

## **INVESTMENT POLICY OF THE VILLAGE OF ROCKVILLE CENTRE**

### **§1. Scope.**

This investment policy applies to all moneys and other financial resources available for investment by the Village or by any other entity or individual on behalf of the Village.

### **§2. Objectives.**

The primary objectives of the Village's investment activities are to:

- A. Conform to all applicable federal, state and other legal requirements;
- B. Adequately safeguard principal;
- C. Provide sufficient liquidity to meet all operating requirements; and
- D. Obtain a reasonable rate of return

### **§ 3. Delegation of authority.**

The responsibility of the Board of Trustees for administration of the Village's investment program is delegated to the Village Treasurer, who shall establish written procedures for the operation of the investment program consistent with these program guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

### **§ 4. 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 Village to govern effectively.

A. 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.

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

### **§5. Diversification.**

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

## **§6. Internal controls.**

A. It is the policy of the Village for all moneys collected by any officer or employee of the Village to transfer those funds to the Village Treasurer within three days of deposit, or within the time period specified by law, whichever is shorter.

B. The Village Treasurer 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 are managed in compliance with applicable laws and regulations.

## **§7. Designation of depositories.**

The Board of Trustees shall establish a list of banks and trust companies authorized for the deposit of moneys. Unless otherwise provided by the Board of Trustees, deposits in each may be made and maintained to the maximum amount for which Federal Deposit Insurance Act insurance is available or other maximum amount as set forth in an approved collateral agreement between the Village and such institution.

## **§8. Collateralizing of deposits.**

In accordance with the provisions of General Municipal Law § 10, all deposits of the Village, including certificates of deposit and special time deposits, in excess of the amounts insured under the provisions of the Federal Deposit Insurance Act shall be secured:

A. by a pledge of "eligible securities" with an aggregate market value as provided by General Municipal Law § 10, equal to the aggregate amount of deposits from the categories designated in Appendix A of this policy;

B. by an irrevocable letter of credit, issued by a qualified bank other than the bank with the deposits, in favor of the Village for a term not to exceed 90 days with an aggregate value at least equal to 140% of the aggregate amount of 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 requirements. Notwithstanding the foregoing, a letter of credit issued by a federal home loan bank may have a term in excess of 90 days, and shall have an aggregate value at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any; or

C. by an eligible surety bond, in form approved by the Village Attorney, payable to the Village for an amount at least equal to 100% of the aggregate amount of deposits

and the agreed upon interest, if any, executed by an insurance company 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 statistical rating organizations.

#### **§9. Safekeeping and collateralization.**

Eligible securities used for collateralizing deposits shall be held by a third-party bank or trust company subject to security and custodial arrangements.

A. The security agreement shall be in a form approved by the Village Attorney, and 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 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.

B. The custodial agreement shall be in a form approved by the Village Attorney, and 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 Village a perfected interest in the securities.

#### **§10. Permitted investments.**

A. As authorized by General Municipal Law § 11, the Village authorizes the Village Treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- (1) Special time deposit accounts.
- (2) Certificates of deposit.
- (3) Obligations of the United States of America, an agency thereof or a United States government sponsored corporation or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof, or a United States government sponsored corporation.
- (4) Obligations of the State of New York.
- (5) Obligations issued pursuant to Local Finance Law § 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the Village.

(6) 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.

(7) Certificates of Participation (COPS) issued pursuant to General Municipal Law § 109-b.

(8) Obligations of the Village, but only with any moneys in a reserve fund established pursuant to General Municipal Law §§ 6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m or 6-n.

(9) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of New York State or obligations of any public benefit corporation which under a specific state statute may be accepted as security for deposit of public moneys.

(10) 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.

(11) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.

## **§11. Authorized financial institutions and dealers.**

The Village shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the Village conducts business must be creditworthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Village. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Village Treasurer is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. Such listing shall be evaluated at least annually.

**§11A. Redeposits authorized.** Pursuant to General Municipal Law §10(2)(a)(ii), as the same may be amended from time to time, any bank or trust company designated as an authorized depository for Village funds pursuant to this policy may arrange for the redeposit of the Village's funds in one or more banking institutions, as defined pursuant to section nine-r of the Banking Law, for the account of the Village, through a deposit placement program that meets all the following conditions:

- A. On or after the date that the Village's funds are received, the designated bank or trust company (i) arranges for their deposit of such funds into deposit accounts in one or more banking institutions, and (ii) serves as custodian for the Village with respect to the funds redeposited into such accounts.

- B. The Village's funds deposited in a designated bank or trust company in accordance with this subparagraph and held in the designated bank or trust company in excess of the amount insured by the federal deposit insurance corporation (FDIC) pending redeposit of the funds, pursuant to this subparagraph, shall be secured in accordance with section 8 of the Village's Investment Policy and General Municipal Law §10(3).
- C. The full amount of the Village's funds redeposited by the designated bank or trust company into deposit accounts in banking institutions pursuant to this subparagraph (plus accrued interest, if any) shall be insured by the FDIC.
- D. At the same time that the money of the Village is redeposited pursuant to this subparagraph, the selected depository receives an amount of deposits from customers of other financial institutions pursuant to the deposit placement program that are at least equal to the amount of the Village's funds redeposited by the designated bank or trust company.

## **§12. Purchase of investments.**

A. The Village Treasurer is authorized to contract for the purchase of investments:

(1) directly, including through a repurchase agreement, from an authorized trading partner;

(2) by participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5-G of the General Municipal Law where 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 Board of Trustees; or

(3) By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the Village Board of Trustees.

B. All purchased obligations, unless registered or inscribed in the name of the Village, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by any bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Village by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law § 10.

C. The custodial agreement shall be in a form approved by the Village Attorney and be in substantial compliance with the Model Agreement promulgated by the New York State Department of Audit and Control. The custodial agreement shall provide that securities held by the bank or trust company, as 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 also shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the Village a perfected interest in the securities.

**§13. Repurchase agreements.** Repurchase agreements are not authorized.

## APPENDIX A

### Schedule of Eligible Securities

- 100% \_\_\_\_ (i) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.
- 100% \_\_\_\_ (ii) 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.
- 100% \_\_\_\_ (iii) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.
- 100% \_\_\_\_ (iv) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.
- 100% \_\_\_\_ (v) Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- 100% \_\_\_\_ (vi) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- 100% \_\_\_\_ (vii) Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- 80% \_\_\_\_ (viii) Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- 60% \_\_\_\_ (ix) Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.
- 100% \_\_\_\_ (x) Commercial paper and bankers' acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.

100% \_\_\_\_ (xi) Zero coupon obligations of the United States government marketed as "Treasury strips."