

WATERBURY PUBLIC LIBRARY INVESTMENT POLICY

The elected Library Commissioners of the Town of Waterbury, in accordance with all applicable federal and Vermont state laws including, but not limited to 22 V.S.A. § 143, are the Trustees of the Library Trust Fund. The Library Commissioners, as Trustees, are responsible for the control, protection, administration, and investment of the said funds and for determining the use of its proceeds for the benefit of the Waterbury Public Library. This policy supersedes any and all previous trust documents and investment policies.

I. OBJECTIVES

- A. To protect and safeguard the assets of the Library Trust Fund which is administered by the Town of Waterbury. Safety of principal is the foremost objective.
- B. To provide a rate of growth for the Library Trust Fund which exceeds the rate of inflation.
- C. The investments shall be diversified by security type and institution to reduce overall risk.
- D. The assets of the Library Trust Fund shall be managed to provide income and a rate of growth over time.

II. RESPONSIBILITIES

- A. The Library Commissioners shall make all decisions concerning the composition of the investment portfolio of the Library Trust Fund and shall make all decisions about the use or transfer of Library Trust Fund assets. In accordance with the expressed consent of a majority of Library Commissioners, the Waterbury Town Treasurer or Assistant Treasurer shall have the authority to invest or withdraw the assets of the Library Trust Fund. The Treasurer of the Board of Library Commissioners, with the concurrence of the Library Commissioners, may consult with the Municipal Manager to develop strategies for investing and cash management. If agreed to by the Library Commissioners, a third-party administrator or financial advisor may be hired to invest funds, which may be held in a brokerage account or held by the Town of Waterbury. The Library Commissioners shall establish the overall investment policies and guidelines for the Library Trust Fund.

III. STANDARDS

- A. **Prudent Investor Rule:** In accord with 14A V.S.A. § 902 (a), investment and management of trust assets shall be made "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution."

- B. **Conflicts of Interest:** Members of the Board of Library Commissioners shall disclose any significant outside activity or interest that could relate to the Library's investment portfolio. Said members shall not engage in any personal or business activity that could conflict with the Library's investment decisions and shall also conform to the Conflict of Interest Policy of the Town of Waterbury.
- C. **Personal Responsibility:** Any member of the Board of Library Commissioners making investment decisions in accordance with this Library Investment Policy and exercising due diligence, shall be relieved of personal responsibility for investment losses or other changes, provided that any deviations from expectations are reported to the Board in a timely manner and that liquidity and sale of securities are carried out in accordance with the terms of the Library Investment Policy.

IV. CASH MANAGEMENT AND INVESTMENT GUIDELINES

- A. Investments of the Library Trust Fund shall be considered and accounted for separately.
- B. When new or additional cash, defined as including cash, cash equivalents, checks, securities, or other financial instruments are made available for investment, such cash shall be deposited as soon as reasonably possible.
- C. All checks issued from any Town fund shall be approved by the Select Board in accord with the Town's policy for approval of warrants and orders.
- D. Investments shall conform to all federal and state statutes and regulations governing the investment of public funds.
- E. Allowable Investment Asset Classes
 - 1. Cash and cash equivalents denominated in U.S. dollars.
 - 2. Fixed income securities issued by the U.S. government, U.S. government agencies, or political subdivisions of the U.S.
 - 3. Investment grade fixed income securities issued by U.S. or foreign companies.
 - 4. Preferred equity securities of U.S. companies may be purchased as mutual funds or unit trusts. Other purchases of preferred equity shares of individual companies or corporations are specifically prohibited.
 - 5. Common equity securities of U.S. companies may be purchased as mutual funds or unit trusts. However, other purchases of common equity shares of individual companies or corporations may only be made with the express approval of the Board of Library Commissioners.
 - 6. Fixed income securities issued by non-U.S. governments and non-U.S. government agencies.
 - 7. Municipal bonds or notes.

F. Risk Tolerance

1. Risk Tolerance is defined as the generally expected relationship between investment risk (where a significant decline in value or loss of principal may occur) and reward (anticipated increase in the value of the fund over time).
2. "Moderate" risk tolerance is defined as a risk equal to or slightly below that of the Standard & Poor's Five Hundred Index. All other risk tolerances in this policy are measured in relationship to this definition of "moderate" risk tolerance. Finance and investment industry graphs, matrixes, and tables adequately describe risk/reward relationships when evaluating investment options. The Treasurer of the Board of Library Commissioners shall have the authority to determine whether a portfolio conforms to "Risk Tolerance" guidelines for a particular fund.

The objectives and guidelines stated above are general in nature and apply to the Library Trust Fund and any other account controlled by the Board of Library Commissioners and administered by the Town of Waterbury.

V. LIBRARY TRUST FUND

- A. Allowable Asset Classes are all asset classes described in Section IV (E) above.
- B. Time Horizon - In perpetuity
- C. Risk Tolerance - Moderate
 1. All cash or cash equivalents shall be insured or properly collateralized unless the Board of Library Commissioners, by unanimous vote, agrees to waive the requirement for such insurance or collateralization.
 2. When purchased, fixed income securities shall be rated at least Baa3 by Moody's or BBB- by Standard & Poor's. These ratings and those higher are considered "investment grade" ratings. If the rating of a fixed income security within the portfolio falls below investment grade, the Board of Library Commissioners and its Treasurer shall be notified. The "prudent investor rule," described in Section III (A) above, shall be used to sell the said security when appropriate. However, the Board of Library Commissioners, by unanimous vote, may agree to keep said security in the portfolio if that is deemed to be in the interest of the public.
 3. The maximum maturity of any single issue fixed income security shall not exceed 30 years unless there is a put option within 20 years.
 4. Up to 100% of the Library Trust Fund may be invested in common equity securities purchased as mutual funds.
 5. Up to 100% of the portfolio of common equity securities may be invested in one mutual fund.

This Investment Policy of the Waterbury Public Library is adopted this 9th day of September, 2024, by the Board of Library Commissioners as indicated by their signatures below.

[Signature] Mayant R Monland

[Signature] Katherine Walker

[Signature]

Attest: Karen Petrovic

Karen Petrovic, Town Treasurer