

**GENESEE VALLEY REGIONAL MARKET AUTHORITY**

**Investment Policy and Procedures**

**Revised on August 8, 2007**

## TABLE OF CONTENTS

|  |    |
|--|----|
| Introduction.....                                | 2  |
| The Investment Officer .....                     | 3  |
| Administration Guidelines .....                  | 5  |
| Permitted Deposits and Investments .....         | 6  |
| Deposits.....                                    | 7  |
| Investments .....                                | 9  |
| Collateral.....                                  | 10 |
| Audits .....                                     | 11 |
| Reporting Requirements .....                     | 12 |
| Annual Review.....                               | 13 |
| Appendix A: Authorized Banks and Trust Companies |    |
| Appendix B: Authorized Brokers                   |    |
| Appendix C: Eligible Securities                  |    |

## INTRODUCTION

Pursuant to Section 2925 of the Public Authorities Law, and in accordance with Section 39 of the General Municipal Law, the Genesee Valley Regional Market Authority (the "Authority") adopts the following policy as it pertains to the investment of Authority Funds.

This investment policy applies to all Authority monies and other financial resources available for investment on its own behalf or on behalf of any other entity when acting as agent for that other entity.

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

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

Investment decisions shall be made with the judgment and care that persons of prudence, discretion and intelligence exercise in the management of their own investments, considering the safety of the principal as well as the probable income to be derived.

All participants in the investment process shall seek to act responsibly as custodian of the public trust and shall avoid any transaction that might impair public confidence in the Authority. To that end, 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.

## **THE INVESTMENT OFFICER**

The Board's responsibility for administration of the investment program is delegated to the Investment Officer. The Administrator of the Authority will serve as the Investment Officer, unless the Board by resolution designates a different officer of the Authority as the Investment Officer.

### **Investment Authority**

The Investment Officer is hereby authorized to determine which investments are appropriate for the Authority's investment program and to obtain those investments. All investments so chosen shall comply with the requirements of these guidelines.

### **Investment Approval**

All investment decisions made by the Investment Officer shall be reviewed by the Executive Committee within one month of that decision.

### **Operational Guidelines**

The Investment Officer shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include:

1. a system of internal controls to regulate the activity of employees;
2. a database of investments which includes:
  - a description of investments;
  - the amount of investments;
  - transaction dates;
  - interest rates;
  - maturities;
  - bond ratings;
  - market prices;
  - the place where the security or deposit is kept;
  - the date of disposition and the amount realized;
  - the custodian and market value of any collateral; and
  - any related information necessary to manage the portfolio;

3. methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be performed; and

4. requirements for periodic reporting to the Executive Committee.

## **ADMINISTRATION GUIDELINES**

### **Selection of Investments**

The Investment Officer shall select investments using competitive quotations or negotiated prices, except in the purchase of government securities at their initial auction.

### **Prior Written Authorization**

The Investment Officer shall require a custodian of any Authority funds or securities to act only upon prior written authorization. In particular, written authorization from the Investment Officer to the appropriate custodian is required before any funds, securities, or collateral can be received, delivered or disbursed. If oral authorization is necessary, written authorization must immediately follow.

### **Payment and Delivery of Obligations**

Upon purchase, the Investment Officer shall pay for investments only upon delivery of the securities. Written confirmation should be obtained from the custodian.

Upon sale, the Investment Officer shall deliver any obligations or collateral only upon receipt of funds.

### **Documentation and Monitoring**

The Investment Officer shall document the process of initiating, reviewing and approving requests to buy and sell securities.

The Investment Officer shall verify the principal amount and market value of all investments and collateral on a monthly basis. Appropriate records or listings should be obtained from the custodial and compared against the Authority's records.

The Investment Officer shall establish and regularly review dealer limits.

The Investment Officer shall require all custodial banks to report whenever activity has occurred in the Authority's custodial account.

## PERMITTED DEPOSITS AND INVESTMENTS

### Authorized Financial Institutions and Dealers

The Authority shall not engage in any activity with any investment banker, broker, agent, dealer, investment advisor or agent unless and until the Investment Officer has determined that such party is qualified to do so. In determining a party's qualifications, the Investment Officer shall consider the quality and reliability of that party's services, that party's experience in providing such services, and the size and level of capitalization maintained by that party.

The Authority shall maintain a list of financial institutions and dealers for investment purposes. The Investment Officer is responsible for evaluating the financing position and maintaining a list of proposed depositories, trading partners and custodians.

The list of Authorized Banks and Trust Companies is set out in *Appendix A*.

The list of Qualified Brokers is set out in *Appendix B*.

