

**County of Tompkins, New York
Cash Management and Investment Policy
March, 2018**

I. SCOPE

This cash management and investment policy applies to all money and other financial resources available to the County of Tompkins for deposit and/or investment on its own behalf or on behalf of any other entity or individual.

II. OBJECTIVES

The primary objectives of the County's cash management and investment activities are, in order of priority:

- 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), and,
- To obtain a reasonable rate of return (yield).

III. DELEGATION OF AUTHORITY

In accordance with the County Charter Article 6.02, responsibility for administration of the cash management and investment program is delegated to the Director of Finance, who shall establish written procedures for cash management consistent with the authorized Cash Management and Investment Policy. Such procedures shall include an internal control structure adequate to provide a satisfactory level of accountability, maintaining records incorporating descriptions and amounts of investments, transaction dates, and other relevant information, and regulating the activities of subordinate employees.

IV. PRUDENCE

All participants in the cash management and investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the County.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would 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 cash management and investment process shall refrain from personal business activity that could conflict or appear to conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

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V. DIVERSIFICATION

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

It is the policy of the County to invest with qualified financial institutions domiciled within the County whenever practicable.

The following diversification limitations shall be imposed on the County's portfolio of deposits and investments:

Institution:

- No more than 65% of the overall portfolio may be deposited in a single bank,
- No more than 33% of the overall portfolio may be deposited in a Bank that has no branches within Tompkins County,
- No more than 10% of the overall portfolio may be deposited in state authorized cooperative investment programs.

Instrument:

- No more than 10% of the overall portfolio may be invested in the securities of a single issuer, except the U.S. Treasury.

Maturity:

- No more than 15% of the portfolio may have a maturity beyond twelve months,
- The average maturity of the portfolio shall never exceed one year, and,
- At least 20% of the portfolio shall be invested in accounts, instruments or marketable securities that can be liquidated to raise cash on one business day's notice.

VI. INTERNAL CONTROLS

It is the policy of the County that all money collected by any officer or employee of the County be transferred to the Finance Department as soon as is practicable, but in any event within one business day of receipt, or within the time period specified by law, whichever is shorter.

The Finance Director 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

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executed in accordance with management's authorization and recorded properly, and that deposits and investments are managed prudently and in compliance with applicable laws and regulations.

VII. DESIGNATION OF DEPOSITORIES

A. The Tompkins County Legislature shall review and approve this list annually.

VIII. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law §10, all deposits of the County, 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 any one or combination of the following:

1. By a pledge of eligible securities with an aggregate market value equal to the aggregate amount of deposits, from the categories designated in Appendix B to this policy. Eligible securities must also meet the rating requirements of at least one nationally recognized statistical rating organization as described in Appendix C.
2. By an eligible irrevocable letter of credit issued by a qualified bank, other than the bank with the deposits, in favor of the County 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, if any. A "qualified bank" is one whose commercial paper and other unsecured short-term debt obligations meets the rating requirements of at least one nationally recognized statistical rating organization as described in Appendix C 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 County 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 meets the rating requirements of at least two nationally recognized statistical rating organizations as described in Appendix C.

IX. SAFEKEEPING AND COLLATERIALIZATION

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

The security agreement shall provide that eligible securities are being pledged to secure the County's 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 providing collateral values are maintained, and the events that will enable the County to exercise its rights against the pledged securities including failure to meet deposit repayment or collateral terms, or the deposit institution's insolvency. In the event

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that the securities are not registered or inscribed in the name of the County, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the County, 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 also describe how the custodian shall confirm the receipt, substitution, or release of the securities. The agreement shall provide for daily revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. The agreement shall provide that the custodian will exercise the County's rights to the security or as instructed by the County. Such agreement shall include all provisions necessary to provide the County with a perfected interest in the securities.

X. PERMITTED INVESTMENTS

As authorized by General Municipal Law §11, the County authorizes the Finance Director to invest money 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
- Obligations issued pursuant to Local Finance Law §24 or §25 (with approval of the State Comptroller) by any municipality, school district, or district corporation other than the City
- Cooperative Investment Pools (approved by the State Comptroller)

All investment obligations shall be payable, saleable, or redeemable at the option of the County 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, saleable, or redeemable at the option of the County within two years of the date of purchase.

