

COUNTY OF PUTNAM INDUSTRIAL DEVELOPMENT AGENCY

Investment Policy

I. Scope

This investment policy applies to all moneys and other financial resources available for investment on behalf of the County of Putnam Industrial Development Agency (“Agency”) or on behalf of any other entity or individual.

II. Objectives

The primary objectives of the agency’s investment activities are, in priority order,

- to conform with all applicable federal, state, and other legal requirements (legal);
- 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 governing board’s responsibility for administration of the investment program is delegated to the Treasurer or Secretary and CFO who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a database or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

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 agency to govern effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, 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 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 County of Putnam Industrial Development Agency to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling. The agency will issue a Request for Qualifications (RFQ) to depositories every two years to obtain quotes for fees and interest rates to secure the best terms for the agency's deposits and investments.

VI. Internal Controls

It is the policy of the agency for all monies collected by any officer or employee of the agency to deposit those funds as soon as possible but no later than thirty (30) days of receipt.

The Treasurer or Secretary and Chief Financial Officer (CFO) is responsible for establishing and maintaining an internal control structure 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 are managed in compliance with applicable laws and regulations.

VII. Designation of Depositories

The banks and/or trust companies authorized for the deposit of monies will be determined by the agency in conjunction with the practices undertaken by the Putnam County Department of Finance.

VIII. Collateralizing of Deposits

In accordance with the provisions of General Municipal Law, Sec. 10, all deposits of the agency, including certificates of deposit and special time deposits, in excess of the amount of \$250,000 insured under the provisions of the Federal Deposit Insurance Act shall be secured:

1. By a pledge of "eligible securities" with an aggregate "market value", or provided by General Municipal Law, Sec. 10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
2. By an eligible "irrevocable letter of credit" issued by a qualified financial institution other than the bank with the deposits in favor of the public benefit for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest categories by at least one nationally recognized statistical rating organization or by a financial institution that is in compliance with applicable federal minimum risk-based capital requirements.
3. By an eligible surety bond payable to the agency 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.

IX. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by (the depository and/or a third party) a financial institution subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure public benefit 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 which will enable the agency to exercise its rights against the pledged securities.

The custodial agreement shall provide that securities held by the financial institution, or agent of and custodian for, the public benefit, will be kept separate and apart from the general assets of the custodial financial institution and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement should 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 public benefit a perfected interest in the securities.

X. Permitted Investments

As authorized by General Municipal Law, Sec. 11, the County of Putnam Industrial Development Agency authorizes the Treasurer or Secretary and CFO 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;
- Certificates of deposit;
- 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;
- Obligations issued pursuant to LFL Sec. 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the County of Putnam Industrial Development Agency;
- 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, Sec. 109-b;

- Obligations of this public benefit, but only with any monies in a reserve fund established pursuant to GML, Sec. 6-c, 6-d, 6-e, 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 agency 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 the agency within two years of the date of purchase.

XI. Authorized Financial Institutions and Dealers

The County of Putnam Industrial Development Agency shall utilize, as determined by the Putnam County Department of Finance, 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. All financial institutions with which the agency conducts business must be credit worthy. Financial institutions shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the agency. Security dealers not affiliated with a financial institution shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Treasurer, or Secretary and Chief Financial Officer, is responsible for evaluating the financial position and maintaining a listing of proposed depositaries, trading partners, and custodians. Such listing shall be evaluated at least annually.

XII. Purchase of Investments

The Treasurer, or Secretary and Chief Financial Officer, is authorized to contract for the purchase of investments:

1. Directly, including through a repurchase agreement, from an authorized trading partner;
2. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board;
3. By utilizing an ongoing investment program with an authorized tracking partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the County of Putnam Industrial Development Agency ("Agency"), shall be purchased through, delivered to, and held in the custody of a financial institution. Such obligations shall be purchased, sold, or presented for redemption or payment by such financial institution, 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 agency by the financial institution. Any obligation held in the custody of a financial institution shall be

held pursuant to a written custodial agreement as described in General Municipal Law, Sec. 10.

The custodial agreement shall provide that securities held by the financial institution, as agent of and custodian for the agency, will be kept separate and apart from the general assets of the custodial financial institution and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the agency a perfected interest in the securities.

XIII. Repurchase Agreements

Repurchase agreements are authorized subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
- Trading partners are limited to financial institutions authorized to do business in New York State and primary reporting dealers.
- Obligations shall be limited to obligations of the United States of America and obligations of agencies of the United States of America where principal and interest are guaranteed by the United States of America.
- No substitutions of securities will be allowed.
- The custodian shall be a party other than the trading partner.

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 guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.

_____ (iii) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the obligation that represents the amount of the insurance or guaranty.

_____ (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 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.

_____ (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.

_____ (vi) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

_____ (vii) 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 rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

_____ (viii) Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.

_____ (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 bank regulatory agencies.

_____ (x) Commercial paper and bankers' acceptances issued by a bank, other than the Bank, 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.

_____ (xi) Zero coupon obligations of the United States government marketed as "Treasury strips".