INVESTMENTS REGULATION

Delegation of Authority

The treasurer is authorized to invest all available Bethlehem Central School District (the District) funds, including proceeds of obligations and Reserve Funds, in the permitted investment instruments as defined in this regulation.

Securing Deposits and Investments

All deposits and investments at a bank or trust company, including all demand deposits, certificates of deposit and special time deposits (hereinafter, collectively, “deposits”) made by officers of the District that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by:

1. A pledge of “eligible securities” with an aggregate “market value” (as provided by the General Municipal Law, Section 10) that is at least equal to the aggregate amount of deposits by the officers. Eligible securities include the following:
   a. 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.
   b. 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 this state; or obligations of any public benefit corporation that under a specific state statute may be accepted as security for deposit of public moneys.
   c. A pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the aggregate amount of deposits from all such officers within the state at the bank or trust company.

2. An “eligible surety bond” payable to the government for an amount at least equal to 100 percent of the aggregate amount of deposit and the agreed-upon interest if any, executed by an insurance company authorized to do business in the state of New York, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The Board of Education (the Board) shall approve the terms and conditions of the surety bond.

3. An “eligible letter of credit,” payable to the District 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 District, for a term not to exceed ninety days, by a qualified bank (other than the bank where the secured money is deposited). A qualified bank is either one whose commercial paper and other unsecured short-term debt obligations (or, in the case of a bank that is the principal subsidiary of a holding company, whose holding company’s commercial paper and other
unsecured short-term debt obligations) are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization, or one that is in compliance with applicable federal minimum risk-based capital requirements.

4. An “irrevocable letter of credit” issued in favor of the District by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, as security for the payment of 100 percent of the aggregate amount of deposits and the agreed-upon interest, if any.

Diversification

To the extent feasible, investments and deposits shall be made in and through local or regional financial institutions. Concentration of investments in a single financial institution should be avoided. Diversification of investments and deposits is encouraged.

Designations of Depositories

Depositories are approved by the Board at the annual reorganizational meeting.

Collateralization and Safekeeping

All investments made pursuant to this investment policy will comply with the following conditions:

1. Collateral
   a. Savings accounts, money market accounts, time deposit accounts, and certificates of deposit will be fully secured by insurance of the Federal Deposit Insurance Corporation or by obligations of New York State, the United States, New York State school districts, and federal agencies whose principal and interest are guaranteed by the United States. The market value of collateral will at all times exceed the principal amount of the certificate of deposit. Collateral will be monitored no less frequently than on a weekly basis.
   b. Collateral will not be required with respect to the direct purchase of obligations of New York State, the United States, and federal agencies, the principal and interest of which are guaranteed by the United States Government.

2. Delivery of Securities
   a. Payment of funds may only be made upon receipt of collateral or other acceptable form of security, or upon the delivery of government obligations whether such obligations are purchased outright, or pursuant to a repurchase agreement. Written confirmation of delivery shall be obtained from the custodial bank.
   b. Every Repurchase Agreement will make payment to the seller contingent upon the seller’s delivery of obligations of the United States to the Custodial Bank designated by the District, which shall not be the repurchase or, in the case of a book-entry
transaction, when the obligations of the United States are credited to the Custodian’s Federal Reserve account. The seller will not be entitled to substitute securities. Repurchase Agreements shall be for periods of thirty days or less. The Custodial Bank shall confirm all transactions in writing to insure that the District’s ownership of the securities is properly reflected in the records of the Custodial Bank.

3. Written Contracts
   a. Written contracts are required for certificates of deposit and custodial undertakings and Repurchase Agreements. With respect to the purchase of direct obligations of U.S., New York State, or other governmental entities in which monies may be invested, the interests of the District will be adequately protected by conditioning payment on the physical delivery of purchased securities to the District or custodian or, in the case of book-entry transactions, on the crediting of purchased securities to the Custodian’s Federal Reserve System account. All purchases will be confirmed promptly in writing to the District.
   b. The following written contracts are required:
      i. Written agreements will be required for the purchase of all certificates of deposit.
      ii. A written contract will be required with the Custodial Bank(s).
      iii. Written contracts shall be required for all Repurchase Agreements. Only credit-worthy banks and primary reporting dealers shall be qualified to enter into a Repurchase Agreement with the District.

