

Policy #5220

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Non Instructional Business Operations

SUBJECT: DISTRICT INVESTMENTS

Whenever the District 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 Assistant Superintendent for Business and Finance and/or District Treasurer 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 School District; and
- b) Bank deposits shall be made in a manner so as to safeguard the funds of the School District.
- c) Investments shall be sufficiently liquid so as to allow funds to be available as needed to meet the obligations of the School District.
- d) Funds shall be invested in such a way as to earn the maximum yield possible given the first three
(3) investment objectives listed above.

Authorization

The authority to deposit and invest funds is delegated to the Assistant Superintendent for Business and Finance and/or District Treasurer. 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 Assistant Superintendent for Business and Finance and/or District Treasurer 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 New York chartered savings and loan associations.)

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- 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 agree 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 School District's 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 School District transacts business; and
- g) Standards for qualification of investment agents which transact business with the School District including, at minimum, the Annual Report of the Trading Partner.

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 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. It shall also provide the conditions under which the securities may be sold,

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presented for payment, substituted or released and the events which will enable the local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Levittown Union Free School District.

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 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 change in the rating of a security may cause ineligibility. Such Agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law, §10, all deposits of the Levittown Union Free School District, 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 a pledge of "eligible securities" * with an aggregate "market value" as provided by GML §10, equal to the aggregate amount of deposits from the categories described under *Eligible Securities.
- By an eligible "letter of credit" payable to the local government as security for the payment of 140 percent of the aggregate amount of deposits and the agreed-upon interest, if any. An "eligible letter of credit" shall be an irrevocable letter of credit issued in favor of the local government, for a term not to exceed 90 days, by a qualified bank.
- By an "irrevocable letter of credit" issued in favor of the local government by a federal home loan bank whose commercial paper and other unsecured short term debt obligations are rated in the highest category by at least one nationally recognized statistical rating organization, for the payment of 100 percent of the aggregate amount of public deposits and investments from the local government and agreed upon interest, if any.
- By an eligible surety bond payable to the government for an amount at least equal to 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 nationally recognized statistical rating organizations.

* "Eligible securities" shall mean any of the following:

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(i) Obligations issued by the United States of America, an agency thereof or a United States government sponsored corporation or obligations 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.

(ii) 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.

(iii) Obligations issued or fully insured or guaranteed by this state, obligations issued by a municipal corporation, school district or district corporation of this state or obligations of any public benefit corporation which under a specific state statute may be accepted as security for deposit of public moneys.

(iv) Obligations issued by states (other than this state) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

(v) Zero-coupon obligations of the United States government marketed as “Treasury STRIPS”.

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: March 10, 1993

Revision: July 24, 1996

Revision: June 9, 2010

Re-Adopted: July 11, 2012

Revision: July, 9, 2014

Revision: August 10, 2017

Re-Adopted: August 12, 2015

Revised: November 15, 2017

Re-Adopted: July 7, 2021

Re-Adopted: July 5, 2022