

# City of Beacon Investment Policy

## **I. SCOPE**

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

## **II. OBJECTIVES**

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

- To conform with all applicable Federal, State and other legal requirements (legality);
- To adequately safeguard principle (safety);
- To provide sufficient liquidity to meet all operating requirements (liquidity) and
- To obtain a reasonable rate of return (yield).

## **III. DELEGATION OF AUTHORITY**

The City Council's responsibility for administration of the investment program is delegated to the City Administrator and Director of Finance 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 funds for which they are held, the places where they are kept and other relevant information, including dates of sale or other dispositions and amounts realized. In addition, the internal control procedures shall describe the responsibility levels of authority for key individuals involve in the investment program.

## **IV. 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 City of Beacon to govern effectively.

Investments shall be made with prudence, diligence, skill, judgement and care, under circumstances then prevailing, which knowledgeable and prudent persons acting in the capacity would use, 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 the proper execution of the investment program or which could impair their ability to make impartial investment decisions.

**V. DIVERSIFICATION**

It is the policy of the City of Beacon to diversify its deposit 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.

**VI. INTERNAL CONTROLS**

The Director of Finance 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.

**VII. 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, are:

Depository Name	Maximum Amount
M&T Bank	\$40,000,000
Chase Bank	\$40,000,000
Citizens Bank	\$40,000,000

**VII: 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 City of Beacon that are in the excess of the amount insured under the provisions of the Federal Deposit Insurance Act, including pursuant to the Deposit Placement Program in accordance with law shall be secured by:

1. A pledge of “eligible securities” with an aggregate “market value” (as provided by the GML Section 10) that is at least equal to the aggregate amount of deposits by the officers. See Schedule A of this policy for a listing of “eligible securities”.
2. 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.
3. An “eligible surety bond” payable to the government for an amount at least equal to 100 percent 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 category by at least two nationally recognized statistical organizations. The governing board shall approve the terms and conditions of the surety bond.
4. An “eligible letter of credit,” payable to the City of Beacon as security for the payment of 140 percent 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 City of Beacon, 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.
5. An “irrevocable letter of credit” issued in favor the City of Beacon 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 percent of the aggregate amount of deposits and the agreed-upon interest, if any.

## **IX. COLLATERALIZATION AND SAFEKEEPING**

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

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 agree-upon interest, if any and any costs of 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) held may be sold, presented for payment, substituted or release and the events of default which will enable the local government to exercise its rights against the pledged securities.

In the event that the pledged securities are not registered or inscribed in the name of the City of Beacon, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the City of Beacon or the custodial bank or trust company. Whenever eligible securities delivered to the custodial bank or trust company are transferred by entities 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, the records of the custodial bank or trust company shall be required to

show, at all times, the interest of the local government in the securities (or the pro rata portion of a pool of eligible securities) as set forth in the security agreement.

The custodial agreement shall provide that pledged securities (or the pro rata portion of eligible securities) will be held by the custodial bank or trust company or agent of, and custodian for, the City of Beacon, will be kept separated 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 d in the rating of a security causes ineligibility. The security and custodial agreement shall also include all other provisions necessary to provide the City of Beacon 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 City Council deems necessary.

## **X. PERMITTED INVESTMENTS**

As provided by General Municipal Law Section 11, the City Council of the City of Beacon authorizes the Director of Finance to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts in, or certificates of deposited issued by, a bank or trust company located and authorized to do business in the State of New York;
- Through a Deposit Placement Program, certificates of deposit in one or more “banking institutions: as defined in Banking Law Section 9-r;
- Obligations of the United States of America;
- 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;
- Obligations of the State of New York;
- With approval of the State Comptroller, obligations issued pursuant to Local Finance Law Section 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 City of Beacon; and
- Obligations of the City of Beacon, but only with moneys in a reserve fund established pursuant to General Municipal Law Section 6-c, 6-d, 6-e, 6-f, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

All investment obligations shall be payable or redeemable at the option of the City of Beacon 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 purchase with the proceeds of bonds or notes, shall be payable or redeemable in any event at the option of the City of Beacon within two years of the date of purchase. Time deposit accounts and certificates of deposit shall be payable within such time as the proceeds will be needed to meet expenditures for which the moneys were obtained, and shall be secured as provided in Sections VIII and IX herein.

Except as may otherwise be provided in a contract with bondholders and noteholders, any moneys of the City of Beacon 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 City of Beacon within such time as the proceeds shall be need to meet expenditures for which such moneys were obtained, or otherwise specifically provided in General Municipal Law Section 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.

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.

#### **XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

All financial institutions and dealers with which the City of Beacon transacts business shall be credit worthy, and have an appropriate level of experience, capitalization, size and other factors that make the financial institution or dealer capable and qualified to transact business with City of Beacon.

#### **XII. PURCHASE OF INVESTMENTS**

The Director of Finance 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.

All purchase 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 City of Beacon 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 Section 10 (3)(a). The agreement shall provide that securities held by the bank or trust company, as agent of, and custodian for, the City of Beacon, 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 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 City Council deems necessary. The security and custodial agreements shall also include all other provisions necessary to provide the City of Beacon with the perfected interest in the securities.

The Director of Finance, where authorized, 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 the deposit of any such evidences of investments 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 Section 10(3)(a), and as described earlier in his section. When any 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.

### **XIII. COURIER SERVICE**

The Director of Finance may, subject to the approval of the City Council by resolution, enter into a contract with a courier service for the purpose of causing the deposit of public funds with a bank or trust company. The courier service shall be required to obtain a surety bond for the full amount entrusted to the courier, payable to the City of Beacon and executed by an insurance company authorized to do business in the State of New York, with a claims paying ability that is rated in the highest rating category by at least two nationally recognized statistical rating organizations, to insure against any loss of the public deposits entrusted to the courier service of failure to deposit the full amount entrusted to the courier service.

The City of Beacon may agree with the depository bank or trust company that the bank or trust company will reimburse all or part of, but not more than, the actual cost incurred by the City of Beacon in transporting items for deposit through a courier service. Any such reimbursement agreements shall apply only to a specified deposit transaction, and may be subject to such terms, conditions and limitations as the bank or trust company deems necessary to ensure sound banking practices, including, but not limited to, any terms, conditions or limitations that may be required by the Department of Financial Services or other federal or State authority.

### **XIV. ANNUAL REVIEW AND AMENDMENTS**

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

**XV. 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 Section 10.

**Schedule A**

Schedule of Eligible Securities for Collateralizing Deposits and Investments in Excess of FDIC Coverage (see Investment Policy, Section VIII)

<b>Eligible Securities for Collateral</b>	<b>For purposes of determining aggregate "market value," eligible securities shall be valued at these percentages of "market value".</b>
(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 partially insured or guaranteed by any agency of the United States of America, at a proportion of market value of the obligation that represents the amount of the insurance or guaranty.	100%
(iii) 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%