

INVESTMENTS & BORROWING

1. **INVESTMENT POLICY PURPOSE:**

The Board of Education desires to provide the finest public education possible to the children within the District, compatible with the least cost to its taxpayers. To achieve this goal all sources of revenue, other than taxes, must be enhanced. Interest earnings offer a large potential alternative source of revenue.

The Board of Education desires that excess School District monies, not needed for immediate payment of bills, be temporarily invested to earn a safe return as provided for within the Education Law, General Municipal Law, Local Finance Law and Banking Law. The criteria for investing School District monies, in order of priority, shall be:

- 1.1 **SAFETY** -- Funds must not be lost to the School District.
- 1.2 **LIQUIDITY** -- Appropriate amounts must be available for each payroll, debt service, and abstract date. No investment should mature later than the date the invested funds are anticipated to be needed and in no case, more than two years from date of purchase.
- 1.3 **YIELD** -- The highest market interest rate available (other conditions being equal) is to be solicited.

2. **PRUDENCE:**

All participants in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the school district's ability to govern effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would 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.

3. **DIVERSIFICATION:**

The policy of the Board of Education is to reduce risk by diversifying deposits and investments by: (1) bank or trust company, (2) investment instrument, and (3) date of investment maturity.

4. **DELEGATION OF AUTHORITY FOR INVESTING SCHOOL DISTRICT MONEY AND SIGNING CUSTODIAL/SECURITY AGREEMENTS:**

The Board of Education hereby specifically delegates the authority to sign the written security and/or custodial agreements with the designated banks and to make the day-to-day investment decisions within the guidelines and limitations of this policy resolution to the incumbent in the position title of:

4.1 Superintendent of Schools, and/or

4.2 Business Manager.

The above officers and administrators are hereby authorized to utilize the advisory services of municipal consulting firms in planning the timing, amount, maturity, bidding, placement, and reporting on any investments made hereunder.

5. **AUTHORIZED COMMERCIAL BANKS OR TRUST COMPANIES:**

The Board of Education authorizes the use, of the following commercial banks or trust companies (not savings banks or associations), located and authorized to do business in New York State, for placing investments and ***specifically prohibits using private brokerage or investment firms***. Diversification of depositories increases the safety and total FDIC coverage of District monies. Consequently, to the extent practical, more than one bank or trust company will be utilized. The District must enter into a written Security Agreement and/or Custodial Agreement with each. (General Municipal Law §10 & §11, Education Law §1604-a, §1723-a, Local Finance Law §165.00 (b), Banking Law §107-a).

(Specify at least three:)

| <u>Bank or Trust Company Custodial</u> | <u>Maximum Deposit</u> | <u>Most Recent Security Agreement Date</u> |
|--|---|--|
| 5.1 <u>NBT Bank of Sharon Springs</u> | \$ <u>Collateral Cap</u> | <u>01-02</u> |
| 5.2 <u>Bank of Richmondville</u> | \$ <u>Collateral Cap</u> | <u>01-00</u> |
| 5.3 <u>JP Morgan Chase</u> | \$ <u>Collateral Cap</u> | <u>01-02</u> |
| 5.4 | And any other commercial banks or trust companies meeting the above requirements when bidding conditions warrant. | |

6. **AUTHORIZED INVESTMENT INSTRUMENTS:**

The Board of Education authorizes the following types of investment instruments for investing School District monies with commercial banks or trust companies authorized to do business in New York State:

- 6.1 Savings Accounts.
- 6.2 N.O.W. Accounts.
- 6.3 Money Market Deposit Accounts.
- 6.4 Super N.O.W. Accounts.
- 6.5 7 to 31-Day Accounts.
- 6.6 Certificates of Deposit.
- 6.7 Repurchase Agreements.
- 6.8 U.S. Treasury Bonds, Bills, Notes.
- 6.9 Other investment instruments as may be approved by the Office of the State Comptroller from time to time.

7. **FDIC INSURANCE AND OVERAGE COLLATERALIZATION:**

The primary objectives of this policy are to enhance the safety and availability of any School District monies invested. These objectives are partially met by FDIC insurance covering the first \$100,000 of School District checking account deposits and an additional \$100,000 for time or savings account deposits with any one specific commercial bank or trust company. (12 Code Federal Regulations 330.8)

Any amounts exceeding the FDIC insurance limit, as presently set or subsequently revised, are to be insured to the School District by requiring an allocation and pledging of appropriate collateral by the bank or trust company winning the bid for the investment. All investments must be bid specifying "*with collateral*". Written custodial and/or security agreements must be entered into with each bank or trust company (General Municipal Law, §10 & §11, Banking Law §107-a) which require the custodial bank or trust company to keep the securities they purchased as collateral for the District separate and apart from the institution's own general assets. Banking Law requires the bank or trust company to comply in completing the written agreements.

8. **SECURITY AGREEMENT:**

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. The security agreement 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 school district to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the school district, such securities shall be delivered in a form suitable for transfer or with an "*assignment in blank*" to the school district or its custodial bank.

The security agreement and the custodial agreement may be combined in a single document pursuant to Section 10,3,a of the General Municipal Law.

9. **CUSTODIAL AGREEMENT:**

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 co-mingled 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 school district a perfected interest in the securities.

10. **COLLATERAL:**

School District deposits and investments may be secured either by **obligations or securities** or, in whole or in part, by a **surety bond** or **irrevocable letter of credit**.

Surety bonds must be issued by an insurance company authorized to do business in this State, the claims-paying ability of which is rated in the highest rating category by at least two nationally recognized rating organizations. The surety bond must be equal to 100% of the aggregate amount of deposits and the agreed upon interest.

