

TOWN OF SOUTH BRISTOL
INVESTMENT AND DEPOSIT POLICY PROCEDURES

(Adopted October 29, 2015)

SCOPE

This investment policy applies to all moneys and other financial resources available for investment by the Town of South Bristol (the "Town") on its own behalf or on the behalf of any other entity or individual.

OBJECTIVES

The objectives of this investment and deposit policy and procedures are, in priority order:

Investments will conform to all applicable federal, state and other legal requirements

Investments and bank deposits (*hereafter collectively referred to as investment*) shall be made in a manner so as to safeguard the funds of the municipality.

Investments shall be sufficiently liquid so as to allow funds to be available as needed to meet the obligations of the municipality.

Funds shall be invested in such a way as to earn the maximum yield possible given the first two investment objectives.

DELEGATION OF AUTHORITY

The responsibility for administration of the Town's investment program is delegated to the Town's Chief Fiscal Officer, the Town Supervisor, who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a database or reports incorporating description and amounts of investments, transaction dates and other relevant information presented to the Town Board on a regularly scheduled basis and provide for the regulation of the activities of subordinate employees.

PRUDENCE

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Town Board to govern effectively.

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 safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of their investment program, or which could impair their ability to make impartial investment decisions.

DIVERSIFICATION

It is the policy of the Town Board to diversify, to the best of its ability, deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

INTERNAL CONTROLS

It is the policy of the Town Board for all moneys collected by any officer or employee of the Town to transfer those funds to the Town Supervisor within two (2) days of deposit, or within the time period specified in law, whichever is shorter.

The Town Supervisor is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly and managed in compliance with applicable laws and regulations.

AUTHORIZATION

The authority to deposit and invest funds delegated to the Chief Fiscal Officer of the municipality shall be performed in accordance with the applicable sections of the General Municipal Law of the State of New York. Authorized investments will include:

1. **Obligations of the State of New York.**
2. **Obligations of the U.S. Government** or any obligation for which principal and interest are fully guaranteed by the U.S. Government.
3. **Time deposit accounts** placed in a commercial bank authorized to do business in the State of New York¹, providing the account is collateralized as described within this policy.
4. **Transaction accounts** (*demand deposits*) both interest bearing and non-interest bearing that do not require notice of withdrawal placed in a commercial bank authorized to do business in the State of New York¹, providing the account is collateralized as described within this policy.
5. **Certificates of deposit** placed in a commercial bank authorized to do business in the State of New York, providing the certificates are collateralized as described within this policy.
6. **Securities purchased pursuant to a repurchase agreement** whereby one party purchases securities from a second party and the second party agrees to repurchase those same securities on a specific future date at an agreed upon rate of return (*interest rate*).

7. **Obligations issued pursuant to the LFL 24.00 or 25.00** (purchase of revenue or tax anticipation notes with the approval of the State Comptroller) by any municipality, school district or district corporation other than the Town of South Bristol.
8. **Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies** where the general State Statutes governing such entities or whose specific enabling legislation authorizes such investments.
9. **Obligations of the Town of South Bristol, but only with any moneys in a reserve fund established pursuant to GLM, 6-c, 6-d, 6-e, 6-g, 6-j, 6-k, 6-l, 6-m or 6-n.**

(1) New York State Banking Law, Section 1237(2) prohibits a savings bank from accepting a from a local government. This also applies to savings and loan associations.

DEPOSITS

The municipality, upon the recommendation of the Chief Fiscal Officer, shall annually designate authorized depositories for funds of the municipality. These depositories shall only be commercial banks authorized to conduct business in the State of New York. Each authorized depository shall execute a security agreement, which will provide that collateral is being pledged by the bank as security for the municipality's deposits. Each authorized custodial bank or trust company shall execute a custodial agreement. This agreement must acknowledge that the pledged collateral is being held by the custodian bank or trust company as agent of and custodian for the municipality. The depository and custodian may be the same bank or trust company.

TERMS AND CONDITIONS OF INVESTMENTS

CERTIFICATES OF DEPOSIT:

Investment in certificates of deposit shall be collateralized as described in the executed security/custodial agreement. The municipality shall take possession of the certificate and maintain it in safekeeping area.

MINIMUM TERM – 7 DAYS MAXIMUM TERM – 360 DAYS

REPURCHASE AGREEMENTS:

MINIMUM TERM – OVERNIGHT MAXIMUM TERM – 15 DAYS

UNDERLYING SECURITIES – MATURITY CANNOT EXCEED ONE YEAR

UNDERLYING SECURITIES – MUST BE DIRECT U.S. OBLIGATION

OPERATING PROCEDURES

The Chief Fiscal Officer is responsible for the investment of the municipality's funds. Authorized finance department staff will make investments based upon projections or cash flow needs, so that investments shall mature at such time when funds are estimated to be needed for the orderly payment of the municipality's obligations.

