

Investment Policy

I. SCOPE

This investment policy applies to all moneys and other financial resources available for deposit and investment by the Town of Ulster 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)
- 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 Supervisor 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 Town of Ulster 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 Town of Ulster to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

The governing 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 Town of Ulster for all moneys collected by any officer or employee of the government to transfer those funds to the Town Clerk or the Bookkeeper within 3 days for deposit, or within the time period specified in law, whichever is shorter.

The Supervisor 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 of moneys, and the maximum amount which may be kept on deposit at any time, are:

| Depository Name | Maximum Amount |
|------------------------|-----------------------|
| JP Morgan Chase N.A. | \$20 Million |
| Bank of Greene County | \$20 Million |

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 Town of Ulster that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by:

1. A pledge of "eligible securities" with an aggregate "market value" (as provided by the GML Section 10 that is at least equal to 102% of the aggregate amount of deposits by the officers. See Schedule A of this policy for a listing of "eligible securities."
2. 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 governing board shall approve the terms and conditions of the surety bond.
3. An "eligible letter of credit," payable to the Town of Ulster 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 Town of Ulster, 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.
4. An "irrevocable letter of credit" issued in favor of the Town of Ulster 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 the Town of Ulster shall be held by the depository bank or trust company subject to security and custodial agreements.

The security agreement shall provide that 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 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 pledged securities are not registered or inscribed in the name of the Town of Ulster, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Town of Ulster 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 government in the securities as set forth in the security agreement.

The custodial agreement shall provide that pledged securities will be held by the bank or trust company as agent of, and custodian for, the Town of Ulster, 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 Town of Ulster 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 governing board deems necessary.

X. PERMITTED INVESTMENTS

As provided by General Municipal Law Section 11, the Town of Ulster Town Board authorizes the Supervisor or his/her designee 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
- 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 Town of Ulster, 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 Town of Ulster 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 Town of Ulster 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 note holders, any moneys of the Town of Ulster 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 Town of Ulster 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 Town of Ulster 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 Town of Ulster. The Supervisor or his/her designee 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 Town of Ulster 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 Supervisor or his/her designee 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 Town of Ulster 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 Town of Ulster, 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 governing board deems necessary. The security and custodial agreements shall also include all other provisions necessary to provide the Town of Ulster with a perfected interest in the securities.

The Supervisor or his/her designee 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 their deposit 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 Supervisor or his/her designee may, subject to the approval of the governing 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 Town of Ulster 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 Town of Ulster 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 Town of Ulster 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 banking department or other federal or State authority.

XIV. ANNUAL REVIEW AND AMENDMENTS

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

XV. 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.

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”:

(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 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%

(iii) 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% if rated in the ~~100th~~ 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.