

NORTHPORT-EAST NORTHPORT PUBLIC LIBRARY
INVESTMENT POLICY
2020/2021

I. SCOPE

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

II. OBJECTIVES

The primary objectives of the Northport-East Northport Public Library's investment activities are, in priority order,

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

III. DELEGATION OF AUTHORITY

The Northport-East Northport Public Library Board of Trustees' responsibility for administration of the investment program is delegated to the Director of the Library 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 records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

IV. INVESTMENT PROCEDURES

These investment procedures apply to all monies and other financial resources available for investment by the Northport-East Northport Public Library in compliance with the Northport-East Northport Public Library Investment Policy. The Northport-East Northport Public Library policy is to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

Such procedures include an adequate internal control structure to provide a satisfactory level of accountability based on reports incorporating description and amounts of investments, transaction dates, and other relevant information provided to the Board of Trustees on a monthly basis.

Investments will be managed to meet liquidity needs for the current month plus one month based on forecasted needs. Within the provisions of the Northport-East Northport Investment Policy every effort will be made to maximize return on investments through rate comparisons with consideration to locality of institution and past business practices.

V. 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 Northport-East Northport Public Library 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 decisions.

VI. DIVERSIFICATION

It is the policy of the Northport-East Northport Public Library to diversify its deposits and investments by financial institutions, by investment instrument, and by maturity scheduling.

VII. INTERNAL CONTROLS

It is the policy of the Northport-East Northport Public Library for all monies collected by any officer or employee of the Northport-East Northport Public Library to transfer those funds to the Accounting Clerk within two (2) days of deposit, or within the time period specified in law, whichever is shorter.

The Director of the Library 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, recorded properly, and are managed in compliance with applicable laws and regulations.

VIII. DESIGNATION OF DEPOSITARIES

The banks and trust companies authorized for deposits and investment of Northport-East Northport Public Library monies up to the maximum amounts are:

| <u>Depository Name</u> | <u>Maximum Amount</u> |
|-----------------------------|-----------------------|
| First National Bank of L.I. | \$7,500,000.00 |
| Hanover Bank | \$1,500,000.00 |
| Flushing Bank | \$1,000,000.00 |

IX. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law Section 10 all deposits of the Northport-East Northport Public Library including certificates of deposit and special time deposit, 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 section 10, equal to the aggregate amount of excess deposits.
2. By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits in favor of the Northport-East Northport Public Library for a term not to exceed ninety (90) days with an aggregate value equal to one hundred and forty percent (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 surety bond payable to the Northport-East Northport Public Library 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.
4. Secured by an “irrevocable letter of credit” issued 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 payable to the Northport-East Northport Public Library as security for the payment of one hundred percent (100%) of the aggregate amount and the agreed upon interest, if any.

X. SAFEKEEPING AND COLLATERALIZATION

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

The security agreement shall provide that eligible securities are being pledged to secure Northport-East Northport Public Library 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 Northport-East Northport Public Library 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 an assignment in blank to the Northport-East Northport Public Library 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 Northport-East Northport Public Library, will be kept separate

and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be comingled 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 Northport-East Northport Public Library a perfected interest in the securities.

XI. PERMITTED INVESTMENTS

As authorized by General Municipal Law, Section 11, the Northport-East Northport Public Library authorizes the Director of the Library 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;
- Cooperative investment program established in accordance with Article 5G of the New York State General Municipal Law, as amended, and Article 3A of the General Municipal Law (Chapter 623 of the Laws of 1998);
- Qualified Reciprocal Deposit Program as allowed under Chapter 128 of NYS Laws of 2012 amended sections 10 and 11 of the General Municipal Law; and
- Repurchase Agreements involving the purchase and sale of direct obligations of the United States.

All investment obligations shall be payable or redeemable to the option of the Northport-East Northport Public Library, within such time 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 Northport-East Northport Public Library within two years of the date of purchase.

XII. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Northport-East Northport Public Library 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 Northport-East Northport Public Library. 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 Director of the Library is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. Such listing shall be evaluated at least annually.

XIII. PURCHASE OF INVESTMENT

The Director of the Library is authorized to contract for the purchase of investments:

1. Directly 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 trading partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the Northport-East Northport Public Library 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 repayment 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 Northport-East Northport Public Library 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.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the Northport-East Northport Public Library, 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 Northport-East Northport Public Library a perfected interest in the securities.