

Suffern Free Library - Investments

Approved by Suffern Free Library Board of Trustees on March 23, 2021

This policy supersedes all prior policies and practices relative to this subject.

PURPOSE

The purpose is two-fold: 1) To comply with the 2010 Practical Guide to the New York Prudent Management of Institutional Funds Act and 2.) Apply the Practical Guide Act specific to the Investment Policy to outline/establish the responsibilities, general objectives, and specific guidelines for management/stewardship of all funds by Suffern Free Library.

SCOPE:

This Investment Policy applies to all funds and the transactions governed by the Board of Library Trustees, except endowments funds, which are separate legal entities.

OBJECTIVES:

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered:

Safety – Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio and adequately safeguards of principal.

Diversification – Investments and deposits of operating fund, when practical, should be diversified by financial institution, by investment, and by maturity scheduling to avoid unreasonable and avoidable market risks.

Liquidity – The portfolio should provide sufficient liquidity to meet all operating requirements that might be reasonably anticipated. Cash flows, actual and projected, shall be reviewed at least quarterly.

Yield/Return on Investment – Investments should obtain a reasonable rate of return and balanced risk. All available funds will be placed in investments or kept in interest bearing deposit accounts at all times. All investments shall be selected on the basis of competitive bids, or current market rates for publicly listed investments.

Minimization of Cost – All attempts shall be made to minimize the costs of financial transactions related to implementing investment or operating fund strategies.

Local Institutions – Preference shall be given to financial institutions located within reasonable distance as long as yields are competitive with other institutions for comparable instruments and there are no conflicts of interest.

Simplicity of Management – Reasonable effort shall be made to minimize the time required by the Treasurer and library administrative staff to manage investments while adhering to the requirements of this Policy.

Standard of Conduct – Each person shall manage and invest in good faith, free of conflicts of interest, and with care satisfying the standard of prudence in the management and investments of funds.

MANAGING AND INVESTING RESPONSIBILITY AND REPORTING

The Finance Committee shall consist of the Treasurer, as Chairperson, the Library Director and two to three Board members as the President may appoint.

The Finance Committee will:

- Manage the investment portfolio in accordance with the parameters specified within this Policy.
- Establish and adjust asset allocation to meet policies, procedures or practices for the investments of the Library. Report any significant changes in policy, procedure or practice to the Board of Trustees for approval.
- Review the performance of the financial institutions; investment instruments consider whether they are meeting the objectives of this Policy. Report findings to the Board of Trustees semi-annually or when any significant changes impact objectives or at any time by inquiry by the Board of Trustees.
- The Library Director is responsible for day-to-day implementation of investment policies, procedures, and practices, including giving prompt notification to the Treasurer of events or situations potentially requiring action.

The Finance Committee shall be aware of: 1) current economic conditions, the possible effect of inflation or deflation, 2) the purpose and action taken on investments, 3) expected income and investment appreciation, 4) all resources and needs within Suffern Free Library, 5) the funds distribution requirements to maintain Suffern Free Library operations and preserve capital, 6) special assets, their value, and relationship to the purpose of Suffern Free Library.

- The Investment Policy will be reviewed by the committee every three years or sooner should established guidelines of the Act be revised or amended in its requirements.
- The Board of Trustees, Library Director and associates responsible to manage and handle Suffern Free Library financial documents shall provide a signed and dated Policy or letter identifying Suffern Free Library, the Policy and that it has been read and understood.

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 Suffern Free Library.

All parties are subject to the Prudent Man Rule which states: Assets shall be invested with the care, skill, prudence, and diligence under the circumstances prevailing from time to time that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and aims.

ETHICS & CONFLICTS OF INTEREST

All participants involved in the investment process shall not engage in personal business activity that could conflict with the proper execution and management of the Library investment

program, or that could impair their ability to make impartial decisions. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio for consideration by the Board.

LIABILITY/INDEMNIFICATION

The Finance Committee or Library staff member, while acting in good faith and not willfully disregarding this Policy, shall not be held personally responsible for a specific investment's credit risk or market price changes. However, every effort shall be made that these deviations be reported immediately and the appropriate action taken to control adverse developments.

FINANCIAL INSTITUTIONS, REGISTERED INVESTMENT COMPANIES AND BROKER/DEALERS

The Finance Committee shall maintain and utilize a file of use – financial institutions, registered investment companies and broker/dealers that provide investment services. The committee will establish the appropriate limits to the number of investments, which can be made with each financial institution.

All financial institutions with which the Library conducts business must: 1) Be credit worthy, 2) Be experience and competent, 3) Be independent of any board members in business of personal relationship, 4) Provide diverse investment instruments and information, and consolidated monthly reports, 5) Demonstrated past performance & current financial stability, 6) Not interfere/impede with the Suffern Free Library finance committee or the Board's ability to provide proper oversight, 7) Be investment companies registered with the Securities and Exchange Commission, and should be members of the National Association of Security Dealers, Inc. Securities, 8) Shall maintain offices within a 45 mile radius of the Suffern area, 9) Be Internet web-based access, 10) Be able to provide user investment and performance analysis in a web-based format, 11) Provide web-based research tools and monitoring of instruments and investments.

