Agreements

An agreement with a approved broker/dealer that provides for sell and simultaneous purchase of a allowable collateral security. The difference in the sales and purchase price is the earning rate on the agreement. A master repurchase agreement must be in place with the approved broker/dealer or financial institution.

Local Government Investment Pool

State treasurer's local short-term investment fund, up to the statutory limit per state statute.

Certificates of Deposit/Bank Deposit/Savings Accounts

Time deposit open accounts, certificates of deposit and savings accounts in insured institutions as defined in State Statute, in credit unions as defined in State statute or in federal credit unions, if the institution or credit union maintains a head office or a branch in this State of Maine.

Municipal Obligations

Lawfully issued debt obligations of the agencies and instrumentalities of the State of Maine and its political subdivisions that have a long-term rating of A or an equivalent rating or better, or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.

Maine Revised Statutes

Title 30-A: MUNICIPALITIES AND COUNTIES HEADING: PL 1987, c. 737, Pt. A, §2 (new)

Chapter 223: MUNICIPAL FINANCES HEADING: PL 1987, c. 737, Pt. A, §2 (new)

§5706. DEPOSIT OR INVESTMENT OF FUNDS

As directed by the municipal officers, the treasurer shall invest all municipal funds, including reserve funds and trust funds, to the extent that the terms of the instrument, order or article creating the fund do not prohibit the investment, as follows: [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

1. Financial institutions. In accounts or deposits of institutions insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund or the successors to these federal agencies.

A. Accounts and deposits exceeding an amount equal to 25% of the capital, surplus and undivided profits of any trust company or national bank or a sum exceeding an amount equal to 25% of the reserve fund and undivided profit account of a mutual savings bank or state or federal savings and loan association on deposit at any one time must be secured by the pledge of certain securities as collateral, or fully covered by insurance.

(1) The collateral must be in an amount equal to the excess deposit. The municipal officers shall determine the value of the pledged securities on the basis of market value and shall review the value of the pledged securities on the first business day of January and July of each year.

(2) The collateral may consist only of securities in which municipalities may invest, as provided in article 2. The securities must be held in a depository institution approved by the municipal officers and pledged to indemnify the municipalities against any loss. The depository institution shall notify the municipal officers of the pledging when the securities are deposited; [2015, c. 44, §9 (AMD) .]

[2015, c. 44, §9 (AMD) .]

2. Repurchase agreements. In repurchase agreements with respect to obligations of the United States Government, as defined in section 5712, subsection 1, as long as the market value of the underlying obligation is equal to or greater than the amount of the municipality's investment and either the municipality's security entitlement with respect to the underlying obligation is created pursuant to the provisions of Title 11, Article 8-A and other applicable law or the municipality's security interest is perfected pursuant to the provisions of Title 11, Article 9-A and other applicable law, except that, if the term of the repurchase agreement is not in excess of 96 hours, the municipality's security interest with respect to the underlying obligation need not be perfected as long as an executed Public Securities Association form of master repurchase agreement is on file with the counterparty prior to the date of the transaction;

[1999, c. 699, Pt. D, §19 (AMD); 1999, c. 699, Pt. D, §30 (AFF) .]

3. Mutual funds. In the shares of an investment company registered under the United States Investment Company Act of 1940, Public Law 76-768, whose shares are registered under the United States Securities Act of 1933, Public Law 73-22, provided that the investments of the fund are limited to bonds and other direct obligations of the United States Government, as defined in section 5712, subsection 1 or repurchase agreements secured by bonds and other direct obligations of the United States Government, as defined in section 5712, subsection 1;

[1997, c. 367, §1 (AMD) .]

3-A. Mutual funds for trusts governed by the United States Internal Revenue Code, Section 501(c)(3). In the case of a trust fund that is governed by the United States Internal Revenue Code, Section 501 (c) (3) (1997), in the

shares of any investment company registered under the United States Investment Company Act of 1940, Public Law 76-768, whose shares are registered under the United States Securities Act of 1933, Public Law 73-22, as long as:

A. The investment is approved by the municipal officers at a public meeting; and [2003, c. 8, §1 (AMD) .]

B. No more than 50% of the assets of the trust are invested in mutual funds under this subsection; or [2003, c. 8, §1 (AMD) .]

