

Saratoga County Water Authority

INVESTMENT POLICY

Re-Adopted August 24, 2017

Section 1 – Scope

This investment policy applies to all moneys and other financial resources available for investment on behalf of *the Saratoga County Water Authority* or on behalf of any other entity or individual.

Section 2 - Objectives

The primary objectives of the *Saratoga County Water Authority's* investment activities are, in priority order,

- ✓ **Legal:** to conform with all applicable federal, state and other legal requirements,
- ✓ **Safety:** to adequately safeguard principal
- ✓ **Liquidity:** to provide sufficient liquidity to meet all operating requirements, and
- ✓ **Yield:** to obtain a reasonable rate of return.

Section 3 – Delegation of Authority

The *Saratoga County Water Authority's* responsibility for administration of the investment program is delegated to the *Treasurer*, or other officer *so designated*, having custody of money, who shall establish 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.

Section 4 – 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 *Saratoga County Water Authority* 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 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.

Section 5 – Diversification

It is the policy of the *Saratoga County Water Authority* to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

Section 6 – Internal Controls

All monies collected by any officer or employee of the *Saratoga County Water Authority* shall typically be deposited in a designated depository within 72 hours or as soon as otherwise practical, but in no event shall any deposit be made later than 10 days, inclusive of Sundays and

holidays from the day of receipt or when total remittances collected exceed \$250, unless the time specified by law is shorter.

The *Treasurer*, or other officer *so designated*, having custody of money, 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.

All cash disbursements in excess of \$5,000 will require the signatures of two Authority's officers or other designated employees.

Section 7 – Designation of Depositories

The banks and trust companies authorized for the deposit of monies will be designated by resolution of the *Saratoga County Water Authority*.

Section 8 – Collateralizing of Deposits

In accordance with the provisions of General Municipal Law, §10, all deposits of *Saratoga County Water Authority*, 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 a pledge of "eligible securities" with an aggregate "market value", as provided by General Municipal Law, §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 in favor of the local government by a federal home loan bank whose commercial paper and other unsecured short-term obligations are rated in the highest category by at least one nationally recognized statistical rating organization for a term not to exceed 90 days with an value of 100% of the aggregate amount of public deposits and the agreed upon interest, if any.
3. By an eligible surety bond payable to the government 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.

Section 9 – Safekeeping and Collateralization

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

The security agreement shall provide that eligible securities are being pledged to secure local government 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 local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with the *Saratoga County Water Authority* 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 local government, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be co-mingled 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 local government a perfected interest in the securities.

Section 10 – Permitted Investments

The *Saratoga County Water Authority* authorizes the *Treasurer*, or other officer *so designated*, having custody of money, 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 authorized to do business in New York State;
- ✓ 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 §24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the Saratoga County Water Authority.
- ✓ 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, §109-b,
- ✓ Obligations of this local government, but only with any moneys in a reserve fund established pursuant to GML, §6-c, 6-d, 6-e, 697g, 6-h, 697j, 6-k, 6-l, 6-in, or 6-n.
- ✓ Obligations of the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation.

All investment obligations shall be payable or redeemable at the option of the *Saratoga County Water Authority* 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 *Saratoga County Water Authority* within two years of the date of purchase. The designated depository will confirm all purchases and transactions in writing to the *Saratoga County Water Authority*.

Section 11 – Authorized Financial Institutions and Dealers

The *Saratoga County Water Authority* shall maintain 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 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 *Saratoga County Water Authority*. 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 Treasurer, or other officers *so designated*, having custody of money, 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.

Section 12 - Purchase of Investments

The Treasurer, or other officers *so designated*, having custody of money, 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 ***Saratoga County Water Authority Board***.
3. By utilizing an ongoing investment program with an authorized tracking partner pursuant to a contract authorized by the ***Saratoga County Water Authority Board***.

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 ***Saratoga County Water Authority*** 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, §10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the ***Saratoga County Water Authority***, 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 ***Saratoga County Water Authority*** a perfected interest in the securities.

Section 13 – Operations, Audit and Reporting

The ***Treasurer***, or other officer *so designated*, having custody of money, shall authorize the purchase and sale of all securities and execute contracts on behalf of the ***Saratoga County Water Authority***. Oral directions concerning the purchase, transaction, or sale of securities shall be confirmed in writing. The ***Saratoga County Water Authority*** shall pay for purchased securities upon delivery.

The ***Saratoga County Water Authority*** will encourage the purchase and sale of securities through a competitive or negotiated process involving telephone solicitations of at least three bids for each transaction.

At the time independent auditors conduct the annual financial audit of the accounts and affairs of the ***Saratoga County Water Authority***, the auditors shall audit *compliance with* the Investment Guidelines.

The ***Treasurer***, or other officer *so designated*, having custody of money, shall maintain an investment report which indicates new investments, the inventory of existing investments, and such other matters as the ***Saratoga County Water Authority Board*** deems necessary.

The annual investment report shall be presented to the ***Saratoga County Water Authority Board*** at its Annual Reorganization meeting.

The provisions of these Investment Guidelines and any amendments hereto, shall take effect prospectively, and shall not invalidate the prior selection of any custodial bank or prior investment.

Appendix A

Schedule of Eligible Securities

- 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.
- 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.
- 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.
- 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 moneys.
- 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.
- Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- 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.
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- 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.
- 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.
- Zero coupon obligations of the United States government marketed as "Treasury strips"