

Dutchess County Water & Wastewater Authority
Investment Policy

January 1, 2024

I. SCOPE

This policy applies to the investment of funds.

1. Pooling of Funds: Except for cash in certain restricted and special funds, the Dutchess County Water and Wastewater Authority (DCWWA) will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety: Safety of principal is the foremost objective of the investment program. The objective will be to mitigate credit and interest rate risk.
 - a. Credit Risk: The DCWWA will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by limiting investments to the safest types of securities and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the DCWWA will do business.
 - b. Interest Rate Risk: The DCWWA will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market accounts, or similar investment pools.
2. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market accounts or local government investment pools that offer same-day liquidity for short-term funds.
3. Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. **Return on investment is of secondary importance compared to the safety and liquidity objectives described above.** The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - A security with declining credit may be sold early to minimize loss of principal.
 - A security swap would improve the quality, yield, or target duration in the portfolio.
 - Liquidity needs of the portfolio require that the security be sold.

III. DELEGATION OF AUTHORITY

The DCWWA Board's responsibility for administration of the investment program is delegated to the Staff Treasurer or other officer designated, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this policy and as further described within this document. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on 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 DCWWA 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.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking materially significant personal investment transactions with the same individual with which business is conducted on behalf of the DCWWA.

V. DIVERSIFICATION

It is the policy of the DCWWA 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 DCWWA for all moneys collected by any officer or employee of the government to transfer those funds to the designated bank within 5 business days of receipt, or within the time period specified in law, whichever is shorter.

The Staff 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 DEPOSITARIES

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

<u>Depository Name</u>	<u>Maximum Amount</u>
M&T Bank	\$10,000,000
JP Morgan Chase	\$10,000,000
TD Bank North	\$10,000,000
The Bank of New York Mellon	\$20,000,000 (as trustee)
Wilmington Trust	\$20,000,000 (as trustee)

VIII. COLLATERALIZING OF DEPOSITS

1. In accordance with the provisions of General Municipal Law 10, all deposits of DCWWA, including certificates of deposits, shall be secured with securities from the categories designated in Appendix A to the policy.

IX. SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits shall be held by the 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 that 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 to the 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.

X. PERMITTED INVESTMENTS

As authorized by General Municipal Law 11, the DCWWA authorizes the Staff Treasurer or their designee 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 collateralized as set forth in Section IX or fully insured by the Federal Deposit Insurance Corporation;
- Money Market Accounts, collateralized as set forth in Section IX or fully insured by the Federal Deposit Insurance Corporation;
- Money Market Mutual Funds; limited to funds that invest in US Government Securities and Securities guaranteed by the United States Government only;
- Operating Accounts (Checking Accounts and Interest-Bearing Checking Accounts, collateralized as set forth in Section IX or fully insured by the Federal Deposit Insurance Corporation;
- Certificates of deposit collateralized as set forth in Section IX or fully insured by the Federal Deposit Insurance Corporation;
- Repurchase Agreements as set forth in Section XIII;
- 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

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

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The DCWWA shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments that 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 DCWWA. 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 Staff 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 Executive Director or Deputy Director is authorized to contract for the purchase of investments:

1. Directly from an authorized trading partner.
2. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the local government, 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 DCWWA 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.

The custodial agreement shall provide that 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.

XIII. REPURCHASE AGREEMENTS

Repurchase agreements are authorized subject to the following restrictions:

- 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 and primary reporting dealers.
- 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 substitution of securities will be allowed.
- 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.

(ii) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporations 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.

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