

WATER AUTHORITY OF WESTERN NASSAU COUNTY

INVESTMENT POLICY

I. SCOPE

The investment policy applies to all moneys and other financial resources available for deposit or investment by the Water Authority of Western Nassau County ("Water Authority"). This Policy applies to all funds and investment activities under the direct authority of the Water Authority, except for the Employee's Retirement fund as listed below:

- Revenue Fund
- Operating Fund
- Payroll Fund
- Customer Refund Fund
- Rate Stabilization Fund
- General Fund
- Customer Deposit Fund
- Reserve Funds
- Construction Funds
- Bond Funds
- Capital Reserve Funds

II. OBJECTIVES

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

- to comply with all applicable federal, state and other legal requirements and with the Water Authority's Bond Resolution (legal);
- to adequately safeguard principal of all deposits and investments (safety);
- to provide sufficient liquidity to meet all operating requirements (liquidity);
- to obtain a reasonable rate of return (yield).

III. DELEGATION OF WATER AUTHORITY

The Governing Board's responsibility for administration of the investment program is delegated to the Superintendent 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 data base or records incorporating description and amounts of investments, transaction dates and other relevant information and shall 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 Water Authority to govern effectively.

Investments shall be made with judgment and care, under economic 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.

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.

V. DIVERSIFICATION

It is the policy of the Water Authority 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 Water Authority for all moneys collected by any officer or employee of the Water Authority to deposit those funds in the Water Authority's accounts within three (3) days, but in no event later than the time specified by law, if any.

The Superintendent 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 and the Water Authority's Bond Resolution.

VII. DESIGNATION OF DEPOSITARIES

The Water Authority shall maintain a list of Banks, trust companies or investment advisors approved to do business with the Water Authority in accordance with Appendix A.

Every Bank, trust company or investment advisor shall be given a copy of this policy. Each such Bank, trust company or investment advisor shall certify in writing to the Water Authority that it has reviewed the Policy and that it will comply with the provisions thereof.

VIII. COLLATERALIZING OF DEPOSITS

All deposits of the Water Authority, 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 either a pledge of "Eligible Securities" pursuant to a Third-Party Custody Agreement and/or an "Irrevocable Letter of Credit", as defined in and pursuant to the provisions of General Municipal Law §10.

The Third-Party Custody Agreement must establish a method for valuation of the collateral and procedures for monitoring the valuation of such collateral on a regular basis. The total market value of the collateral will at all times exceed 2% of the principal amount of the deposits.

An Irrevocable Letter of Credit Agreement issued by a federal home loan bank whose commercial paper and other unsecured short-term obligations are rated in the highest category by at least one nationally recognized statistical rating organization. Such irrevocable letter of credit shall be issued for a term not to exceed 90 days with an aggregate value equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any. In the event that deposits exceed the Letter of Credit amount, excess deposits must be covered by a Third-Party collateral agreement.

IX. SAFEKEEPING AND COLLATERALIZATION

Eligible Securities used for collateralizing deposits shall be held by a bank, trust company or investment advisor subject to appropriate security and custodial agreements.

X. PERMITTED INVESTMENTS

The Water Authority authorizes the Chairperson, Superintendent, or Treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of "Authorized Investments":

"Authorized Investments" means and includes any of the following investments that are and continue to be legal for the investment of the Water Authority's funds:

- (a) Direct obligations of the United States of America (i.e.: Treasury Bills and Treasury Notes)
- (b) Time deposits, demand deposits and certificates of deposit issued by any bank or trust company organized under the laws of the State or any national banking association which is a member of the Federal Reserve System or the Federal Deposit
- (c) Insurance Corporation (FDIC), however, all 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."

All investment obligations shall be payable or redeemable at the option of the Water Authority within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and as defined in the Water Authority's Bond Resolution.

XI. AUTHORIZED FINANCIAL INSTITUTIONS

The Water Authority shall maintain a list (see Appendix A) of authorized financial institutions approved for the purchase of authorized investments. These authorized investments are to be held by the Water Authority's Trustee (see Appendix A). All financial institutions with which the Water Authority conducts business must be credit worthy and possess the quality, reliability, experience, capitalization and size to assure compliance with this investment policy.

XII. PURCHASE OF INVESTMENTS

The Chairperson, Superintendent or Treasurer are authorized to contract for the purchase of investments. The Water Authority shall enter into written contracts pursuant to which investments are made, unless the Water Authority shall by resolution determine that a written contract is not practical or that there is not a regular business practice of written contracts with respect to a specific investment or transaction in which case the Water Authority shall adopt procedures covering such investment or transaction. No written contract shall be required for the purchase of Authorized Investments from Authorized Depositories or Financial Institutions. All investments shall be registered or inscribed in the name of the Water Authority.

APPENDIX A
AUTHORIZED DEPOSITARIES

DEPOSITORY NAME

JP MORGAN CHASE BANK

BNY MELLON

FLUSHING BANK