

INCORPORATED VILLAGE OF SOUTHAMPTON

INVESTMENT POLICY

I. SCOPE

This investment policy applies to all moneys and other financial resources available for investment on the Incorporated Village of Southampton's (Village) own behalf or on behalf of any other entity or individual.

Pooling of Funds – Except for cash in restricted and special funds, the Village may consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles,

II. GENERAL OBJECTIVES

The primary objectives of the Village's investment activities are, in priority order,

- Legal: All investments are to conform with all applicable federal, state and other legal requirements;
- Safety: Investments shall be undertaken in a manner that seeks to preserve the preservation of capital;
- Liquidity: The portfolio is to be structured to provide sufficient liquidity to meet all operating requirements; and
- Yield: The portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

III. DELEGATION OF AUTHORITY

The Board of Trustee's responsibility for the administration of the program is delegated to the Treasurer who shall establish 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 data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees. The Board of Trustees shall receive a monthly report showing the investment activity.

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 to govern effectively. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or material price changes, provided that deviations from expected are reported in a timely fashion and the liquidity and the sale of the securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudent 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.

V. ETHICS AND CONFLICT OF INTEREST

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. Employees and investment officers shall disclose any material interests in financial institutions with which they conduct business or any personal positions that could be related to the performance of the investment portfolio before any investment decisions are made. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

VI. DIVERSIFICATION

It is the policy of the Village to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling to best meet the purposes of the General Objectives.

VII. INTERNAL CONTROLS

It is the policy of the Village for all moneys collected by any officer or employee of the Village to transfer those funds to the Treasurer within three (3) business days for deposit.

The Treasurer is responsible for establishing and maintaining an internal control structure to provide reasonable 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.

VIII. DESIGNATION OF DEPOSITORIES

The banks and trust companies authorized for the deposit of monies will be approved annually at the Organizational Meeting.

IX. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of the General Municipal Law, Sec 10, all deposits of the Village, including Certificates of Deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit insurance Act shall be secured:

1. By the pledge of "eligible securities" with an aggregate "market value", or as provide 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 bank other that the bank with deposits in favor of the Village 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 rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
3. By an eligible "irrevocable letter of credit" issued in favor of the Village by a federal home loan bank (FHLB), 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, accept such letter of credit (L/C) payable to the Village as

security for the payment of one hundred percent (100%) of the aggregate amount of public deposits and the agreed upon interest, if any.

4. By an eligible surety bond payable to the Village 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.

X. SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits shall be held by the depository and/or a third party bank or trust company subject to security and custodial agreements.

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

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Village, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become 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 Village a perfected interest in the securities.

XI. PERMITTED INVESTMENTS

As authorized by General Municipal Law, Sec 11, the Board of Trustees authorizes and requires the Treasurer, or other officer having custody of moneys, to invest moneys not required for

immediate expenditure for terms not to exceed Village's projected cash flow needs in the following types of investments:

- Through MBIA Class which has agreed to comply with all the requirements of General Municipal Law;
- 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 Local Finance Law Sec 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district, or district corporation other than the Village;
- 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 General Municipal Law Sec 109-b;
- Obligations of the Village, but only with any moneys in a reserve fund established pursuant to General Municipal Law Sec.(s) 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 Village 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 Village within one year of the date of purchase.

XII. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Village shall maintain a list of financial institutions and dealers approved for investment purposes. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Village. Security dealers 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 chief fiscal officer, Treasurer or other officer having custody of money is responsible for evaluating the financial position and maintaining a list of proposed depositories, trading partners and custodians. The financial condition of each institution shall

be evaluated at least annually by the board of Trustees or Treasurer. Financial institutions shall be approved annually at the Organizational Meeting.

XIII. PURCHASE OF INVESTMENTS

The Treasurer, or other officer so designated, is authorized to contract for the purchase of investments 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 of the requirements set forth in the Office of the State Comptroller Opinion No. 88-46 and the specific program has been authorized by the Board of Trustees.

All purchased obligations, unless registered or inscribed in the name of the Village, 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 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 Sec. 10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the Village, will be kept separate and apart from the general assets of the custodial bank or trust company 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 Village a perfected interest in the securities.

XIV. POLICY CONSIDERATIONS

This policy shall be reviewed annually. Any changes must be approved by the investment officer and any other appropriate authority.

Revised October 8, 2015

