

# **Olean Local Development Corporation**

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## **INVESTMENT POLICY**

The purpose of this Statement of Investment Policy is to establish comprehensive investment guidelines for the agency's investment of funds in accordance with Section 2925 of Public Authorities Law. The Investment Policy and guidelines shall incorporate best practices and assist in standardizing both the diversification of investments and qualifications of investment advisors or agents.

### **OBJECTIVE**

The objective of this policy is to assist the Olean Local Development Corporation (OLDC) in effectively supervising, monitoring and evaluating their investment assets.

Those investment assets are held by the organization as a steward for the sake of carrying out its mission and purposes.

This policy is consistent with the by-laws of the OLDC and has been formally set forth to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the investment goals and objectives including: the various asset classes, investment management styles, asset allocations, acceptable risk and total long term investment return.
- Provide guidance and limitations to all investment managers that, in total, are expected to produce sufficient levels of overall diversification, risk, and liquidity within the portfolio, so that all assets are managed in accordance with the long-term objectives.
- Establish a basis for evaluating investment results.
- Ensure compliance with all fiduciary, prudence and due diligence requirements that experienced professionals would utilize, and with all applicable laws (Uniform Management of Institutional Funds Act and Uniform Prudent Investor Act for trusts), rules and regulations from various local, state, federal and international political entities that may impact the investments.
- Outline procedures and criteria to monitor, evaluate and compare the performance results achieved by investment managers on a regular basis, and report the performance to Board members.

## **DELEGATION OF AUTHORITY**

OLDC and its Board members hold all funds as a fiduciary. The Board has delegated authority over its investment affairs to the Finance Committee (the committee) of the Board, and that committee is further authorized to delegate certain responsibilities to professional experts in various fields.

These include but are not limited to:

- Investment Manager – has discretion to purchase, sell, or hold the specific investment vehicles authorized by the committee to meet the policy's investment objectives.
- Custodian – will physically maintain possession of investments owned by the organization, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased or sold.
- Additional specialists such as attorneys, auditors, and others may be employed by the organization to assist in meeting its responsibilities and obligations to administer investment assets prudently.

Per the OLDC Finance Committee Charter, the Finance Committee is responsible to make recommendations concerning the appointment and compensation of bound counsel, investment advisors and underwriting firms used by the Authority, and to oversee the work performed. By these individuals to perform the duties on behalf of the Committee. The Finance Committee shall annually review the Authority's investment policy and evaluate allocation of assets.

## **ASSET ALLOCATION**

To accomplish the organization's investment objectives, based on its time horizon, risk tolerances, performance expectations, and asset class preferences, an optimal portfolio was identified by the committee. The Investment Manager is authorized to utilize portfolios with the following strategic asset allocations:

Asset Class:

Equities, Large Cap, Small Cap, International, Fixed Income, Cash and Equivalents utilizing various percentages either/or in the lower limit, strategic allocation or upper limit.

Prohibited investments include, but are not limited to commodities and futures contracts, private placements, options, non-registered securities.

Asset Quality:

- Equity Securities – may invest in any unrestricted, publicly traded stock that is listed on a major exchange or a national, over-the-counter market that is appropriate for the portfolio objectives, asset class, and/or investment style.
- Fixed Income Securities – the quality rating of bonds and notes must be "A" or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of seven years or less.

- Cash and Equivalents – the quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1, as rated by Moody's, or better. The assets of any money market mutual funds must comply with this standard and/or the quality provisions for fixed-income securities.
- Asset Diversification – The investment manager will maintain reasonable diversification at all times. He/she may not allow the investments in equity securities of any one company to exceed 5 percent of the portfolio nor the total securities position (debt and equity) in any one company to exceed 10 percent of the portfolio. Reasonable sector allocations and diversification must also be maintained. No more than 25 percent of the portfolio may be invested in the securities of any one sector.

Rebalancing of Strategic Allocation should be adopted as a risk-management strategy. Once an asset allocation is implemented that matches the portfolio's risk tolerance, rebalancing approximately semi-annually should allow the maintenance of risk exposure at an appropriate level. Investment managers must consult with the committee before rebalancing.

### **STEPS FOR SAFEGUARDING INVESTMENTS**

The investment activities shall be:

- Safety – The investments shall be undertaken in a manner that seeks to insure the preservation of the capital in the overall portfolio.
- Diversity – The investments shall be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Return on Investment – The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

It is the policy of the OLDC to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the agency and comply with all state statutes governing the investment of public funds.

### **REPORTING REQUIREMENTS**

Monthly – The investment manager will provide the committee with a monthly written statement containing all pertinent transaction details for each separately managed portfolio for the preceding month, including:

- The name and quantity of each security purchased or sold, with the price and transaction date;

- An analysis for each security of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (5) at market; and

- An analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed income, cash).

Quarterly - The investment manager will provide the committee with detailed information about asset allocation, investment performance, future investment strategies, and other matters of interest to the committee.

Annually - The investment manager will provide an annual summary of all transactions in each fiscal year, together with a report of investment performance for the year by portfolio, to the full Board of Directors. Investment objectives will be reviewed to determine if they are being met.

### **PROVISIONS FOR REPORTING TO THE AUTHORITIES BUDGET OFFICE ON INVESTMENTS**

The Audit and Finance Committees are responsible reporting on the investments. Section 2925 of PAL requires public authorities to have written annual independent audit of all investments practices. The Finance Committee shall review and recommend to the Board approval of the Agency's annual investment report. The audit should be conducted in accordance with generally accepted government auditing standards (GAAP) and should at a minimum include:

- The scope and objectives;
- Any material weakness found in the internal controls;
- A description of all non-compliance with the authority's own investment policies as well as any applicable laws or regulations;
- A statement of positive assurance of compliance on the items tested and a statement of any other material deficient or finding.