

**FARMINGDALE UNION FREE SCHOOL DISTRICT
NASSAU AND SUFFOLK COUNTIES, NEW YORK**

**REQUEST FOR PROPOSALS
TO FINANCE AN EQUIPMENT LEASE PURCHASE AGREEMENT**

Overview

The Farmingdale Union Free School District, Nassau and Suffolk Counties, New York (the "District"), is seeking proposals (the "Proposal") from qualified respondents to be a third-party lessor to a lease purchase agreement with the District (the "Lease"), the proceeds of which will be used to finance equipment and related work for the implementation of energy conservation measures pursuant to an energy performance contract between the District and Johnson Controls, Inc.(the "Performance Contract"). The Performance Contract with Johnson Controls, Inc. was executed in December 2019 and an amendment was executed in April 2023. NYSED Building Aid rate for the project is estimated at 43.5%. NYSED approval was issued in April 2023.

The District seeks competitive proposals for a \$11,168,109 lease-purchase on the basis of a 15-year term with maturity on July 19, 2038.

Project Description

The Project contemplates implementation of various energy saving measures including installation of equipment and related work (the "Equipment"). Energy conservation measures are to be installed in the following District buildings: Farmingdale High School, Weldon E. Howitt Middle School-East, Weldon E. Howitt Middle School-West, Albany Avenue School, Northside School, Saltzman East Memorial School, and Woodward Parkway School. The energy savings measures and related costs are as follows:

Equipment Measures by Category	Value
Lighting - Interior Retrofit	\$1,917,726
Lighting - Exterior Retrofit	311,522
Building Envelope - Window Film	604,896
Renewable Energy - Photovoltaic Generation	6,491,889
PM/ CM, SED Engineering	1,464,410
Arch./Engineering	<u>377,666</u>
Total:	<u>\$11,168,109</u>

Lease

Any proposed Lease shall define the purpose and objective of the financing and the rights and obligations of each party to the financing. Further, the Lease will specify the applicable interest rate, as well as contractual terms and conditions. The form of the lease purchase agreement, and any related documents must be submitted with the proposal. Proposers must satisfy themselves that credit approval will be granted prior to submitting a proposal. All finance documents are subject to negotiation and modification by the District's counsel. All agreements and contractual conditions are required to conform with the laws of the State of New York, including but not limited to New York General Municipal Law, Local Finance Law, Education Law, Energy Law and the regulations of the New York State Education Department, the Commissioner of Education and the Office of the New York State Comptroller. The District's attorneys will review and approve all documents before consideration and/or approval by the Board of Education.

Lessor will be required to provide a form of standard lease purchase agreement and escrow agreement with proposal.

Lease Assignment

Assignment of the Lease and related documents by the successful proposer shall be subject to the prior, written consent of the District. The Lease must state that any assignment or transfer of the Lessor's interest shall not be effective until the District has received prior, written notice, signed by the Lessor, of the name, contact person,

address, telephone number and tax identification number of the proposed assignee and the District has given its consent in writing. No assignment will be valid unless the Lessor has received the District's prior, written consent.

Amount

The amount to be financed under the Lease is \$11,168,109. Lessor shall be responsible for all fees of Lessor including legal, issuance, origination, commitment and closing costs. The District shall not incur or absorb any fees of Lessor related to Lessor's proposal, negotiations, closing or other activities related to this RFP or the proposed transaction under any circumstances. In the event that a transaction does not close because of the successful proposer's failure to meet the terms of this RFP, the successful proposer shall be responsible for any and all costs incurred by the District in connection with the failed transaction and its negotiation.

Specifications

Interest Rate The Lease Proposal must provide interest rate terms for a lease-purchase option to mature on July 19, 2038 and shall state the interest rates under any options at which the proposing firm will provide the District with financing under the Lease. The Proposal must also cite the index and margin used in establishing the interest rates cited.

Prepayment: The Proposal must state that District will have the right, at its option, to prepay the principal portion outstanding on the Lease, in whole or in part, at any time following 30 days' written notice to the Lessor. The Proposal must disclose additional fees and terms, if any, that are applicable to this prepayment right, in addition to interest payable. The Proposal must also disclose how such amounts are to be calculated in the event that the District exercises its right of partial or whole prepayment. The proposal shall include an option to prepay without penalty.

Lease Payments The District will make periodic payments to the Lessor under the Lease. The Lease shall separately state the principal and interest component of the periodic payments to be made thereunder. The total of these payments, which include both principal and interest components made by the District each year throughout the term of the Lease, shall result in substantially level or declining annual lease payments (without taking into account projected State aid or annual energy savings). Lease payments shall be detailed in an amortization schedule prepared by the proposer and provided to the District with its Proposal. For illustrative purposes, please assume a closing date of July 19, 2023 when developing an amortization schedule. Thereafter, payments of principal and interest will be made semi-annually in arrears on each January 19th and July 19th with the first combined principal and interest lease payment to be due on July 19, 2024. Lessor shall provide a statement and thirty days notification prior to each payment due date.

