

Central Pine Barrens Joint Planning and Policy Commission

Robert J. Gaffney, *Chair*
Felix J. Grucci, Jr., *Vice Chair*
Vincent Cannuscio, *Member*
Ray E. Cowen, *Member*
James R. Stark, *Member*

P.O. Box 587
3525 Sunrise Highway, 2nd Floor
Great River, New York 11739-0587
516-563-0385 / Fax 516-277-4097

Investment Policy for the Central Pine Barrens Joint Planning and Policy Commission's Pine Barrens Credit Clearinghouse Funding¹

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I. SCOPE

This investment policy applies to all moneys and other financial resources available for investment by the Central Pine Barrens Joint Planning and Policy Commission (the "Commission") for the initial capitalization of the Pine Barrens Credit Clearinghouse's (the "Clearinghouse") Pine Barrens Credit Program. This shall include those funds designated for implementing the purchase or sale of Pine Barrens Credits by the Commission or the Clearinghouse.

II. OBJECTIVES

The primary objectives of the Clearinghouse's investment activities are, in priority order,

1. to conform with all applicable federal, state and other legal requirements (legal);
2. to adequately safeguard principal (safety);
3. to provide sufficient liquidity to meet all operating requirements (liquidity); and
4. to obtain a reasonable rate of return (yield).

¹*These guidelines are adapted from the undated document Investment Guidelines for Suffolk County, New York, which is utilized by the Suffolk County Treasurer's office for County funds. That original document has been modified by (1) substituting appropriately phrased references to "the Central Pine Barrens Joint Planning and Policy Commission" in place of "Suffolk County" and (2) modifying other passages as needed to reflect the nature of the Commission and its work.*

The revised document was reviewed at the Commission meeting of 12/6/95, at the Clearinghouse Board of Advisors meeting of 12/19/95, by the Suffolk County Treasurer's office during December 1995, and approved in the current form by the Commission on 1/3/96.

III. ROLE OF THE SUFFOLK COUNTY TREASURER

The Commission's responsibility for administration of the investment program is delegated to the Suffolk County Treasurer as authorized by the Environmental Conservation Law Section 57-0119(4) (McKinney 1995). The Suffolk County Charter (the "Charter"), Article XV, establishes the Suffolk County Department of Finance & Taxation, the head of which shall be the Suffolk County Treasurer (the "County Treasurer"). The County Treasurer has a written investment program which includes procedures for adequate internal control which provide a satisfactory level of accountability based on records incorporating description and amounts of investments, transaction dates, and other relevant information.

The Commission and the County Treasurer shall enter into an agreement for the receipt, management, disbursement, and accounting of those funds designated for implementing the purchase or sale of Pine Barrens Credits by the Commission or the Clearinghouse. That agreement shall be deemed to incorporate all of the principles, guidelines, and investment criteria contained within this document. The County Treasurer shall provide to the Commission a monthly accounting of all such funds.

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 Commission or the Clearinghouse to operate the Pine Barrens Credit Program efficiently and effectively. The concerns of all those involved with respect to investments should be safety, liquidity, and yield, in that order.

Investments shall be made with judgement 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 Commission and the Clearinghouse to diversify its deposits and investments which are designated for funding the purchase or sale of Pine Barrens Credits by financial institution, by investment instrument, and by maturity scheduling.

VI. INTERNAL CONTROLS

It is the policy of the Commission and the Clearinghouse for all moneys collected by the Commission or the Clearinghouse which are designated for funding the purchase or sale of Pine Barrens Credits to be transferred to the County Treasurer within ten (10) days after the end of the month, or within the time specified by law, whichever is shorter.

All income designated for the purchase or sale of Pine Barrens Credits shall be placed into interest-bearing accounts.

The County Treasurer 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 DEPOSITORIES

The banks and trust companies authorized for the deposit of County monies are designated each year at the organizational meeting of the Suffolk County Legislature. The County Treasurer shall utilize these designations in the management of those funds subject to this document.

VIII. COLLATERALIZING OF DEPOSITS

All deposits of the Commission or the Clearinghouse designated for the purchase or sale of Pine Barrens Credits, 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 by a pledge of "eligible securities" with an aggregate "market value", or provided by General Municipal Law, Section 10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.

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.

Any surety bond provided in compliance with the investment policy shall be delivered to the Suffolk County Treasurer's Office prior to or concurrent with the deposit of monies in that financial institution.

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 and Commission 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 or the Commission 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 or the Commission, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County Treasurer 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 or the Commission, 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 or the Commission a perfected interest in the securities.

X. PERMITTED INVESTMENTS

The Commission authorizes the County Treasurer to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

1. Special time deposit accounts;
2. Certificates of deposit;
3. 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;
4. Obligations of the State of New York;
5. Obligations issued pursuant to Local Finance Law Section 24.00 or 25.00 (with approval of the State Comptroller) by any municipality school district or district corporation other than Suffolk County.
6. All investments obligations shall be payable or redeemable at the option of the County of Suffolk within such times 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 County of Suffolk within two years of the date of

purchase.

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The County Treasurer 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 or the Commission conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the County Treasurer, the Commission, or the Clearinghouse. 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 County Treasurer 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.

XII. PURCHASE OF INVESTMENTS

The County Treasurer is authorized to contract for the purchase of investments directly, including through a repurchase agreement, from an authorized trading partner.

All purchased obligations, unless registered or inscribed in the name of the local government or the Commission, 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 County Treasurer 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 local government or the Commission, 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 or the Commission a perfected interest in the securities.

XIII. REPURCHASE AGREEMENTS

Repurchase agreements are authorized subject to the following restrictions:

1. All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
2. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
3. 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.
4. No substitution of securities will be allowed.
5. The custodian shall be a party other than the trading partner.

APPENDIX A: SCHEDULE OF ELIGIBLE SECURITIES

- (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.
- (ii) Zero coupon obligations of the United States government marketed as "Treasury strips."
- (iii) 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.
- (iv) 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.