Institutions shall provide their payment compensation for service to the Suffern Free Library. Institutions will notify the Suffern Free Library with no less than 60 day-notice of any changes to said compensation. Any contract/agreement can be terminated by the Board of Trustees at any time without penalty with up to 60 days-notice.

A copy of the current Investment Policy will be given to eligible financial institutions, registered investment companies and broker/dealer desiring to business with the Library. It shall be the responsibility of the designated officer of those institutions to review the Investment Policy. Furthermore, the aforementioned officer shall agree to disclose any potential conflicts of risks to the Library funds that could arise out of financial transactions between the financial institutions, registered investment company or broker/dealer and the Library. The financial institutions shall provide a signed and dated policy or letter identifying the Suffern Free Library, the policy and that the policy has been read and understood.

PERMITTED INVESTMENTS/AUTHORIZED AND SUITABLE INVESTMENTS

The Suffern Free Library Board of Trustees authorized the Library Finance Committee to invest moneys, not required for immediate expenditure or required for ongoing operations for terms not to exceed its projected cash flow needs and for limits set approved by the

Board of Trustees and no greater than the limits in the Investment Policy. The following types of investments are permitted only; all other investment classes are prohibited:

- a) Obligations issued by the United States of America; U.S. Treasury Bills, Notes and Bonds (Zero-Coupon Bonds, Strips), for which the full faith and credit of the United States Government is pledged for the repayment of the principal and interest - No Limit.
- b) Obligations guaranteed by agencies of the United States of America where the payment of principal and interests are guaranteed by the agency of the United States of America; Bonds, notes and other obligations issued by any Federal government agency or instrumentally - No Limit.
- c) Certificates of deposits or interest-bearing time deposits accounts, demand deposits accounts and interest-bearing accounts established with financial institutions that are properly insured through the Federal Deposit Insurance Corporation (FDIC) - Limit- \$250,000 each institution.
- d) Certificates of deposits or interest-bearing time deposits accounts, demand deposit accounts and interest bearing accounted established with financial institutions that are properly and suitable collateralizations – No limit.
- e) Commercial paper rated at the time of purchase within the highest classification established by not less than two nationally recognized statistical rating services and that matures not more than 270 days after the date of purchase. Limit \$1,000,000.
- f) Commercial paper and bankers' acceptances issued by a United States bank (other than the bank with which the money is being deposited or invested) rated in the highest short-term category by at least one nationally recognized statistical rating organization and having maturities of no longer than sixty days from the date they are pledged. Limit \$1,000,000.
- g) Obligations issued by the State of New York or fully insurance or guaranteed by this state.
- h) Money markets mutual funds regulated by the Securities Exchange Commission that maintain a \$1.00 per share net asset value, and that invest only in any of the above- mentioned investment options. Limit \$250,000.
- i) Assets approved by the board to be invested with an investment advisor will be allocated as follows:
 - a. Bucket 1 - 25% - 35% of monies deemed needed within one year to supplement cash flow or pay for capital improvements shall be invested in liquid assets
 - b. Bucket 2 - 25% - 35% of monies deemed needed within three years will be invested in secure income base assets such as government securities not limited to obligations of the US.

- c. Bucket 3 - 30% - 50% of monies set aside for long term needs will be invested in assets designed for growth. This will include stocks, stock funds, bond funds or similar type investments

The allocation percentage will be determined annually as part of the budget process. It may additionally be revised based on need as determined by the finance committee and approved by the Board.

All investment obligations shall be payable or redeemable at the option of the Suffern Free Library Board of Trustees 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 Suffern Free Library Board of Trustees within two years of the date of purchase.

INVESTMENT POLICY CERTIFICATION

I hereby certify that I have received the Investment Policy of Suffern Free Library (Library). I have personally read the Investment Policy, and agree to comply with the terms of the Investment Policy regarding the investment of the Library Funds.

December 11, 2019

Ref. 2019 Review of Investment

Policy To: Library director

As required by the investment policy, under the section "Managing and Investing Responsibility and Reporting" - The investment policy will be reviewed by the committee (Finance) every Three years or sooner should established guidelines of the act be revised or amended in its requirements.

Hearing no response from other finance committee members, on my request for comments, I reviewed the Investment Policy. The only amendment consideration to the policy was to further detail bond investment and ratings. The amendment consideration was to add a note indicating" - no high yield corporate bond risk and any bonds with a rating below BBB"

At the November 2019 library board meeting. I discuss this amendment consideration to the policy and the board chose to make no amendments at this time.

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