

Village of Brockport
Comprehensive Financial Management Policy
(General Municipal Law Section 39)
(Annual Organizational Meeting Policy Readoption)
Investment Policy
Adopted 7/21/14
Confirmed By Village Board 7/16/18

1. Investment Policy Purpose:

The Board of Trustees desires to provide the finest services possible to its residents, compatible with the least cost to the taxpayers. To achieve this goal all sources of revenue, other than taxes, must be enhanced. Interest earnings offer large potential alternative revenue.

The Board of Trustees desires that excess Village monies, not needed for immediate payment of bills, be temporarily invested to earn a safe return as provided for within the Village Law, General Municipal Law, Local Finance Law and Banking Law. The priorities for investing Village monies shall be (in order of priority):

1.1 Safety – Funds must not be lost by the Village.

1.2 Liquidity – Appropriate amounts must be available for each payroll, debt service, and abstract date. No investment should mature later than the date the invested funds are anticipated to be needed and in no case, more than two years from date of purchase.

1.3 Yield – The highest market interest rate available (other conditions being equal) is to be solicited.

2. Prudence:

All participants in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village's ability to govern effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs: not for speculation, but for investment, considering the safety of the principal as well as the possible income to be derived.

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

3. Diversification:

The policy of the Board of Trustees is to reduce risk by diversifying deposits and investments by: (1) bank or trust company, (2) investment instrument, and (3) date of investment maturity.

4. Delegation of Authority

The Board of Trustees hereby specifically delegates the authority to sign the written security and/or custodial agreements with the designated banks and to make the day-to-day investment decisions within the guidelines and limitations of this policy resolution to the incumbent position in the title of:

4.1 Treasurer, and/or

4.2 Mayor.

The above officers and administrators are hereby authorized to utilize the advisory services of municipal consulting firms in planning the timing, amount, maturity, bidding, placement, and reporting on any investments made hereunder.

5. Authorized Institutions:

The Board of Trustees authorizes the use, of the following institutions, located and authorized to do business in New York State, for placing investments and specifically prohibits using private brokerage or investment firms. Diversification of depositories increases the safety and total FDIC coverage of Village monies. Consequently, to the extent practical, more than one financial institution may be utilized. The Village must enter into a written Security Agreement with each institution. (General Municipal Law Section 10 & 11, Local Finance Law Section 165.00 (b), Banking Law Section 107 – a).

- 5.1 JP Morgan Chase Maximum deposit – unlimited
- 5.2 First Niagara Bank Maximum deposit - \$2,500,000
- 5.3 M & T Bank Maximum deposit - \$2,500,000

6. Authorized Investment Instruments:

The Board of Trustees authorizes the following types of investment instruments for investing Village monies with institutions authorized to do business in New York State:

- 6.1 Savings Accounts
- 6.2 Money Market Accounts
- 6.3 Certificates of Deposit
- 6.4 Repurchase Agreements
- 6.5 U. S. Treasury Bonds, Bills, Notes.

7. FDIC Insurance and Overage Collateralization:

The primary objectives of this policy are to enhance the safety and availability of any Village monies invested. These objectives are partially met by FDIC insurance covering the first \$250,000 of Village deposits.

Any amounts exceeding the FDIC insurance limits, as presently set or subsequently revised are to be insured to the Village by requiring an allocation and pledge of appropriate collateral by the financial institution where the investment is placed. All investments must be bid specifying “with collateral”. Written custodial and/or security agreements must be entered into with each financial institution (General Municipal Law, Section 10 and 11, Banking Law Section 107-a) which require the custodial bank or trust company to keep the securities they purchased as collateral for the Village separate and apart from the institution's own assets. Banking Law requires the financial institution to comply in completing the written agreements.

8. Security Agreement:

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. The security agreement 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 Village to exercise its rights against the pledged securities, in the event the securities are not registered or inscribed in the name of the Village, such securities shall be delivered in a form suitable for transfer or with an “assignment in blank” to the Village or its custodial bank.

9. Custodial Agreement:

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 co-mingled with or become part of the backing for any 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 Village a perfected interest in the securities.

10. Collateral:

Village deposits and investments may be secured either by obligations or securities or, in whole or in part, by a surety bond or irrevocable letter of credit.

Surety bonds must be issued by an insurance company authorized to do business in this State, the claims paying ability of which is rated in the highest rating category by at least two nationally recognized rating organizations. The surety bond must equal to 100% of the aggregate amount of deposits and the agreed upon interest.

Eligible letters of credit will be those issued by a bank or trust company (other than the bank or trust company with which the investment is placed) with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest that either:

10.1 has commercial paper or other unsecured short term debt obligations (or, in the case of a bank which is the principal subsidiary of a holding company, whose holding company has commercial paper and other unsecured short term debt obligations) rated in one of the nationally recognized rating organizations; or

10.2 is in compliance with applicable minimum federal risk based capital requirements.

11. Eligible Securities for Collateral Purposes:

The current market value of collateral utilized must equal or exceed the value of the collateral deposits. The currently permitted collateral may be subsequently supplemented by new instruments when approved by the Office of the State Comptroller. Permissible collateral includes (General Municipal Law Section 11, 31CFR, 203.15):

11.1 United States obligations.

11.2 Obligations of United States agencies, subdivisions, or departments, where payment of principal and interest is guaranteed or insured by the United States.

11.3 Obligations of New York State.

11.4 Obligations of New York municipal corporations, school districts, or district corporations of the State of New York.

11.5 Obligations issued or guaranteed by United States agencies or government sponsored corporations.

11.6 Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank.

All investment obligations shall be payable or redeemable at the option of the Village within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided: and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Village within two years of the date of purchase.

12. Transfer of Funds:

The Board of Trustees specifically authorizes the designated officials the authority to use electronic transfer of funds, among the approved banking institutions, to assist in obtaining "federal funds" enhanced interest rates. Each such transfer shall be specifically identified in the original journal entry as a "wire transfer" and subsequently supported by the bank statement or confirmation notice to provide an audit trail.

13. Safekeeping:

The Board of Trustees specifically authorizes the designated officials the authority to turn over the physical custody of Certificates of Deposit and other evidence of investments for "safekeeping"

possession to the bank, as provided in General Municipal Law Section 11(3), to facilitate access to funds at maturity and to eliminate having bearer certificate in the Village offices.

14. Co-Mingling of Funds:

The co-mingling of various funds into a single common investment is specifically authorized provided that the separate identity of each fund is maintained and the propionate share of interest is allocated to each upon maturity of the investment. (General Municipal Law Section 10 and 11.)

15. Written Reports:

All investments shall be documented in written reports to the Mayor, for subsequent presentation to the Board of Trustees outlining the details of each investment including: the amount, dated and maturity dates, interest rate and the unsuccessful quotes received thereon. When investments are placed these reports should be presented no less than monthly (General Municipal Law Section 10).