

## **Investments**

Per the 2011 Division of Local Government and School Accountability Local Government Management Guide – Investing and Protecting Public Funds.

(STRUCTURED IN CONFORMITY WITH CHAPTER 708, LAWS OF 1992)

### **I. SCOPE**

This investment policy applies to all other monies and other financial resources available for deposit and investment by Sayville Library on its own behalf.

### **II. OBJECTIVES**

The primary objectives of the **Sayville Library** investment activities are, in priority order:

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

### **III. DELEGATION OF AUTHORITY**

The governing Board of Trustees' responsibility for administration of the investment program is delegated to the Library Director 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.

### **IV. PRUDENCE**

All participants in the investment process shall act responsibly as custodians of the public trust and shall avoid any transactions that might impair public confidence in Sayville Library to govern effectively.

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.

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 Sayville Library 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.

#### **VI. INTERNAL CONTROLS**

It is the policy of Sayville Library for all other monies collected by any officer or employee of the Library to transfer those funds to the Accounts Receivable Clerk within three (3) days of deposit, or within the time period specified in law, whichever is shorter.

The Library Director 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, recorded properly, and are managed in compliance with applicable laws and regulations.

#### **VII. DESIGNATION OF OTHER DEPOSITORIES**

The banks and trust companies that are authorized for the deposit of monies up to the maximum amounts are:

Depository Name	Maximum Amount	Officer
<u>M&amp;T Bank</u>	<u>See Appendix C</u>	<u>Branch Manager</u>
<u>ConnectOne Bank</u>	<u>See Appendix C</u>	<u>Branch Manger</u>

#### **VIII. COLLATERALIZING OF DEPOSITS**

In accordance with the provisions of General Municipal Law §10, all deposits of Sayville Library, including demand deposits, certificates of deposit and special time deposits (hereinafter, collectively, "deposits") made by officers of Sayville Library that are in excess

of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by:

(Local governments should select the method of collateralization they plan to utilize and omit other options from their adopted policy.)

1. A pledge of “eligible securities” with an aggregate “market value” (as provided by the GML §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. By an eligible surety bond payable to Sayville Library 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.
4. An “eligible letter of credit” payable to Sayville Library 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 Sayville Library, 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 of Sayville Library 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 agree-upon interest, if any.

#### **IX. COLLATERALIZATION AND SAFEKEEPING**

Eligible securities used for collateralizing deposits made by the officers of Sayville Library shall be held by (the depository or a third party) 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 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 Sayville Library to exercise its rights against the pledged securities.

In the event that the pledged securities are not registered or inscribed in the name of Sayville Library, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to Library Director, Sayville Library or its 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.

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, Sayville Library, 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 for any other deposit or other bank liabilities. 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 Sayville Library 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.

## **X. PERMITTED INVESTMENTS**

NOTE: This list is for purposes of illustration only. Governing boards, in the exercise of their prudent discretion, must determine which types of investments, authorized by law, to include as permitted investments. Note that the list below does not include all types of investments authorized by law.

As provided by General Municipal Law, §11, **Sayville Library** authorizes the Library Director to invest monies 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 deposit issued by, a bank or trust company located and authorized to do business in the State of New York;

- 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 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 Sayville Library;
- Obligations of this local government, but only with any monies in a reserve fund established pursuant to GML §§6-c, 6-d, 6-e, 6-f, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.
- 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;
- Certificates of Participation (COPs) issued pursuant to GML §109-b;

All investment obligations shall be payable or redeemable at the option of Sayville Library 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 Sayville Library 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 monies were obtained, and shall be secured as provided in Sections VIII and IX herein.

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

All financial institutions and dealers with which Sayville Library 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 Sayville Library. The Library Director shall evaluate the financial position and maintain a listing of proposed depositaries, 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.

Sayville Library 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.

## **XII. PURCHASE OF INVESTMENTS**

The Library Director is authorized to contract for the purchase of investments directly from an authorized trading partner; by participation in a cooperative investment program with other authorized municipal corporations pursuant to Article 5G of General Municipal Law and in accordance with Article 3-A of the General Municipal Law.

All purchased obligations, unless registered or inscribed in the name of Sayville Library, 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 Sayville Library 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 (3)(a). The custodial agreement shall provide that securities held by the bank or trust company, as agent of, and custodian for, Sayville Library, 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 for 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 Sayville Library a 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 Sayville Library with a perfected interest in the securities.

The Library Director 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 Section 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.

**XIII. COURIER SERVICE**

Library Director may, subject to the approval of the governing board 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 Sayville Library 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 public deposits entrusted to the courier service for deposit or failure to deposit the full amount entrusted to the courier service.

Sayville Library 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 Sayville Library in transporting items for deposit through a courier service. Any such reimbursement agreement 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 banking department or other federal or State authority.

**XIV. ANNUAL REVIEW AND AMENDMENTS**

Sayville Library 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.

## APPENDIX A

**Schedule of Eligible Securities**

- 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.
- ii. 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 monies.
- iii. 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.
- iv. 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 rate in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- v. Zero coupon obligations of the United States government marketed as "Treasury Strips".

## APPENDIX B

**Addendum to Sayville Library Investment Policy**

- i. Any bank or trust company that revises the Library's investment policy agreements or substitutes its own will be approved as a depository if its agreement(s) coincide(s) with Chapter 708 of General Municipal Law.
- ii. Accounts in a bank or trust company with which the Library does not have an investment policy agreement(s) shall not exceed FDIC insurance limitations (\$100,000 for demand accounts plus \$100,000 for time deposit accounts for a total of \$200,000).
- iii. In the management of its finances, the Library will be guided by the New York State Comptroller's Financial Management Guide.
- iv. The Library will continue to utilize its established monthly cash flow projection system.
- v. This investment policy will be reviewed periodically.



## APPENDIX C

The following banks or trust companies have been authorized by the Library Board of Trustees, as depositories of the Library funds:

**Authorized Banks**

Bank: M&T Bank

Officer: Branch Manager

Address: 693 Montauk Highway  
Bayport, NY 11705

Maximum Amount: \$2,500,000 and collateralized money

Bank: ConnectOne

Officer: Branch Manager

Address: 215 W. Main Street  
Sayville, New York 11782

Maximum amount: \$2,500,000 and collateralized money

Adopted: 1997

Amended: Section VII 10/14/2008

Amended: Section VII 9/13/10

Amended: Appendix C 9/13/10

Amended: Section IX 9/13/10

Amended: Appendix C 3/12/12

Amended: 5/13/13

Amended: Section VII & Appendix C 10/15/13

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