

Town of New Lebanon Investment Policy

Scope

This investment policy applies to all moneys and other financial resources available for deposit and investment by the Town of New Lebanon on its own behalf or on behalf of any other entity or individual.

Objectives

The primary objectives of the local government's investment activities are, in priority order:

- A. To conform with all applicable federal, state and other legal requirements (legality).
- B. To adequately safeguard principal (safety).
- C. To provide sufficient liquidity to meet all operating requirements (liquidity).
- D. To obtain a reasonable rate of return (yield).

Delegation of Authority

The governing board's responsibility for administration of the investment program is delegated to the Town Supervisor who shall establish written procedures for the operation of the investment program consistent with these investment policies. Such procedures shall include internal controls to provide a satisfactory level of accountability based upon records incorporating the description and amounts of investments, the fund(s) for which they are held, the place(s) where kept, and other relevant information, including dates of sale or other dispositions and amounts realized. In addition, the internal control procedures shall describe the responsibilities and levels of authority for key individuals involved in the investment program.

Prudence

- A. 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 of New Lebanon to govern effectively.
- B. Investments shall be made with prudence, diligence, skill, judgment, and care, under circumstances then prevailing, which knowledgeable and prudent persons acting in like capacity would use, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.
- C. 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.

Diversification

It is the policy of the Town of New Lebanon to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling. The governing board shall establish appropriate limits for the amount of investments which can be made with each financial institution or dealer, and shall evaluate this listing at least annually.

Internal Controls

- A. It is the policy of the Town of New Lebanon for all moneys collected by any officer or employee of the government to transfer those funds to the Supervisor within the time period specified by law.
- B. The Town Supervisor is responsible for establishing and maintaining internal control procedures 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, properly recorded, and managed in compliance with applicable laws and regulations.

Designation of Depositaries

The banks and trust companies that are authorized for the deposit of moneys, and the maximum amount which may be kept on deposit at any

time for each of the Town Officers, will be established annually by resolution adopted by the Town Board at its organizational meeting. A resolution adopted pursuant to this paragraph shall be maintained in the office of the Town Clerk and shall remain in effect until amended, repealed, or the next succeeding resolution pursuant to this section is adopted.

Securing Deposits and Investments

All deposits and investments at a bank or trust company, including all demand deposits, certificates of deposit and special time deposits (hereinafter, collectively, "deposits") made by officers of the Town of New Lebanon that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by at least one of the following:

- A. A pledge of eligible securities with an aggregate market value (as provided by GML § 10) that is at least equal to the aggregate amount of deposits by the officers. See Appendix A of this policy for a listing of eligible securities.
- B. A pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the aggregate amount of deposits from all such officers within the state at the bank or trust company.
- C. An eligible surety bond payable to the government 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. The governing board shall approve the terms and conditions of the surety bond.
- D. An eligible letter of credit, payable to the Town of New Lebanon as security for the payment of 140% of the aggregate amount of deposits and the agreed-upon interest, if any. An eligible letter of credit shall be an irrevocable letter of credit issued in favor of the Town of New Lebanon, for a term not to exceed 90 days, by a qualified bank (other than the bank where the secured money is deposited). A qualified bank is either one whose commercial paper and 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's 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 one that is in compliance with applicable federal minimum risk-based capital requirements.

- E. An irrevocable letter of credit issued in favor of the Town of New Lebanon by a 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, as security for the payment of 100% of the aggregate amount of deposits and the agreed-upon interest, if any.

Collateralization and Safekeeping

- A. Eligible securities used for collateralizing deposits made by officers of the Town of New Lebanon shall be held by (the depository or a third party) bank or trust company subject to security and custodial agreements.
- B. The security agreement shall provide that eligible securities (or the pro rata portion of a pool of eligible securities) are being pledged to secure such deposits together with agreed-upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon a default. It shall also provide the conditions under which the securities (or pro rata portion of a pool of eligible 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.
- C. In the event that the pledged securities are not registered or inscribed in the name of the Town of New Lebanon, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Town of New Lebanon or the custodial bank or trust company. Whenever eligible securities delivered to the custodial bank or trust company are transferred by entries on the books of a federal reserve bank or other book-entry system operated by a federally regulated entity without physical delivery of the evidence of the obligations, then the records of the custodial bank or trust company shall be required to show, at all times, the interest of the government in the securities (or the pro rata portion of a pool of eligible securities) as set forth in the security agreement.
- D. The custodial agreement shall provide that pledged securities (or the pro rata portion of a pool of eligible securities) will be held by the bank or

trust company as agent of, and custodian for, the Town of New Lebanon, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall also describe how the custodian shall confirm the receipt, substitution, or release of the collateral and it shall provide for the frequency of revaluation of collateral by the custodial bank or trust company and for the substitution of collateral when a change in the rating of a security causes ineligibility. The security and custodial agreements shall also include all other provisions necessary to provide the Town of New Lebanon with a perfected security interest in the eligible securities and to otherwise secure the local government's interest in the collateral, and may contain other provisions that the governing board deems necessary.