### Permitted Investments

Monies not required for immediate expenditures may be invested in the following types of investments:

1. Deposits
  - a. Special Time Deposit Accounts;
  - b. Certificates of Deposit.
2. Obligations
  - a. Obligations of the United States of America;
  - b. Obligation guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;
  - c. Obligations of the State of New York.

All investments must mature before the date on which the proceeds of the investment will be needed to meet the Authority's obligations.

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

## DEPOSITS

### Secured Deposits

All deposits of the Authority must be secured as follows:

1. Certificates of Deposit and Special Time Deposits need not be secured if the amount does not exceed the amount insured under the provisions of the Federal Deposit Insurance Act.
2. Certificates of Deposit and Special Time Deposits in an amount exceeding the amount insured under the provisions of the Federal Deposit Insurance Act must be fully secured as follows:
  - i. By a pledge of “Eligible Securities” with an aggregate market value equal to the aggregate amount of deposits. A schedule of Eligible Securities is set out in *Appendix C*.

All such Eligible Securities used for collateralizing deposits shall be held by the depository bank or trust company subject to security and custodial agreements. The security agreement shall:

- a. provide that Eligible Securities are being pledged to secure Authority deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default;
  - b. state the conditions under which the securities may be sold, presented for payment, substituted or released, and the events which will enable the Authority to exercise its rights against the pledged securities;
  - c. state that securities held by the bank or trust company, or agent of, and custodian for, the Authority, 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; and
  - d. provide that the securities are held solely for the benefit of the Authority and that the custodian will make no claim to any such securities.
- ii. By an eligible “Irrevocable Letter of Credit” issued by a qualified bank other than the bank with the deposits in favor of the government 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.

- iii. By an eligible surety bond payable to the Authority 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.

## **INVESTMENTS**

### **Purchase of Investments**

The Investment Officer is authorized to contract for the purchase of permitted investments as outlined above by the following methods:

1. By direct purchase, from an authorized trading partner; or
2. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

### **Investment Contracts**

All investments must be made pursuant to a written contract between the Authority and the investment bank, broker, agent, dealer or advisor. If use of a written contract is not practical or not a regular business practice of the investment bank, broker, agent, dealer or advisor, the Authority may proceed with such party only if:

1. the Authority determines, by resolution, that the regular business practice does not encompass the use of a written contract; and
2. the Authority adopts procedures covering the investment transaction.

Any procedure so adopted must comply substantially with the provisions which would be required if the transaction were covered by a written contract as described below. Those procedures shall thereafter become a part of this investment policy.

### **Content of Investment Contracts**

All investment contracts, written or otherwise, shall contain:

1. Provisions sufficient to secure the Authority's financial interest in each investment;
2. Provisions outlining the type and amount of collateral and insurance necessary to adequately secure the investment, as well as the uses, if any, of such collateral or insurance;
3. Provisions which establish a method for valuing the collateral necessary to adequately secure the interest;
4. Provision for purchase valuation of such collateral;
5. Provisions for the monitoring, control, deposit and retention of investments and collateral.

All contracts shall comply with the provisions of this policy.

## **COLLATERAL**

### **Restrictions on Collateral**

All collateral in any investment shall be limited to investment grade obligations, as outlined in *Appendix C: Eligible Securities*.

All collateral shall be segregated in the Authority's name and shall be in the custody of the Authority or a third-party custodian.

### **Valuation and Monitoring**

The market value and the accrued interest of the collateral should be at least equal to the value of the investment plus accrued interest. To that end, the recorded value of the collateral backing any investment should be compared with current market values at the time of initial investment, and on a monthly basis thereafter. For short term investments, the market value should be monitored on a daily basis.

## AUDITS

### **Semi-Annual Internal Audit**

The Investment Officer shall examine all investments for compliance with these guidelines. This audit shall be performed on a semi-annual basis and a report of the audit results shall be available to the Board.

### **External Annual Audit**

An independent certified public accountant shall audit all investments held by the Authority on an annual basis.

The audit shall determine whether:

1. the Authority complies with this investment policy;
2. investment assets are adequately safeguarded;
3. adequate accounts and records are maintained which accurately reflect all transactions and report the disposition of Authority investment assets;
4. a system of internal controls has been maintained; and
5. the Authority has complied with the relevant laws, regulations, State Comptroller Guidelines and these investment guidelines.

