



CITY OF POUGHKEEPSIE, NEW YORK
Investment Policy

DRAFT

Hon. Marc Nelson
Mayor

Dr. Brian Martinez
Commissioner of Finance

1. Scope

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

2. Objectives

The primary objectives of the City of Poughkeepsie'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).

3. Delegation of Authority

In accordance with the City of Poughkeepsie Administrative Code, Article VII, Section 7.02 (h) (i) The City of Poughkeepsie Common Council's (the "Common Council") responsibility for administration of the investment program is delegated to the Commissioner 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 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.

4. Prudence

All participants in the investment program 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 Poughkeepsie 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.

5. Diversification

It is the policy of the City of Poughkeepsie to diversify its deposits and investments by financial institution, by investment instrument, and by maturing schedule. The Common Council 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 policy of the City of Poughkeepsie for all monies collected by any officer or employee of the City to transfer those funds to the Commissioner of Finance within 48 hours of deposit or within the time period specified in law, whichever is shorter.

The Commissioner 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.

7. Designation of Depositories

In accordance with the City of Poughkeepsie Administrative Code, Article VII, Section 7.06, the bank and trust companies that are authorized for the deposit of monies, and the maximum amount, which may be kept on deposit at any time, are:

<u>Depository Name</u>	<u>Maximum Amount</u>
Manufacturers and Traders Bank	\$25,000,000.00
Salisbury Bank & Trust Co.	\$ 1,000,000.00
TD Bank, N.A.	\$10,000,000.00

8. 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 (herein, collectively, “deposits) made by officers of the City of Poughkeepsie that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Corporation, including pursuant to a Deposit Placement Program in accordance by law, shall be secured by:

1. A pledge of “eligible securities” with an aggregate “market value” (as provided by GML, Section 10) that is at least equal to 100% of the aggregate amount of deposits from all such officers within the State at the bank or trust company
2. An “irrevocable letter of credit” issued in favor of the City of Poughkeepsie 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.

9. Collateralization and Safekeeping

Eligible securities used for collateralizing deposits made by officers of the City of Poughkeepsie shall be held by either 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 City of Poughkeepsie, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the City of Poughkeepsie 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 City of Poughkeepsie, 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 City of Poughkeepsie 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 Common Council deems necessary.

10. Permitted Investments

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

1. Special Time Deposits accounts in, or certificates of deposits issued by, a bank or trust company located and authorized to conduct business in the State of New York;
2. Through a Deposit Placement Program, certificates of deposit in one or more “banking institutions” as defined in Banking Law Section 9-r;
3. Obligations of the United States of America;
4. Obligations guaranteed by agencies of the United States of America, where payment of principal and interest are guaranteed by the United States of America (see Schedule A, iii, for a list of eligible securities for collateral);
5. Obligations of the State of New York with the approval of the State Comptroller, obligations 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 Poughkeepsie
6. Obligations of the City of Poughkeepsie, but only with monies in a reserve fund established pursuant to General Municipal Law Sections 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 Poughkeepsie 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 purchases with the proceeds of bonds or notes, shall be payable or redeemable in any event at the option of the City of Poughkeepsie 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.

Except as may be otherwise provided in a contract with bondholders or noteholders, any monies of the City of Poughkeepsie authorized to be invested may be commingled for investment purposes, provided that any investment of commingled monies shall be payable or redeemable at the option of the City of Poughkeepsie within such time as the proceeds shall be needed to meet expenditures for which such monies 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 monies 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 City of Poughkeepsie 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 City of Poughkeepsie. The Commissioner of Finance 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 City Of Poughkeepsie 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

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 City of Poughkeepsie 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 Poughkeepsie, 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 Common Council deems necessary. The security and custodial agreements shall also include all other provisions necessary to provide the City of Poughkeepsie with a perfected interest in the securities.

The Commissioner 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 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.

13. Courier Service

The Commissioner of Finance may, subject to the approval of the Common 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 Poughkeepsie 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 City of Poughkeepsie may agree with the depositary 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 Poughkeepsie 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.

14. Annual Review and Amendments

The Common Council shall review this investment policy annually, and it shall have the power to amend this policy at any time.

15. 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.

Marc Nelson, MPA
Mayor

Brian Martinez, PhD
Commissioner of Finance

Schedule A

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

Note: This is not a list of Permitted Investments. See Section X for Permitted Investments.

ELIGIBLE SECURITIES FOR COLLATERAL

(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 statistical rating organization.	100% If rated in the highest category; 90% for 2nd highest; 80% for 3rd highest.
(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 no 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%