Permitted Investments

- A. As provided by General Municipal Law § 11, the Town of New Lebanon authorizes the Town Supervisor 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 in, or certificates of deposit issued by, a **bank** or trust company located and authorized to do business **in** the State of New York.
 - (2) Obligations of the United States of America.
 - (3) Obligations guaranteed by agencies of the United States of America, where the payment of principal and interest are guaranteed by the United States of America.
 - (4) Obligations of the State of New York.
 - (5) With the approval of the State Comptroller, obligations issued pursuant to Local Finance Law § 24.00 or 25.00 (i.e., Tax anticipation notes and Revenue anticipation notes) by any municipality, school district or district corporation in the State of New York other than the Town of New Lebanon.
 - (6) Obligations of the Town of New Lebanon, but only with moneys in a reserve fund established pursuant to General Municipal Law § 6-c, 6-d, 6-e, 6-f, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

- B. All investment obligations shall be payable or redeemable at the option of the Town of New Lebanon within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event at the option of the Town of New Lebanon within two years of the date of purchase. Time deposit accounts and certificates of deposit shall be payable within such times as the proceeds will be needed to meet expenditures for which the moneys were obtained, and shall be secured as provided in §§ 23-8 and 23-9 herein.
- C. Except as may otherwise be provided in a contract with bondholders or noteholders, any moneys of the Town of New Lebanon authorized to be invested may be commingled for investment purposes, provided that any investment of commingled moneys shall be payable or redeemable at the option of the Town of New Lebanon within such time as the proceeds shall be needed to meet expenditures for which such moneys were obtained, or as otherwise specifically provided in General Municipal Law § 11. The separate identity of the sources of these funds shall be maintained at all times and income received shall be credited on a pro rata basis to the fund or account from which the moneys were invested.
- D. Any obligation that provides for the adjustment of its interest rate on set dates is deemed to be payable or redeemable on the date on which the principal amount can be recovered through demand by the holder.

Authorized Financial Institutions and Dealers

- A. All financial institutions and dealers with which the Town of New Lebanon transacts business shall be creditworthy and have an appropriate level of experience, capitalization, size, and other factors that make the financial institution or the dealer capable and qualified to transact business with the Town of New Lebanon. The Town Supervisor shall evaluate the financial position and maintain a listing of proposed depositories, trading partners, and custodians. Recent reports of condition and income (call reports) shall be obtained for proposed banks, and security dealers that are 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.
- B. The Town of New Lebanon shall maintain a list of financial institutions and dealers approved for investment purposes, and establish

appropriate limits to the amounts of investments that can be made with each financial institution or dealer.

Purchase of Investments

- A. The Town Supervisor is authorized to contract for the purchase of investments:
 - (1) Directly, from an authorized trading partner.
 - (2) By participation in a cooperative investment agreement with other authorized municipal corporations pursuant to Article 5-G of the General Municipal Law and in accordance with Article 3-A of the General Municipal Law.
- B. All purchased obligations, unless registered or inscribed in the name of the local government, 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 such 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 Town of New Lebanon by the bank or trust company.
- C. 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(3)(a). The agreement shall provide that securities held by the bank or trust company, as agent of, and custodian for, the Town of New Lebanon, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall also describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to secure the local government's perfected interest in the securities, and the agreement may also contain other provisions that the governing board deems necessary. The security and custodial agreements shall also include all other provisions necessary to provide the Town of New Lebanon with a perfected interest in the securities.
- D. The Town Supervisor can direct the bank or trust company to register and hold the evidences of investments in the name of its nominee, or may deposit or authorize the bank or trust company to deposit, or

arrange for their deposit with a federal reserve bank or other book- entry transfer system operated by a federally regulated entity. The records of the bank or trust company shall show, at all times, the ownership of such evidences of investments, and they shall be, when held in the possession of the bank or trust company, at all times, kept separate from the assets of the bank or trust company. All evidences of investments delivered to a bank or trust company shall be held by the bank or trust company pursuant to a written custodial agreement as set forth in General Municipal Law § 10(3)(a), and as described earlier in this section. When any such evidences of investments are so registered in the name of a nominee, the bank or trust company shall be absolutely liable for any loss occasioned by the acts of such nominee with respect to such evidences of investments.

Annual Review and Amendments

The Town of New Lebanon shall review this investment policy annually, and it shall have the power to amend this policy at any time.

Definitions

The terms "public funds," "public deposits," "bank," "trust company," "eligible securities," "eligible surety bond," and "eligible letter of credit" shall have the same meanings as set forth in General Municipal Law§ 10.

Town of New Lebanon

Investment Policy Appendix A

Schedule of Eligible Securities for Collateralizing Deposits
and Investments in Excess of FDIC Coverage

Eligible Securities for Collateral	For purposes of determining aggregate market value, eligible securities shall be valued at these percentages of market value
(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 this 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% if rated in the highest category; 90% for 2nd highest; 80% for 3rd highest.
(vi) Obligations of the Commonwealth of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization	100% if rated in the highest category; 90% for 2nd highest; 80% for 3rd highest.

Eligible Securities for Collateral	For purposes of determining aggregate market value, eligible securities shall be valued at these percentages of market value
(vii) Obligations of counties, cities and other governmental entities of another state 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	100% if rated in the highest category; 90% for 2nd highest; 80% for 3rd highest.
(viii) Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization	80%
(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 federal bank regulatory agencies	70%
(x) Commercial paper and bankers' acceptances issued by a bank (other than the bank with which the money is being deposited or invested) 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	80%
(xi) Zero-coupon obligations of the United States government marketed as "Treasury Strips"	80%

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