

Village of Wesley Hills Investment Policy

I. SCOPE

This investment policy applies to all moneys and other financial resources available for deposit and investment by the Village of Wesley Hills 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 principal (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 Village Board's responsibility for administration of the investment program is delegated to the Treasurer 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 seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village of Wesley Hills 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.

V. DIVERSIFICATION

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

The Village 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 the Village of Wesley Hills for all moneys collected by Treasurer, Deputy Treasurer or Village Clerk of the Village of Wesley Hills to deposit those funds to the designated depository within two (2) days or daily or as such time period specified by law, whichever is shorter.

The Treasurer 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 are established annually at the Village's Annual Re-Organizational meeting and general accepted accounting principles and/or standards.

VIII. 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 Village of Wesley Hills that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, including pursuant to a Deposit Placement Program in accordance with law, shall be secured by any of the following if necessary:

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 rating category by at least two nationally recognized statistical rating organizations. The Village Board shall approve the terms and conditions of the surety bond.
4. An "eligible letter of credit," payable to the Village of Wesley Hills 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 Village of Wesley Hills, 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 the Village of Wesley Hills 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 Village of Wesley Hills 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 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) held may be sold, presented for payment, substituted or released 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 Village of Wesley Hills, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Village of Wesley Hills 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 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 a pool of eligible securities) will be held by the custodial bank or trust company as agent of, and custodian for, the Village of Wesley Hills, 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

Village of Wesley Hills 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 Village Board deems necessary.

X. PERMITTED INVESTMENTS

As provided by General Municipal Law Section 11, the Board of Trustees of the Village of Wesley Hills authorizes the *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:

- 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;
- 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 the 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 Village of Wesley Hills; and
- Obligations of the Village of Wesley Hills, 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 Village of Wesley Hills 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 Village of Wesley Hills 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 VIII and IX herein.

Except as may otherwise be provided in a contract with bondholders or noteholders, any moneys of the Village of Wesley Hills 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 Village of Wesley Hills 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 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 Village of Wesley Hills 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 Village of Wesley Hills. The Treasurer 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.

The Village of Wesley Hills 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.

XII. PURCHASE OF INVESTMENTS

The Treasurer 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 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 Village of Wesley Hills 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 Village of Wesley Hills, 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 Village Board deems necessary. The security and custodial agreements shall also include all other provisions necessary to provide the Village of Wesley Hills with a perfected interest in the securities.

The Treasurer, 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 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

The Treasurer, Deputy Treasurer, and Village Clerk may, subject to the approval of the Village 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 the Village of Wesley Hills 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.

The Village of Wesley Hills 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 Village of Wesley Hills 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 Department of Financial Services or other federal or State authority.

XIV. ANNUAL REVIEW AND AMENDMENTS

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

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)

“Eligible Securities” for Collateral

**For purposes of determining aggregate
“market value,” eligible securities shall be
valued at these percentages of “market value”:**

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| (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 | 100% if rated in the highest category; 90% for 2nd highest; 80% for 3rd highest. |

statistical rating organization.

(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%

Repurchase Agreements (REPOs) are complex transactions that can expose the investing local government to serious risks. Investing officers must have the resources to negotiate these complex agreements with trading partners and custodial banks or trust companies and to monitor the investment daily. If a local government has a relatively small portfolio or limited staff resources, use of REPOs may not be appropriate. Investing officers should make sure that the legal counsel for the local government reviews all REPO documents.

Among other things, a REPO should comply with the following:

- Trading partners should be limited to creditworthy banks or trust companies located and authorized to do business in New York State or to registered primary dealers.
- Unless the obligations that are purchased pursuant to the REPO are registered or inscribed in the name of the local government, obligations must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to do business in New York State (the custodial bank or trust company should not be the seller of the obligations that are the subject of the REPO).
- The local government must enter into a master REPO, outlining basic responsibilities and liabilities of the buyer and seller and a written agreement with the custodial bank or trust company, outlining the basic responsibilities and liabilities of the buyer, seller and custodian.
- The custodial agreement should provide that the custodian takes possession and maintains custody of the obligations exclusively for the local government, that the obligations are free of any claims against the trading partner, and that any claims by the custodian are subordinate to the local government's claims or rights to those obligations.
- The obligations must be credited to the local government on the records of the custodial bank or trust company, and the transaction must be confirmed in writing to the local government by the custodial bank or trust company.
- The obligations purchased by the local government may only be sold or presented for redemption or payment by the local government's custodian upon written instructions of the investing officer of the local government.
- The local government must obtain a perfected security interest in the obligation.
- Agreements should be for short periods of time (no more than 30 days).
- The local government should determine whether to include margin requirements.
- No substitution of obligations is permitted.
- Payment for the purchased obligations should not be made by the custodial bank or trust company until the obligations are actually received (usually done simultaneously).

Obligations that are purchased pursuant to a REPO are deemed to be payable or redeemable, for purposes of the GML, on the date on which the purchased obligations are scheduled to be repurchased by the seller.³¹

It is the view of the Office of the State Comptroller that leveraging of assets through the use of "reverse repurchase agreements" constitutes an unauthorized form of borrowing not permitted by the Local Finance Law.