C. [2003, c. 8, §1 (RP) .]

[2003, c. 8, §1 (AMD) .]

4. Safekeeping and investment management agreements. The municipal officers may enter into an agreement with any financial institution with trust powers authorized to do business in the State for the safekeeping of the reserve funds, as defined in section 5801, or trust funds, as defined by section 5653, of the municipality. Services must consist of the safekeeping of the funds, collection of interest and dividends, and any other fiscal service that is normally covered in a safekeeping agreement. Investment of reserve funds or trust funds deposited under a safekeeping agreement may be managed either by the financial institution with which the funds are deposited or by an investment advisor registered with the National Association of Securities Dealers, federal Securities and Exchange Commission or other governmental agency or instrumentality with jurisdiction over investment advisors, to act in such capacity pursuant to an investment advisory agreement providing for investment management and periodic review of portfolio investments. Investment of funds on behalf of the municipality under this section is governed by the rule of prudence, according to Title 18-B, sections 802 to 807 and chapter 9. The contracting parties shall give assurance of proper safeguards that are usual to these contracts and shall furnish insurance protection satisfactory to both parties.

[2003, c. 618, Pt. B, §17 (AMD); 2003, c. 618, Pt. B, §20 (AFF) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD). 1989, c. 104, §§C8,10 (AMD). 1995, c. 206, §1 (AMD). 1995, c. 664, §2 (AMD). 1997, c. 367, §§1,2 (AMD). 1997, c. 429, §C35 (AMD). 1999, c. 699, §D19 (AMD). 1999, c. 699, §D30 (AFF). 2003, c. 8, §1 (AMD). 2003, c. 618, §B17 (AMD). 2003, c. 618, §B20 (AFF). 2013, c. 16, §10 (REV). 2015, c. 44, §9 (AMD) .

§5711. INVESTMENTS IN GENERAL

Municipalities may hereafter invest their funds in securities in accordance with this article, subject to the conditions and limitations set forth in this article or the terms of the instrument, order or article creating the fund being invested. Limitations set forth in this article concerning the maximum amount which may be invested in a security or type of security shall apply only to an investment in that security or type of security which exceeds \$20,000.

Investments made under this article shall be made by the treasurer upon direction of the municipal officers.

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD). 1989, c. 104, §§C8,10 (AMD) .

§5712. GOVERNMENT UNIT BONDS

Municipalities may invest in: [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

1. United States and instrumentalities. The bonds and other direct obligations of the United States, or the bonds and other direct obligations or participation certificates issued by any agency, association, authority or instrumentality created by the United States Congress or any executive order;

[1995, c. 206, §1 (AMD) .]

2. States. The bonds and other direct obligations issued or guaranteed by any state or by any instrumentality or agency of any state, or by any political subdivision of any state, provided that the securities are rated within the 3 highest grades by any rating service approved by the Superintendent of Financial Institutions;

[1995, c. 206, §1 (AMD); 2001, c. 44, §11 (AMD); 2001, c. 44, §14 (AFF) .]

3. Maine. The bonds and other direct obligations issued or guaranteed by this State, or issued by any instrumentality or agency of this State, or any political subdivision of the State that is not in default on any of its outstanding funded obligations;

[1995, c. 206, §1 (AMD) .]

4. Canada. The bonds and other direct obligations issued or guaranteed by the Dominion of Canada, or issued or guaranteed by any province, or political subdivision of a province, provided that the securities are rated within the 3 highest grades by any rating service approved by the Superintendent of Financial Institutions and are payable in United States funds; and

[1995, c. 206, §1 (AMD); 2001, c. 44, §11 (AMD); 2001, c. 44, §14 (AFF) .]

5. Short-term obligations. Prime bankers' acceptances and prime commercial paper.

[1995, c. 206, §1 (NEW) .]

Investments made pursuant to this section are limited to direct obligations of the issuer in which the municipality directly owns the underlying security. Obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest do not qualify as investments under this section. [1995, c. 206, §1 (NEW) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD).
1989, c. 104, §§C8,10 (AMD). 1995, c. 206, §1 (AMD). 2001, c. 44, §11 (AMD).
2001, c. 44, §14 (AFF) .

