

Policies and Procedures

Subject: Investment Policy

Section 1. Scope

This investment policies applies to all moneys and other financial resources available for investment by the Elmira Urban Renewal Agency ("Agency").

Section 2. Objectives

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

- to conform with all applicable federal, state and other legal requirements (legal);
- to adequately safeguard principal (safety);
- to provide sufficient liquidity to meet all operating requirements (liquidity);
- to analyze and project other anticipated liabilities (forecast); and
- to obtain a reasonable rate of return consistent with operating and liability requirements (return).

Section 3. Delegation of Authority

The responsibility of the investment program is delegated to the City Chamberlain of the City of Elmira who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a database or records incorporating description and amounts of investments, transaction dates, and other relevant information and monitor the activities of subordinate employees.

Section 4. 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 Agency's ability 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 total return of such investments (both principal and income).

All participants involved in the investment proves 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.

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Section 5. Diversification

It is the policy of the Agency to diversify its deposits and investments by financial institution, by investment instrument, and by duration or maturity, if appropriate for the anticipated liability or operating requirement.

Section 6. Internal Controls

It is the policy of the Agency for all moneys collected by any officer or employee of the Agency to deposit said funds within three business days, or within the time period specified in law, whichever is shorter.

The City Chamberlain of the City of Elmira 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 this investment Policy and recorded properly, and are managed in compliance with applicable laws and regulations.

Section 7. Designation of Depositories

The banks and trust companies authorized for the deposits of monies shall be determined by the City Chamberlain provided that such depositories comply with this Investment Policy and that the Agency's Board of Commissioners are notified.

Section 8. Collateralizing of Deposits.

In accordance with the provisions of General Municipal Law, Section 10, all deposits of the Agency, 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", as provided by General Municipal Law, Section 10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.

Section 9. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by (the depository and/or 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 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 to exercise its rights against the pledged securities. In the event that

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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 in blank to the Agency 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 Agency 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 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 Agency a perfected interest in the securities.

At the direction of the City Chamberlain, an independent advisor shall evaluate collateral sufficiency. During periods of rising interest rates, the City Chamberlain may direct collateral evaluation at any time.

Section 10. Permitted Investments.

As authorized by General Municipal Law, Section 11, the Agency authorizes the City Chamberlain to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow liabilities 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 §24.00 or §25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than Elmira;
- Obligations of public authorities, public housing authorities, industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments;
- Certificates of Participation (COPs) issued pursuant to GMIL, 109-b;
- Obligations of the City of Elmira and related entities, but only with any moneys in a reserve fund established pursuant to GML, 6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

Section 11. Authorized Financial Institutions and Dealers.

The Agency shall maintain a list of financial institutions and dealers approved for investment purposes and, except for U.S. Government and Agency securities

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described herein, establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the Agency conducts business must be creditworthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Agency. Security dealers shall provide financial information acceptable to the City Chamberlain. The City Chamberlain 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.

Section 12. Purchase of Investments.

The City Chamberlain is authorized to contract for the purchase of investments:

1. Directly, including through a repurchase agreement, 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.
3. By utilizing an ongoing investment program with an authorized tracking partner in conformance with this Investment Policy.

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; provided, however, that "book entry" securities maintained by the Depository Trust Company ("DTC") shall be permissible investments if the underlying securities are permissible. 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 Elmira by the bank, trust company or other financial institution. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodian agreement described in General Municipal Law, 10.

The custodian 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.

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Section 13. 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.

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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) 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.
- (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.