

## **Policy Information**

### **Series 4000 - Non-Instructional/Business Operation**

#### **District Investments**

Policy # 4210

## **POLICY**

2020 4210

Non-Instructional/Business  
Operations

### **SUBJECT: DISTRICT INVESTMENTS**

Whenever the BOCES has funds (including operating funds, reserve funds and proceeds of obligations) that exceed those necessary to meet current expenses, the Board of Education shall authorize the School Business Official to invest such funds in accordance with all applicable laws and regulations and in conformity with the guidelines established by this policy.

#### **Objectives**

The objectives of this investment policy are four-fold:

- a. Investments shall be made in a manner so as to safeguard the funds of the BOCES; and
- b. Bank deposits shall be made in a manner so as to safeguard the funds of the BOCES
- c. Investments shall be sufficiently liquid so as to allow funds to be available as needed to meet the obligations of the BOCES.
- d. Funds shall be invested in such a way as to earn the maximum yield possible given the first three (3) investment objectives.

#### **Authorization**

The authority to deposit and invest funds is delegated to the School Business Official. These functions shall be performed in accordance with the applicable sections of the General Municipal Law and the Local Finance Law of the State of New York.

The School Business Official may invest funds in the following eligible investments:

- a. Obligations of the State of New York.
- b. Obligations of the United States Government, or any obligations for which principal and interest are fully guaranteed by the United States Government.
- c. Time Deposit Accounts placed in a commercial bank authorized to do business in the State of New York, providing the account is collateralized as required by law. (Banking Law Section 237(2) prohibits a savings bank from accepting a deposit from a local government. This also applies to savings and loan

associations.)

- d. Transaction accounts (demand deposits) both interest bearing and non-interest bearing that do not require notice of withdrawal placed in a commercial bank authorized to do business in the State of New York, providing the account is collateralized as required by law.
- e. Certificates of Deposits placed in a commercial bank authorized to do business in the State of New York providing the Certificates are collateralized as required by law.
- f. Securities purchased pursuant to a Repurchase Agreement whereby one party purchases securities from a second party and the second party agrees to repurchase those same securities on a specific future date at an agreed rate of return (the interest rate).

## **Implementation**

Using the policy as a framework, regulations and procedures shall be developed which reflect:

- a. A list of authorized investments;
- b. Procedures including a signed agreement to ensure the BOCES' financial interest in investments;
- c. Standards for written agreements consistent with legal requirements;
- d. Procedures for the monitoring, control, deposit and retention of investments and collateral which shall be done at least once a month;
- e. Standards for security agreements and custodial agreements consistent with legal requirements;
- f. Standards for diversification of investments including diversification as to type of investments, and firms and banks with whom the BOCES transacts business; and
- g. Standards for qualification of investment agents which transact business with the BOCES including, at minimum, the Annual Report of the Trading Partner.

This policy shall be reviewed and re-adopted at least annually or whenever new investment legislation becomes law, as staff capabilities change, or whenever external or internal issues warrant modification.

Education Law Sections 1604-a, 1723(a), 2503(1) and 3652  
General Municipal Law Section 39  
Local Finance Law Section 165

Adoption Date  
8/19/20  
7/19/17  
12/21/16  
6/17/09

**SUBJECT: INVESTMENT GUIDELINES**

### **Scope**

This investment regulation applies to all moneys and other financial resources available for investment on behalf of the BOCES or on behalf of any other entity or individual.

## **Objectives**

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

1. To conform with all applicable federal, state and other legal requirements (legal).
2. To adequately safeguard principal (safety).
3. To provide sufficient liquidity to meet all operating requirements (liquidity).
4. To obtain a reasonable rate of return (yield).

## **Delegation of Authority**

The Board of Education's responsibility for administration of the investment program is delegated to the School Business Official who shall follow appropriate procedures for the operation of the investment program consistent with 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 regulate the activities of subordinate employees.

## **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 BOCES 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 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.