§5713. CORPORATE SECURITIES

Municipalities may invest in: [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

1. Corporate bonds. The bonds and other obligations of any United States or Canadian corporation, provided that the securities are rated within the 3 highest grades by any rating service approved by the Superintendent of Financial Institutions and are payable in United States funds. Not more than 2% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested in the securities of any one such corporation;

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD); 2001, c. 44, §11 (AMD); 2001, c. 44, §14 (AFF) .]

2. Maine corporate bonds. The bonds and other obligations of any Maine corporation, actually conducting in this State the business for which that corporation was created, which, for a period of 3 successive fiscal years or for a

period of 3 years immediately preceding the investment, has earned or received an average net income of not less than 2 times the interest on the obligations in question and all prior liens or, in the case of water companies subject to the jurisdiction of the Public Utilities Commission, an average net income of not less than 1 1/2 times the interest on the obligations in question and all prior liens. Not more than 20% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested in these securities of Maine corporations and not more than 2% of that fund in the securities of any single corporation; and

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

3. Maine corporate stocks. Maine corporate stocks which have the following characteristics.

A. The stock of any Maine corporation, other than stock of a financial institution, actually conducting in this State the business for which that corporation was created, provided that the corporation has, for a period of 3 years immediately preceding the investment, earned and received an average net income after taxes equivalent to at least 6% upon the entire outstanding issue of the stock in question. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

B. Not more than 10% of the deposits of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested under this section in stocks of Maine corporations and not more than 1% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be so invested in the stock of any single corporation. The fund shall be invested in no more than 20% of the capital stock of any corporation. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD). 1989, c. 104, §§C8,10 (AMD). 2001, c. 44, §11 (AMD). 2001, c. 44, §14 (AFF) .

§5714. FINANCIAL INSTITUTION STOCK AND OTHER OBLIGATIONS

1. Municipalities may invest in:

A. The debentures of any financial institution authorized to do business within this State, incorporated under the laws of this State or the United States and of any financial institution holding company, provided that the holding company is registered under the United States Bank Holding Company Act of 1956, as amended, or the National Housing Act, Section 408, as amended; [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

B. The capital stock, preferred stock, debentures and acceptances of any insured bank not having an office in this State which has total capital and reserves of at least \$50,000,000 and of any bank holding company whose subsidiary banks have total capital and reserves of at least \$50,000,000, provided that the holding company is registered under the United States Bank Holding Company Act of 1956; [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

C. Capital notes or debentures issued by any municipalities chartered under the laws of any state, or of the United States, or of the Commonwealth of Puerto Rico, notwithstanding the fact that these notes or debentures may be subordinate to the claims of depositors or other creditors of the issuing institution. Not more than 1% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be so invested; and [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

D. Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the Inter-American Development Bank or the African Development Bank. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD).]

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

2. Limitations. A municipality shall not acquire or hold stock and obligations described in subsection 1 in excess of 30% of the total assets of the reserve fund, permanent trust fund or other permanent fund being invested; nor shall it acquire or hold stock and obligations of any one bank or holding company not operating in this State in excess of 5% of the total assets of the reserve fund, permanent trust fund or other permanent fund being invested; nor shall any such fund be invested in that stock in excess of 10% of the capital stock of any one bank or holding company.

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD). 1989, c. 104, §§C8,10 (AMD).

§5715. OTHER STOCK INVESTMENTS

Municipalities may invest in: [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD).]

1. Preferred stock of public utilities. The preferred stock of any public corporation if all of the publicly issued bonds of the corporation qualify as legal investments under section 5713, subsection 1 or 2. Not more than 10% of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested in preferred stocks of public utilities, and not more than 1% of any such fund may be invested in the preferred stocks of any one corporation;

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

2. Bonds of nonprofit organizations. The bonds or other interest-bearing obligations of any religious, charitable, educational or fraternal association or corporation. Not more than 10% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested in securities coming within the coverage of this subsection, and not more than 1% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested in securities of any one such association or corporation;

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

3. Small business investment companies. The stock of small business investment companies licensed under the United States Small Business Investment Act of 1958, as amended, and commercially domiciled in Maine and doing business primarily in Maine. Not more than 1% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested in the stock of small business investment companies and any such fund shall not be invested in more than 10% of the stock of any one small business investment company; and

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

4. Maine Capital Corporation. The stock of the Maine Capital Corporation, established under Title 10, chapter 108, in an amount not to exceed 1% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested.