Investments should be based upon competitive bids solicited by telephone by the finance department staff authorized by the Chief Fiscal Officer and shall be awarded to the highest bidder who is able to pledge according to this policy.

Funds will only be transferred between institutions in the name of the municipality by using the Federal Reserve Wire Transfer (Fed Wire) system, or by check and only by staff as authorized in writing by the Chief Fiscal Officer or his/her designee.

Funds may be transferred within the same institution only between accounts and by authorized staff.

A listing of authorized staff will be approved by the Town Board and maintained by the Supervisor. Said list will be forwarded to the authorized depositories.

If changes in staff or staff responsibilities occur, updated authorization letters will be forwarded to the depositories.

All investments shall be in the name of the municipality. The Town Supervisor will maintain an investment log detailing the specific information relative to each investment. All investment transactions will be promptly reported to the comptroller for entry into the accounting system.

Comparisons of the existing investments to those recorded in the accounting system will be performed routinely.

Monthly, a report of all existing investments will be prepared the Chief Fiscal Officer who will compare existing investments to those recorded in the accounting system.

INTERNAL CONTROLS

The individual(s) responsible for the day-to-day activity of the cash investments must annually take at least one vacation of five (5) consecutive business days, and the day-to-day investment activities will be carried out by another member listed on the authorized staff list.

COLLATERAL

All investments of the municipality, except repurchase agreements and direct purchases of obligations of the federal government, shall be secured (collateralized) by the pledging of eligible securities. All such investments shall first be secured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage to the extent available. Collateral required in excess of FDIC Insurance

coverage shall be pledged in accordance with Chapter 708 of the General Municipal Law and the executed security/custodial agreement.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) COVERAGE IS AS FOLLOWS:

**\$250,000 TRANSACTION ACCOUNTS
\$250,000 TIME DEPOSITS**

In accordance with the provisions of general municipal law, 10, all deposits of the Town of South Bristol, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

1. By a pledge of “eligible securities” with an aggregate “market value”, or provided by general Municipal Law, 10, equal to 102% of the aggregate amount of deposits.
2. By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits in favor of the Town of South Bristol for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of the deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk based capital requirement.
3. By an eligible surety bond payable to the government, for an amount at least equal to 100% of the aggregate by an insurance authorized to do business in New York State, whose claims paying ability is rated in the highest rating category by at least two nationally recognized statistically rating organization.
4. By an “irrevocable letter of credit” issued in favor of the Town of South Bristol by the federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization. Such letter of credit shall be payable to the Town of South Bristol as security for payment of 100% of the aggregate amount of public deposits with the participating institution as provided by General Municipal Law section 10(3)(c)(ii).
5. Through the use of “reciprocal deposit” programs in accordance with General Municipal Law (GML) Section 10 and 11 as amended by Chapter 128 of the Laws of 2012. Said deposit placement program, which divides a local government’s deposits into multiple deposits, all under the FDIC \$250,000 limit, and then deposits in that account are made into other FDIC-insured banking institutions, thereby increasing the available FDIC coverage. At the same time, each of the banking institutions into which a piece of the

original deposit was made makes a “reciprocal deposit” back into the bank or trust company that holds the local government’s original deposit. Such agreements must include the following provisions:

- The local government’s depository bank or trust company must serve as custodian for the local government for the redeposited funds.
- The local government funds held in the depository bank or trust company in excess of FDIC coverage, pending redeposit, must be properly secured in accordance with the GML.
- The full amount of the redeposited funds, plus any accrued interest, must be covered by the FDIC.
- At the same time of the redeposit, the local government’s depository bank or trust company must receive an amount at least equal to the amount of the local government’s funds deposited.

SAFEKEEPING AND COLLATERIZATION

Eligible securities used for collateralizing deposits shall be held by (the depository and/or a third party) bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure local government deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable the local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Town of South Bristol or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company, and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

PURCHASED OBLIGATIONS

When obligations of the U.S.A., or obligations guaranteed by the U.S.A. are purchased directly by the municipality, the municipality as owner shall be inscribed on the securities and they shall be delivered to the municipality, or its designated depository, for safekeeping. If in book entry form, such securities shall be registered in the name of the municipality.

AUDIT AND CONTROL

The Chief Fiscal Officer's internal review and/or the Town's independent certified public accountants shall, in conjunction with the municipality's audit, annually review the investment policies and procedures used by the department of finance to be certain they are in conformance with all applicable laws and regulations.

The investments and deposits of the municipality will be made in accordance with the specifics as outlined in the above-noted resolutions.

Any participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law will be reviewed by the Town's Chief Fiscal Officer and/or the Town's independent certified public accountants shall verify such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board.