

## **TOWN OF MIDDELFIELD INVESTMENT POLICY**

### **1) Scope**

This investment policy applies to all moneys and other financial resources available for investment by the Town of Middlefield (Town) on its behalf or on behalf of any other entity or individual.

### **2) Objectives**

The primary objectives of this Town's investment activities are, in priority order:

1. **Legality:** to conform to all applicable federal, state and other legal requirements
2. **Safety:** To adequately safeguard principal
3. **Liquidity:** to provide sufficient liquidity to meet all operating requirements, and
4. **Yield:** to obtain a reasonable rate of return.

### **3) Delegation of Authority**

The Town Board (Board) responsibility for administration of the investment program is delegated to the Town Supervisor (CFO), who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Guidance and input from the Board shall be considered routinely. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on 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 transactions that might impair public confidence in the Town 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 proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

### **5) Diversification**

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

The 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.

#### **6) Internal Controls**

It is the Town's policy for all moneys collected by any officer or employee of the government (excluding the Town Justice and the Town Clerk) to transfer those funds to the Town Supervisor (CFO) in a timely way for deposit, or within the time period specified in law, whichever is shorter.

The CFO is responsible for establishing and maintaining internal control procedures, with input from the Board,

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 managed in compliance with applicable laws and regulation.

#### **7) Designation of Depositories**

The banks and trust companies authorized for the deposit of moneys up to the maximum amounts will be determined annually at the January meeting of the Town Board.

#### **8) Securing Deposits and Investments**

In accordance with General Municipal Law (GML) S10, all deposits and investments of the Town, including all demand deposits (called "deposits") made by officers of the Town that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by:

1. A pledge of "eligible securities" with an aggregate market value as provided by GML S10 that is at least equal to the aggregate amount of deposits by the Board. See GML Section 10 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 Town for an amount at least equal to 100 percent (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 Board shall approve the terms and conditions of the surety bond.
4. An "eligible letter of credit" payable to the Town as security for the payment of 140 percent (140%) of the aggregate amount of deposits.

## **9) Safekeeping and Collateralization**

Eligible securities used for collateralizing deposits shall be approved by the Board and held by the bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure Town 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 that will enable the Town to exercise its rights against the pledged securities. If the securities are not registered or inscribed in the name of the Town, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Town or its custodial bank.

The custodial agreement shall provide those securities held by the bank or trust company, or agent of and custodian for, the Town, will be deposited separate and apart from the general assets of the custodial bank or trust company and will not, under any circumstances, be comingled with or become part of the backing for any other deposit or liability. The agreement shall 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 Town a perfected interest in the securities.

## **10) Permitted Instruments**

As authorized by GML S11, the Board authorizes the CFO 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 United States of America guarantees payments of both principal and interest;
4. Obligations of the State of New York;

All investment obligations shall be payable or redeemable at the option of the Town 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 at the option of the Town 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 Sections 8 and 9 herein.

Except as may otherwise be provided in a contract with bondholders or note holders, any moneys of the Town authorized to be invested may be comingled for investment purposes, provided that any investment of comingled moneys shall be payable or redeemable at the option of the Town within such time as the proceeds shall be needed to meet expenditures for which such moneys were obtained, or as otherwise specifically provided in GML 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.

### **11) Authorized Financial Institutions and Dealers**

All financial institutions and dealers with which the Town transacts business shall be creditworthy, 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 the Town. The CFO 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.

The Town 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.

### **12) Purchase of Investments**

The CFO is authorized, after consultation with the Board, 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 GML Article 5G and with GML Article 3-A.

All purchased obligations, unless registered or inscribed in the name of the Town, 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 by the bank or trust company.



