

Investment Policy

I. Initial Endowment

A. An endowment for the Watertown library was established in 1907 and the initial donations totaled \$18,200.

B. The original principal of \$18,200 has a permanent restriction and shall be preserved per Resolution 89-13.

II. Guidelines for investment objectives of Library donations are as follows:

A. Preservation of Principal Earning Power. Dollar value of investment principal should ideally grow at the average rate of inflation.

B. Generation of Income. In addition to the preservation of principal earning power, investments should additionally be designed to generate maximum income with no more than moderate risk.

C. Kind of Investments. Mutual funds are preferred instruments because of distribution of risk, ease of matching the mutual fund investment objectives with endowment investment objectives, and the ability to segregate and track the various gifts and their resulting income.

D. Brokerage Fees and Costs Should Be Minimized. "No load" funds are ideal because there is no incentive to stay with marginally performing mutual funds and no penalty for moving investments to other more favorable mutual funds or fund families.

E. Investment Tracking. There should be an easy and simple way to segregate gifts and their subsequent earnings and appreciation according to purpose and origin.

F. Ethical Propriety. So as to avoid conflict of interest, brokerage firms used by the Library should avoid investing in proprietary funds managed by the brokerage firm. Endowments may not be managed by any brokerage firm which employs the following: Library employees or their relatives, members of the Library Board of Trustees or their relatives, or City Administrators or their relatives.