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

Financial institutions and dealers approved for the purchase and sale of investments are listed in Appendix D. All financial institutions with which the County conducts business must meet the requirements of Appendix C. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the County. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers

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affiliated with the New York Federal Reserve Bank, as primary dealers. The Finance Director is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. Such listing shall be evaluated by the County Legislature at least annually.

XII. PURCHASE OF INVESTMENTS

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

1. Directly, including through a repurchase agreement, from an authorized trading partner. Authorization for the purchase of repurchase agreements is subject to the limitations outlined in XIII below.
2. By participation in a cooperative investment program where such program meets all the requirements of the General Municipal Law, the diversification characteristics as outlined in Section V of this policy, and otherwise meets the same standards as the County has for direct investments.
3. By utilizing an ongoing investment program with an authorized trading partner, pursuant to a contract authorized by the County Legislature.

All purchased investments, obligations, or participations unless registered or inscribed in the name of the County 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 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 §10.

XIII. REPURCHASE AGREEMENTS

Repurchase agreements are currently not authorized by the County Legislature. Should authorization be approved to invest in Repurchase Agreements, they would be subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase agreement providing for the terms outlined below and satisfactory to the County Attorney
- The County may only be the initial purchaser in such agreements
- Trading partners are limited to banks or trust companies meeting the rating requirements of one of the nationally recognized rating organizations as described in Appendix C or primary reporting dealers approved by the Federal Reserve Bank of New York
- Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America
- No substitution of securities will be allowed
- The custodian of the purchased securities shall be a party other than the trading partner satisfactory to the County

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- Tenor of the repurchase agreement should be no longer than 3 months
- Tenor of the securities to be purchased should be no longer than 10 years
- The market value of the securities purchased shall exceed the purchase funds by the margins shown below; and the securities shall be revalued daily, and these margins should be maintained by the initial seller during the life of the transaction:
 - For bills or bonds less than 3 years tenor, 3%;
 - For bills or bonds of 3 years to 10 years, 4 1/2%;
- No one repurchase agreement may exceed \$2,000,000, and,
- The County retains the right to terminate the agreement and sell the securities outside the repurchase agreement if any of the above items are not met, after adequate notice to the initial seller.

XIV. PERIODIC REVIEW

This cash management and investment policy shall be reviewed by the County Legislature at least annually.

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Appendix A

DEPOSITORIES

The banks and trust companies, authorized for the deposit of County moneys are:

The Tompkins Trust Company
M&T Bank
Chemung Canal Trust
First National Bank of Groton
JPMorganChase Bank
First Niagara Bank
First National Bank of Dryden
Tioga State Bank
Community Bank N.A.

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Appendix B

SCHEDULE OF ELIGIBLE SECURITIES

The type of securities that are considered "eligible securities" for collateralization are:

- 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.
- 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.
- Obligations issued or fully insured or guaranteed by New York State, obligations issued by a municipal corporation, school district, or district corporation of New York State, or obligations of any public-benefit corporation that under a specific state statute may be accepted as security for deposit of public moneys.
- Obligations issued by states (other than New York State) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- 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.
- Any mortgage-related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by federal bank regulatory agencies.
- Zero-coupon obligations of the United States government marketed as "Treasury STRIPS".

There must be diversification of the collateral-securing deposits, except where the deposits aggregate less than \$2,000,000 or the security is in the form of obligations of the U.S. Government or State of New York.

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Appendix C

Nationally Recognized Statistical Rating Organizations (NRSRO)

The following are the organizations generally considered to be Nationally Recognized Statistical Rating Organizations, and their respective investment rating categories, which are considered acceptable for investments by the County or for securities eligible as collateral for Deposits by the County:

<u>NRSRO</u>	<u>Long Term Debt*</u>	<u>Short Term Debt**</u>
Moody's Investor Services	A1 or better	P-1 or better
Standard & Poors	A+ or better	A-1 or better
Fitch	A+ or better	F-1 or better
Duff & Phelps	AA- or better	D-1 or better
IBCA	AA- or better	A1 or better
BankWatch (Banks)	B or better	TBW2 or better

* For securities with an original term of one year or longer. Also, for the claims-paying ability ratings issued by Moody's, Standard & Poors, and Duff & Phelps.

** For obligations usually defined as less than one year.

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Appendix D

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The financial institutions and dealers authorized for the purchase and sale of investments are:

The Tompkins Trust Company
M&T Bank
JPMorgan Chase Bank
Chemung Canal Trust