The written contract will stipulate that only obligations of the United States may be purchased and that the District shall make payment upon delivery of the securities or the appropriate book-entry of the purchased securities. No specific Repurchase Agreement will be entered into unless a Master Repurchase Agreement has been executed between the District and the trading partners. While the term of the Master Repurchase Agreement may be for a reasonable length of time, a specific Repurchase Agreement will not exceed thirty days.

Permitted Investments

Permitted investments include the following:

1. Savings Accounts or Money Market Accounts of designated banks;
2. Certificates of Deposit issued by a bank or trust company located in and authorized to do business in New York State;
3. Demand Deposit Accounts in a bank or trust company located in and authorized to do business in New York State;
4. Obligations of New York State;
5. Obligations of the U.S. Government (U.S. Treasury Bills and Notes);
6. Repurchase Agreements involving the purchase and sale of direct obligations of the United States (no more than 30 percent of the Bethlehem Central School District’s total invested funds at the time of investment may be invested in Repurchase Agreements); and

7. All funds may be invested in Revenue Anticipation Notes or Tax Anticipation Notes of other Districts and municipalities, with the approval of the State Comptroller.

**Authorized Financial Institutions and Dealers**

1. The Board will designate a commercial bank or trust company authorized to do business in the state of New York to act as Custodial Bank of the District’s investments. However, securities may not be purchased through a Repurchase Agreement with the Custodial Bank.

2. When purchasing eligible securities, the seller will be required to transfer the securities to the District’s Custodial Bank.

**Purchase of Instruments**

The chief business and financial officer or treasurer (or other officer having custody of money) is authorized to contract for the purchase of investments:

1. Directly, from an authorized trading partner.

2. By participation in a cooperative investment agreement with other authorized municipal corporations pursuant to Article 5-G of the General Municipal Law and in accordance with Article 3-A of the General Municipal Law.

All purchased obligations, unless registered or inscribed in the name of the local government, 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 District 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(3)(a). The agreement shall provide that securities held by the bank or trust company, as agent of, and custodian for, the District, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement must also describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to secure the local government’s perfected interest in the securities, and the agreement may also contain other provisions that the governing board deems necessary. The security and custodial agreements shall
also include all other provisions necessary to provide the District with a perfected interest in the securities.

The chief business and financial officer or treasurer (or other officers having custody of money) can direct the bank or trust company to register (and hold the evidences of investments in the name of its nominee), or may deposit or authorize the bank or trust company to deposit, or arrange for their deposit, with a federal reserve bank or other book-entry transfer system operated by a federally regulated entity. The records of the bank or trust company shall show, at all times, the ownership of such evidences of investments, and they shall be, when held in the possession of the bank or trust company, at all times, kept separate from the assets of the bank or trust company. All evidences of investments delivered to a bank or trust company shall be held by the bank or trust company pursuant to a written custodial agreement as set forth in General Municipal Law Section 10(3)(a), and as described earlier in the section. When any such evidences of investments are so registered in the name of a nominee, the bank or trust company shall be absolutely liable for any loss occasioned by the acts of such nominee with respect to such evidence of investments.

**Courier Service**

The chief business and financial officer (or officer authorized by law to make deposits) may, subject to the approval of the Board by resolution, enter into a contract with a courier service for the purpose of causing the deposit of public funds with a bank or trust company. The courier service shall be required to obtain a surety bond for the full amount entrusted to the courier, payable to the District and executed by an insurance company authorized to do business in the State of New York, with a claims-paying ability that is rated in the highest rating category by at least two nationally recognized statistical rating organizations, to insure against any loss of public deposits entrusted to the courier service for deposit or failure to deposit the full amount entrusted to the courier service.