## **Diversification**

It is the policy of the BOCES to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

## **Internal Controls**

It is the policy of the BOCES for all moneys collected by any officer or employee of the BOCES to transfer those funds to the School Business Official within two (2) working days of deposit, or within the time period specified in law, whichever is shorter.

The School Business Official 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.

## **Designation of Depositories**

The banks and trust companies authorized for the deposit of moneys up to the following maximum amounts are:

<u>Depository Name</u>	<u>Maximum Amount</u>	<u>Officer</u>
JP Morgan Chase	\$40,000,000	Pamela T. Thompson, VP.
M&T Bank	\$40,000,000	Joshua P. Heim, Asst. VP
Five Star Bank	\$40,000,000	Stephen L. Foster, VP
Bank of Castile	\$40,000,000	John Saunders, II, VP/Treasurer
Key Bank	\$40,000,000	Erin Cooper, Business Serv. Officer Sr.
Evans Bank	\$40,000,000	Marc P. O'Hearn, VP
NYCLASS	\$40,000,000	Kathy Saville, Regional Marketing Director

These Depositories may vary from year to year and are reestablished yearly at the Reorganization Meeting.

### **Collateralizing of Deposits**

In accordance with the provisions of General Municipal Law, Section 10, all deposits of the BOCES, 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:

1. 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 of this regulation.
2. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the BOCES for a term not to exceed ninety (90) days with an aggregate value equal to one hundred forty percent (140%) of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one (1) of the three (3) highest rating categories by at least one (1) nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
3. By an eligible surety bond payable to the BOCES for an amount at least equal to one hundred percent (100%) of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two (2) nationally recognized statistical rating organizations.

### **Safekeeping and Collateralization**

Eligible securities used for collateralizing deposits shall be held by the depository and/or a 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 BOCES 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 BOCES to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the BOCES, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the BOCES or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the BOCES, 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 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 BOCES a perfected interest in the securities.

### **Permitted Investments**

As authorized by General Municipal Law, Section 11, the BOCES authorizes the School Business Official to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

1. Special time deposit accounts;
2. Certificates of deposit;
3. Obligations of the United States of America;
4. 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;
5. Obligations of the State of New York;
6. Obligations issued pursuant to Local Finance Law Section 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the BOCES;
7. Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorized such investment;
8. Certificates of Participation (COPs) issued pursuant to General Municipal Law, Section 109-b;
9. Obligations of this BOCES, but only with any moneys in a reserve fund established pursuant to General Municipal Law, Sections 6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

All investment obligations shall be payable or redeemable at the option of the BOCES 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 BOCES within two (2) years of the date of purchase.

### **Authorized Financial Institutions and Dealers**

The BOCES shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the BOCES conducts business must be credit worthy. Banks shall

provide their most recent Consolidated Report of Condition (Call Report) at the request of the BOCES. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The School Business Official 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.

### **Purchase of Investments**

The School Business Official 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 5-G 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 BOCES.
3. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the BOCES.

All purchased obligations, unless registered or inscribed in the name of the BOCES, shall be purchased through, delivered to and held in the custody of a bank or trust company. 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 the BOCES by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law, Section 10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the BOCES, 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 BOCES a perfected interest in the securities.

### **Repurchase Agreements**

Repurchase agreements are authorized subject to the following restrictions:

1. All repurchase agreements must be entered into or subject to a Master Repurchase Agreement.
2. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
3. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
4. No substitution of securities will be allowed.
5. The custodian shall be a party other than the trading partner.

APPENDIX A  
Genesee Valley BOCES  
Schedule of Eligible Securities

\_\_\_\_\_ 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.

\_\_No\_\_ 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.

\_\_\_\_\_ 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.

\_\_\_\_\_ 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.

\_\_\_\_\_ Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

\_\_No\_\_ Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

\_\_\_\_\_ Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

\_\_\_\_\_ Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.

\_\_\_\_\_ Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.

\_\_\_\_\_ Commercial paper and bankers' acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than sixty (60) days from the date they are pledged.

\_\_\_\_\_ Zero coupon obligations of the United States government marketed as "Treasury strips."