

TOWN OF POUND RIDGE
INVESTMENT POLICY
January, 2002

I. SCOPE

This investment policy applies to all moneys 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 local government's investment activities are, in order of priority

To conform with all applicable federal, state and other legal requirements
(LEGAL)

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 Town Board's responsibility for administration of the investment program is delegated to the Supervisor as Chief Fiscal Officer, 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 a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

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 Pound Ridge 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.

V. DIVERSIFICATION

It is the policy of the Town of Pound Ridge to diversify its deposits and investments by financial institution, by investment instrument and by maturity scheduling.

VI. INTERNAL CONTROLS

It is the policy of the Town of Pound Ridge for all moneys collected by any officer or employee of the government to transfer those funds to the Supervisor within five days of deposit, or within the time period specified in law, whichever is shorter.

The Supervisor 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.

VII. DESIGNATION OF DEPOSITARIES

The banks and trust companies authorized for the deposit of monies are:

Fleet Bank
Bank of New York
First Union

and any State or Federally chartered commercial bank licensed to do business in the State of New York.

VIII. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law, §10, all deposits of the Town of Pound Ridge, 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 as provided in written agreements with the depositary institution, a third party custodian and the Town of Pound Ridge.

Eligible securities to be pledged for collateralizing shall be at a minimum a market value of 102% of the aggregate amount of deposits at the close of each business day.

The Town of Pound Ridge will accept as collateral:

1. 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.
2. 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.

IX. SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits shall be held by a 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 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 an assignment in blank to the Town of Pound Ridge 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 commingled 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.

Occasionally, as requested by the Town, a listing of deposits being secured shall be provided by the depository.

X. PERMITTED INVESTMENTS

As authorized by General Municipal Law, §11, the Town of Pound Ridge authorizes the Supervisor 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

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

Repurchase agreements according to NYS Comptroller's Guidelines

- All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
- Trading partners are limited to banks or trust companies authorized to do business in New York State
- Obligations shall be limited to obligations of the United States of America and obligations of agencies of the United States of America where principal and interest are guaranteed by the United States of America.
- No substitutions of securities will be allowed.
- The custodian shall be a party other than the trading partner.

All investments shall be payable or redeemable at the option of the Town of Pound Ridge 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 redeemable at the option of the Town of Pound Ridge within two years of the date of purchase.

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Supervisor of the Town of Pound Ridge is authorized to invest with and conduct business with any state or federally chartered commercial bank licensed to do business in the State of New York.

All financial institutions with which the Town conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Conditions (Call Report) at the request of the Town. The Supervisor is responsible for evaluating the financial position and maintaining a listing of all depositaries and custodians, to be reviewed annually.