The report prepared pursuant to the annual audit shall be available to the Authority. The report shall include:

1. a description of the scope and objectives of the audit;
2. a statement that the audit was made in accordance with generally accepted government auditing standards;
3. a description of any material weakness found in the internal controls;
4. a description of any noncompliance with this investment policy, as well as any applicable laws, regulation, and State Comptroller Guidelines;
5. a statement of positive assurance on the items tested, and negative assurance on those items not tested; and
6. a statement of any other material deficiency or finding identified during the audit.

This report shall be used in reviewing and approving these investment guidelines.

## **REPORTING REQUIREMENTS**

### **Quarterly Reports**

At the end of each quarter, the Investment Officer shall provide the Board with a report on all investment activity during that quarter. This report shall contain:

1. A list of any new investments and deposits;
2. An inventory of all existing investments and deposits; and
3. An inventory of all qualified agents, bankers, brokers, dealers, auditors, banks and trust companies.

Any additions or deletions must be specifically indicated, with an explanation for the addition or deletion.

### **Annual Investment Report**

An annual investment report shall be prepared and transmitted to the appropriate oversight agencies.

The report shall include:

1. these investment guidelines, including any changes made since the last submission;
2. an explanation of the investment guidelines and any amendments;
3. the results of the annual independent audit;
4. the investment income record of the authority; and
5. a list of all total fees, commission and other charges paid to each investment banker, broker, agent, dealer, advisor, bank and trust company, since the last submission.

The report shall be submitted to

1. The Department of Audit and Control; and
2. The Chief Executive Office and Chief Fiscal Officer of each municipality for the benefit of which the Authority was created.

Copies of the report shall be made available to the public, upon reasonable request.

## **ANNUAL REVIEW**

### **Annual Review**

The Board shall annually review and approve these guidelines, making any revisions deemed appropriate and necessary.

### **Appendix A: Authorized Banks and Trust Companies**

The following banks and trust companies are authorized for the deposit of Authority funds up to the following maximum amounts:

|                        |             |
|------------------------|-------------|
| Key Bank               | \$1,500,000 |
| J.P. Morgan Chase Bank | \$1,500,000 |
| Bank of America        | \$1,500,000 |
| Citibank               | \$1,500,000 |
| M&T Bank               | \$1,500,000 |
| First Niagara Bank     | \$1,500,000 |

A maximum of approximately one-third of all investments will be held in a single bank at any one time. The Authority will at all times have a minimum of two custodian banks.

## **Appendix B: Authorized Brokers**

None at present.

## **Appendix C: Eligible Securities**

Eligible Securities include:

### *United States Government Securities*

1. Obligations issued by the United States of America.
2. Obligations fully insured (or guaranteed as to the payment of principal and interest) by the United States of America.

### *New York State Securities*

1. Obligations issued by the State of New York;
2. Obligations fully insured or guaranteed by the State of New York;
3. Obligations issued by a municipal corporation of the State of New York;
4. Obligations issued by a school district of the State of New York;
5. Obligations issued by a Public Benefit Corporation of the State of New York, if a state statute provides that the particular Public Benefit Corporation's securities may be accepted as security.

### *Under-Insured Securities*

1. Obligations partially insured or guaranteed by the United States, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.

## **Amendment of Investment Policy**

**WHEREAS**, the Genesee Valley Regional Market Authority (the “**Authority**”), has implemented an Investment Policy which governs the investments made by the Authority; and

**WHEREAS**, the Authority desires to amend such investment policy to add entities with which investments may be made.

### **NOW, THEREFORE, IT IS**

**RESOLVED**, that the Authority hereby amends Schedule A of its Investment Policy to permit investments with Canandaigua National Bank & Trust Company, Steuben Trust Company, Upstate Bank, JPMorgan Chase Bank, N.A., Manufacturers and Traders Trust Company, Wachovia Bank, N.A., First Niagara Bank, Five Star Bank and Citizens Bank.

## **Amend Investment Policy**

**WHEREAS**, the Authority has previously implemented an Investment Policy which governs the investments made by the Authority; and

**WHEREAS**, at a meeting of the Authority held on May 13, 2009, the Authority approved amendments to the policy to add various entities with which investments may be made; and

**WHEREAS**, the Authority desires to further amend such investment policy to add another banking institution with which investments may be made.

### **NOW, THEREFORE, IT IS**

**RESOLVED**, that the Authority hereby amends Schedule A of its Investment Policy to permit investments with Bank of Castile in addition to the institutions previously approved at the meeting of the Authority held on May 13, 2009; and it is further

**RESOLVED**, that the Administrator be, and hereby is, authorized, directed and empowered to take such other action and to execute and deliver such documents/instruments as he in his reasonable discretion deems necessary or appropriate in connection with carrying out the above resolutions on behalf of the Authority.