Eligible letters of credit will be those issued by a bank or trust company (other than the bank or trust company with which the investment is placed) with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest that either:

- 10.1 has commercial paper or other unsecured short-term debt obligations (or, in the case of a bank which is the principal subsidiary of a holding company, whose holding company has commercial paper and other unsecured short-term debt obligations) rated in one of the three highest rating categories by at least one nationally recognized rating organization; or
- 10.2 is in compliance with applicable minimum federal risk based capital requirements.

11. **ELIGIBLE SECURITIES FOR COLLATERAL PURPOSES:**

The current market value of collateral utilized must equal or exceed the value of the collateralized deposits. The currently permitted collateral may be subsequently supplemented by new instruments when approved by the Office of the State Comptroller. Permissible collateral includes (General Municipal Law §11, 31CFR,203.15):

- 11.1 United States obligations.
- 11.2 Obligations of United States agencies, subdivisions, or departments, where payment of principal and interest is guaranteed or insured by the United States.
- 11.3 Obligations of New York State.

- 11.4 Obligations of New York municipal corporations, school districts, or district corporations of the State of New York
- 11.5 Obligations issued or guaranteed by United States agencies or government sponsored corporations.
- 11.6 Obligations of states other than New York rated in one of the three highest rating categories by at least one nationally recognized rating agency.
- 11.7 Obligations of non-New York local governments having the power to levy taxes that are backed by the full faith and credit of the entity and rated in one of the three highest rated categories by at least one nationally recognized rating agency.
- 11.8 Obligations of domestic corporations rated in one of the two highest rated categories by at least one nationally recognized rating agency.
- 11.9 Commercial paper and bankers' acceptances issued by a bank other than the depository bank, having maturities not to exceed 60 days and rated in the highest short term rating category by at least one nationally recognized rating agency.
- 11.10 Certain mortgage-backed securities.

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

12. **TRANSFER OF FUNDS:**

The Board of Education specifically authorizes the designated officials the authority to use electronic transfer of funds, among the approved banking institutions, to assist in obtaining "federal funds" enhanced interest rates. Each such transfer shall be specifically identified in the original journal entry as a "*wire transfer*" and subsequently supported by the bank statement or confirmation notice to provide an audit trail.

13. **SAFEKEEPING:**

The Board of Education specifically authorizes the designated officials the authority to turn over the physical custody of Certificates of Deposit and other evidences of investments for

"safekeeping" possession to the bank, as provided in General Municipal Law §11(3), to facilitate access to funds at maturity and to eliminate having bearer certificates in the District offices.

14. CO-MINGLING OF FUNDS:

The co-mingling of various funds into a single common investment is specifically authorized provided that the separate identity of each fund is maintained and the proportionate share of interest is allocated to each upon maturity of the investment. (General Municipal Law §10 & §11).

15. WRITTEN REPORTS:

All investments shall be documented in written reports by the treasurer to the Superintendent, and to the Board of Education outlining the details of each investment including: the amount, dated and maturity dates, interest rate and the unsuccessful quotes received thereon. When investments are placed these reports should be presented no less than monthly (General Municipal Law §10).

1. BORROWING PURPOSES AND DEBT INSTRUMENTS:

1.1 The Local Finance Law authorizes OPERATING BORROWINGS to cover cash-flow shortfalls including: Revenue Anticipation Notes, Tax Anticipation Notes, or Budget Notes. These types of borrowings must be authorized by the Board of Education through the adoption of a formal Borrowing Resolution.

1.2 CAPITAL BORROWINGS may include Bond Anticipation Notes, Statutory Installment Bonds, and Serial Bonds. These borrowings are only authorized for items for which a Period of Probable Usefulness has been established by the New York Legislature through Section 11.00 of the Local Finance Law. These borrowings, generally, may only be undertaken after a positive public majority vote at the Annual or special election. The Board of Education must formalize the authority for the indebtedness by adopting a legally complete formal BOND RESOLUTION prior to any borrowing. The text of the Bond Resolution, vote and legal notices should be prepared by a recognized bond counsel. The Board of Education hereby delegates its authority to set the terms and conditions of any borrowing to the President of the Board of Education, as Chief Fiscal Officer of the District.

2. **BORROWING PROCEDURES:**

The Superintendent, assisted by his staff and the District Financial Consultant, shall make recommendations to the Board of Education on the timing, bidding, terms and conditions of, placement and reporting on any borrowings. Operating borrowing recommendations shall be supported by a monthly cash flow estimate covering the time thereof and establishing the amount of such borrowing. The Superintendent is authorized to solicit and use the services of a Financial Consultant and Bond Counsel in planning and completing any borrowing to optimize the number of potential quotes and obtain lower market interest rates.

3. **WRITTEN REPORTS:**

All borrowings shall be documented in written reports outlining the details of each borrowing and the interest rate quotes received thereon. The written report shall first be presented to the Superintendent who shall report thereon at the next regularly scheduled Board Meeting.

4. **LEGAL OPINION:**

The use of a recognized "Red Book" Bond Counsel is hereby approved to draft the legal notices, resolutions, borrowing instruments, and render his approving Legal Opinion on the legality and tax status of the debt instrument.

SUPERSEDING PREVIOUS INVESTMENT POLICY(IES)

The revised "Financial Management Policy" hereby supersedes all previous versions before the date hereof and shall be definitive in any case involving investing or borrowing money by the District. This Policy shall remain in effect until superseded or revoked by the Board of Education by subsequent resolution.

This policy will be reviewed and approved annually by the Board of Education.