The District may agree with the depositary bank or trust company that the bank or trust company will reimburse all or part of, but not more than, the actual cost incurred by the District in transporting items for deposit through a courier service. Any such reimbursement agreement shall apply only to a specified deposit transaction, and may be subject to such terms, conditions, and limitations as the bank or trust company deems necessary to ensure sound banking practices, including, but not limited to, any terms, conditions, or limitations that may be required by the banking department or other federal or state authority.

**Annual Review and Amendments**

This policy will be annually reviewed by the Board and may be amended from time to time in accordance with the provisions of section 39 of the General Municipal Law.

**Internal Controls**
1. The chief business and financial officer or designee will authorize the purchase and sale of all securities and execute contracts for investments and deposits on behalf of the District. Oral directions concerning the purchase or sale of securities will be confirmed in writing. The District will pay for purchased securities upon the simultaneous delivery or book-entry thereof.

2. The District will encourage the purchase and sale of securities through a competitive process involving telephone solicitation or group e-mails for at least three quotations.

3. The independent auditors will audit the investment proceeds of the District for compliance with the provisions of this Investment Regulation.

4. Investment reports will be furnished monthly to the Board if any investments are made using permitted investments as defined in Permitted Investments, Section A, #4, 5, 6, or 7.

Definitions

**Agent Bank:** A commercial bank or trust company under contract with the District to receive, pay for, safeguard, and account for investment securities purchased by the District. Other responsibilities will be defined in the agent bank agreement.

**Banks:** As defined in Article III of the State Banking Law.

**Broker/Dealer:** A financial firm, other than a commercial bank, engaged in the sale of U.S. Treasury obligations.

**Certificate of Deposit:** A negotiable receipt from a commercial bank or trust company for deposit of funds for a specified period of time at a specified rate of interest. A certificate of deposit ranges from fourteen days to one year, and the minimum amount is generally $100,000.

**Collateral:** Securities pledged to secure repayment of certificates of deposit and money market accounts.

**Joint Custody Accounts:** Account for the handling of securities purchased or held as collateral maintained in the names of both the District and the financial institution with whom they are dealing. The account is maintained by a third party (trust department is acceptable), which would provide written confirmation of securities held to the District. Written joint custody agreements are required, specifying such points as failure of the financial institution to return funds to the District at maturity and authorizing the custodian to release securities directly to the District.

**Mark to Market:** The act of determining the current value of the securities.

**Primary Dealer:** The largest and soundest broker/dealers as designated by the Federal Reserve Bank.
Repurchase Agreement: Consists of a broker/dealer or bank selling U.S. Treasury securities for cash to the District and, at the same time, agreeing to buy them back on an established date and at an agreed upon price including interest. These short-term investments usually range from overnight to six months in term. Repurchase Agreements start at $100,000. Payment is made against the delivery of the securities. Delivery is required.


Treasury Bills: Short-term, direct obligations of the U.S. Government that are usually issued with maturities of three months, six months, or one year. Bills are offered in bearer form and are issued in amounts of $10,000 and up, in multiples of $5,000. Bills do not bear a stated interest rate; the interest is calculated by taking the difference between the discount price paid at purchase and the face amount (par) collected at maturity.

Treasury Bonds and Notes: Direct obligations of the U.S. Government to pay a specified rate of interest for a specified period of time on the face value (par) of the instrument. Interest is paid semiannually, and the life of the notes is usually limited to ten years or under; bonds generally have maturities of ten to thirty years. Treasury notes with a maturity through three years can usually be purchased in $5,000 denominations and require a $5,000 minimum purchase. Treasury notes with a term longer than three years, and Treasury Bonds can usually be purchased in $1,000 denominations and require a $1,000 minimum purchase.

Ref: Education Law §§1604-a; 1723-a; 3651; 3652
Local Finance Law §165.00
General Municipal Law §§6-c-6-e; 6-j-6-n; 10; 11; 39

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