

Investment Policy East Islip Public Library

To comply with Section 39 of the General Municipal Law of New York State, the East Islip Public Library adopts the following investment policy:

I. Goals:

The Library shall invest available monies, with the following goals:

1. conform to applicable federal and state laws and any other legal requirements;
2. safeguard principal;
3. ensure sufficient liquidity as to meet all operating requirements; and
4. obtain a reasonable, if not the best, rate of return.

II. Delegation of Authority:

The administration of the investment program shall be delegated to the Library Director, upon the advice and consent of the Library Board. The director shall adopt procedures to ensure an appropriate internal control structure to provide a satisfactory level of accountability.

III. Internal Control Structure:

1. All monies collected by staff members in connection with library business shall be turned over to the Business Office within the time specified by law.
2. The Business Office shall prepare and maintain a daily record of library receipts and deposits. This will include the date of collection from whom the monies were collected, the amount collected and the purpose.
3. The library director shall maintain at all times the following information with respect to all library investments: depository location of investment; investment account name and number; type of investment, current interest rate; date of original investment and maturity date if applicable; investment collateral agreement, if required.

IV. Collateralization of Deposits:

In accordance with General Municipal Law, Section 10, all library deposits in excess of those insured by the Federal Deposit Insurance Act shall be secured by;

1. A pledge of “eligible securities” with an aggregate market value at least equal to the aggregate amount of deposits from the categories in attached Appendix A.
2. An eligible, irrevocable letter of credit issued by a qualified bank other than the one holding the deposit(s) 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. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest categories by at least one nationally

recognized rating service or by a bank that is in compliance with federal minimum risk based capital requirements.

3. An eligible surety bond payable to the library for an amount at least equal to 100% of the aggregate amount of deposit(s) and agreed upon interest, if any, executed by an insurance company authorized to do business in New York State whose claim paying ability is rated in the highest rating category by at least two nationally recognized rating services.
4. "By an "irrevocable letter of credit" issued in favor of the Library 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. Such irrevocable letter of credit shall be issued with an aggregate value equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, so as to secure the payment of such deposits.

V. Designation of Depositories:

The institutions authorized for the deposit of monies will be determined annually at the Board of Trustees reorganization meeting.

VI. Safekeeping and Collateralization:

Eligible securities used for collateralizing deposit shall be held by the depository bank or trust company subject to security and custodial agreements and as directed by the president of the Board of Trustees or library director.

The security agreement shall provide that eligible securities are being pledged to secure 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 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 library, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the 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 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 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 library a perfected interest in the securities under the law of the State of New York and the United States.

VII. Permitted Investments:

As authorized by General Municipal Law, Section 11, the library may authorize the President of the Board or the Library Director to invest monies in the following types of instruments:

- Special time deposits,
- Certificates of deposit,
- Municipal Money Market Accounts,
- Obligations of the United States,
- Obligations guaranteed by agencies of the United States where the payment of principal and interest are guaranteed by the United States,
- Obligations of New York State,
- Certificates of Participation (COPs) issued pursuant to Section 109-b of the General Municipal Law.

All investments must be payable or redeemable within such times as the proceeds are needed to meet immediate expenses for the purposes for which the monies were intended. All financial institutions with which the library conducts business must be credit worthy. Banks shall provide a recent consolidated Report of Condition, at the library's request.

VIII. Purchase of Investments:

All purchased obligations, unless registered or inscribed in the name of the 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 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 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 the securities held by the bank or trust company, as 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 shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

IX. Authorized Financial Institutions and Dealers:

The 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 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 library director 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.

X. 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 library.

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.

Any individual who is engaged in a business activity that conflicts with the proper execution of the investment program, or which will impair their ability to make impartial investment decisions shall refrain from participating in such aspect of the investment process.

Appendix A

The following is a list of eligible securities that may be pledged as collateral for bank deposits and investments:

- (1) Obligations issued by the United States of America, an agency thereof, or a United States government sponsored corporation or obligations 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 guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.
- (3) Obligations partially issued 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.
- (4) 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.

East Islip Public Library
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