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD).
1989, c. 104, §§C8,10 (AMD).

§5716. OTHER PRUDENT SECURITIES

Municipalities may invest in such securities as the municipal officers consider to be sound, prudent investments, the making of which would not otherwise be legal but for this section. Not more than 10% of the total assets of the permanent reserve fund, permanent trust fund or other permanent fund being invested may be invested in securities within the coverage of this section and investments in the stock of the State's financial institutions shall not be considered within this section. This section does not limit the authority of municipalities to invest in securities specifically regulated by this article; rather, this section gives additional authority to invest 10% in any type of prudent security. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD).
1989, c. 104, §§C8,10 (AMD).

§5717. RETENTION OF UNAUTHORIZED SECURITIES

Municipalities may acquire and hold securities not authorized by law, but which have been acquired in settlements, reorganizations, recapitalizations, mergers, consolidations, by receipt of stock dividends or the exercise of rights applicable to securities held by the municipalities and may continue to hold these securities at the discretion of the municipal officers. Municipalities may continue to hold at the discretion of the municipal officers securities under authorization of law. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD).
1989, c. 104, §§C8,10 (AMD).

§5718. STANDARD OF PRUDENCE

All investments made under this subchapter must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment, considering: [1995, c. 206, §2 (NEW) .]

1. Safety. The safety of principal and preservation of capital in the overall portfolio;

[1995, c. 206, §2 (NEW) .]

2. Maintenance of liquidity. Maintenance of sufficient liquidity to meet all operating and other cash requirements with which a fund is charged that are reasonably anticipated; and

[1995, c. 206, §2 (NEW) .]

3. Income. The income to be derived throughout budgetary and economic cycles, taking into account prudent investment risk constraints and the cash-flow characteristics of the portfolio.

[1995, c. 206, §2 (NEW) .]

This standard must be applied to the overall investment portfolio of the municipality and not to individual items within a diversified portfolio. [1995, c. 206, §2 (NEW) .]

SECTION HISTORY

1995, c. 206, §2 (NEW) .

§5719. LIMITATIONS ON INVESTMENTS

A municipality's authority to invest municipal funds is limited to investments permitted under this subchapter and a municipality has no authority under home rule authority or otherwise to make any investments other than those permitted under this subchapter. [1995, c. 206, §2 (NEW) .]

SECTION HISTORY

1995, c. 206, §2 (NEW) .



GFOA Best Practice

Collateralizing Public Deposits

Background. The safety of public funds should be the foremost objective in public fund management. Collateralization of public deposits through the pledging of appropriate securities or other instruments (i.e. surety bonds or letters of credit) by depositories is an important safeguard for such deposits. The amount of pledged collateral is determined by a governmental entity's deposit level and the policy or legal required collateral margin. Some states have established programs for the pooling of collateral for deposit of public funds.

Federal law imposes certain limitations on collateral agreements between financial institutions and public entities in order to secure governmental entity deposits. Under certain circumstances, as are discussed in recommendations below, the Federal Deposit Insurance Corporation (FDIC) may void an otherwise perfected security interest and leave the governmental depositor with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution for the amount of deposits that exceed the FDIC coverage. Separate governmental "corporations" such as economic development corporations or water supply corporations, etc., do not fulfill the FDIC's definition of "public unit"¹ and therefore even accurately completed collateral definition may not be honored by the FDIC on a bankruptcy.

Recommendation. GFOA recommends the use of a written agreement with pledging requirements as protection for state or local government's deposits. GFOA encourages governmental entities to establish adequate and efficient administrative systems to monitor such pledged collateral, including state or locally administered collateral pledging or collateral pools. To accomplish these goals, GFOA recommends the following:

1. Governmental entities should implement programs of prudent risk control. Such programs could include a formal depository risk policy, credit analysis, and use of fully secured investments. In the absence of a state program for pooling collateral, public entities should establish and implement collateralization procedures, including procedures to monitor their collateral positions. Monitoring informs a public entity of undercollateralization, which may threaten the safety of an entity's deposits, and overcollateralization, which may increase the cost of banking services. Governmental entities however can not and should not accept the liability for maintaining collateral levels which liability must fall to the financial institution.
2. Governmental entities/depositors should take all possible actions to comply with state and federal requirements in order to ensure that their security interests in collateral pledged to secure deposits are enforceable against the

receiver of a failed financial institution. Federal law provides that a depositor's security agreement, which tends to diminish or defeat the interest of the FDIC in an asset acquired by it as receiver of an insured depository, shall not be valid against the FDIC unless the agreement:

- is in writing;
 - was approved by the board of directors of the depository or its loan committee and²
 - has been, continuously, from the time of its execution, an official record of the depository institution.³
3. Governmental entities should have all pledged collateral held at an independent third-party institution outside the holding company of their bank, and evidenced by a written agreement in an effort to satisfy the Uniform Commercial Code (UCC) requirement for control. The UCC states that the depositor does not have a perfected interest in a security unless the depositor controls it. Control means that swaps, sales, and transfers cannot occur without the depositor's written approval.
 - The value of the pledged collateral should be marked to market monthly, or more frequently depending on the volatility of the collateral pledged. Some state statutes do dictate a minimum margin level for collateral based on deposit levels (e.g., Georgia and Minnesota statutes require 110 percent). If not, the margin levels should be at least 102 percent, depending on the liquidity and volatility of the collateral pledged. State statutes also govern whether minimum margin levels apply to principal only or to accrued interest as well. On a sale, accrued interest would be received. Governmental entities should review applicable state statutes and confirm compliance.
 - Substitutions of collateral should meet the requirements of the collateral agreement, be approved, by the entity in writing prior to release, and the collateral should not be released until the replacement collateral has been received.
 - The public entity should require reporting directly from the custodian. The custodian should warrant and be signatory to the agreement
 - Reporting by the third party institution should at a minimum be monthly.
 4. The pledge of collateral should comply with the investment policy or state statute, whichever is more restrictive. Governmental entities should know and understand securities pledged as collateral.
 5. Governmental entities that use surety bonds in lieu of collateral should limit the insurers to those of the highest credit quality as determined by a nationally recognized insurance rating agency. A thorough review of the terms of the bond is required.
 6. The governmental entity should thoroughly review the terms and conditions of any letters of credit, including those issued by a federal agency or government sponsored enterprise.

7. The governmental entity should establish and follow procedures for on-going review of collateral.

Note: As a result of the court case North Arkansas Medical Center v. Barrett, 963 F.2d 780 (8th Cir. 1992), the FDIC issued a policy statement in March 1993 indicating that it would not seek to void a security interest of a federal, state, or local public unit solely because the security agreement did not comply with the contemporaneous execution requirement set forth in Section 13(e) of the Federal Deposit Insurance Act 12 U.S.C.1823(e). The policy statement was officially enacted by Section 317 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law 103-325).

References.

GFOA Sample Security Agreement (long and short versions), www.gfoa.org, 2009.

GFOA Sample Custodial Trust Agreement, www.gfoa.org, 2006.

An Introduction to Collateralizing Public Deposits for State and Local Governments, Second Edition, M. Corinne Larson, GFOA, 2006.

Investing Public Funds, Second Edition, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.

FDIC Act (12 U.S.C. 1811 et seq. and 12 C.F.R. Part 330.330.15 Public Unit Accounts (www.FDIC.gov))

NOTES:

¹ For deposit insurance purposes, the term "public unit" includes a state, county, municipality, or "political subdivision" thereof. Governments should review Section 330.15 of the FDIC's regulations (12 C.F.R. 330.15) to identify if they fall within the FDIC's definition of 'public unit' and to determine whether they are public entity qualifying for collateral protection under the definition. This information can be found at <http://www.fdic.gov/deposit/deposits/FactSheet.html>

² The FDIC does not require every transaction to be reviewed by the board of directors. The board may fulfill this function by setting parameters and authorizing a particular officer to carry out its wishes. The officer would be performing ministerial acts on behalf of the board. (FDIC Interpretive Letters)

³ Corporate resolutions that list specific officers who are authorized by the board of directors to execute agreements securing public deposits will meet this requirement.

Approved by the GFOA's Executive Board, October, 2007.