The Proposal must state that the interest rate and other terms cited in the proposal will be good through August 1, 2023. The Lease shall not become effective until the delivery of funds.

Term The Lease-Purchase Agreement is scheduled to close on July 19, 2023 and mature on July 19, 2038.

Escrow Upon closing, the lease proceeds will be deposited in an escrow account to be utilized over the course of project construction (the "Project Fund"). The escrow agent must be a bank or trust company located and authorized to do business in New York State (the "Escrow Agent"). Investment and collateralization of the moneys in such fund will be solely at the direction of the District and must be in compliance with New York State General Municipal Law Sections 10 and 11 as well as the District's investment policy. ***A copy of the District's Investment Policy is attached to this RFP for reference.*** The Escrow Agent shall be an agent of the District. The Project Fund shall be free of any security interest of the Escrow Agent. Any fees of the Escrow Agent shall be borne by the successful bidder.

1. At the option of the District, the moneys in the Project Fund may be held uninvested in the Project Fund. If invested, the Escrow Agent shall invest amounts on deposit in the Project Fund solely at the written direction of an Authorized Officer of the District. All investments made shall be subject to the following conditions:
 - (a) Such obligations shall be payable or redeemable at the option of the 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 in any event, at the option of the District, within two years of the date of purchase. Any obligation that provides for the adjustment of its interest rate on set dates shall be deemed to be payable or redeemable for purposes of this paragraph on the date on which the principal amount can be recovered through demand by the holder thereof.

- (b) Such obligations, shall be registered or inscribed in the name of the District and shall be purchased through, delivered to and held in the custody of the Escrow Agent. Such obligations shall be purchased, sold or presented for redemption or payment by such Escrow Agent in obligations only in accordance with prior written authorization from an Authorized Officer of the District. All such transactions shall be confirmed in writing to the District by the Escrow Agent.
2. All investments described above shall be made and ownership recorded in accordance with all applicable requirements of Section 10 and Section 11 of the General Municipal Law, including the required collateralization of escrow funds.
3. The Escrow Agent will expressly acknowledge that the District is not authorized to invest in mutual funds registered with the Securities Act of 1933, as amended and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, including no-load money market mutual funds limited to investments in obligations of or guaranteed by the United States of America or in 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, or any similar mutual fund or other money market or liquid deposit investment vehicles.
4. Monies and investments in the Escrow Fund are owned by the District and shall not be subject to levy, security interest, attachment or lien by or for the benefit of the Escrow Agent, or any creditor thereof. All interest earnings on the funds deposited into the Escrow Fund shall accrue to the benefit of the District.

Excess Proceeds In the event that there are excess proceeds available in the Project Fund at the end of the construction period, proceeds shall be transferred by the Escrow Agent to the Lessor and applied to the next succeeding lease payment and each lease payment thereafter until fully utilized. Such use of funds will not constitute lease prepayment and will not be subject to administrative fees or charges.

UCC Filing The District will not provide a legal description for each District property in connection with this financing. In the event the winning proposer requires this information for the purposes of making a fixture filing pursuant to the applicable provisions of the Uniform Commercial Code, the winning proposer shall obtain such information at its own effort and expense.

Warranties All manufacturers' warranties, expressed or implied with respect to the Equipment acquired shall be assigned by the Lessor to the District upon receipt.

Annual Appropriation The District's obligation to make lease payments is subject to appropriation each year by the Board of Education of the District.

Non-Funding/Executory Clause Pursuant to the General Municipal Law §109-b, and the Energy Law §9-103, the Lease shall contain an executory clause which shall state that should payments not be appropriated by the District in any fiscal year; the District will not be obligated to pay the amounts due beyond the end of the last funded fiscal year and no liability on account thereof shall be incurred by the District beyond the amount of such monies. The financing contract is not a general obligation of the District. Neither the full faith and credit nor the taxing powers of the District are pledged to the payment of any amount due or to become due under the financing contract. In the case of a failure to appropriate, the sole security under the Lease shall be the Equipment. Prior to the sale or seizure of such equipment, the District shall be provided adequate written notice, no less than ninety (90) days, to cure any default. Should such a sale or seizure take place there shall be no disruption to the District's operation to the extent possible. Any such sale or seizure must be conducted in conformity with all applicable law, including the New York Uniform Commercial Code.

Any contract entered into by the District shall contain the following clause: “This contract shall be deemed executory only to the extent of the monies appropriated and available for the purpose of the contract, and no liability on account therefore shall be incurred by the District beyond the amount of such monies. The installment purchase contract is not a general obligation of the District. Neither the full faith and credit nor the taxing power of the District are pledged to the payment of any amount due or to become due under such installment purchase contract. It is understood that neither this contract nor any representation by any public employee or officer creates any legal or moral obligation to request, appropriate or make monies available for the purpose of the contract.”

Financing Documents Upon submission of the proposal and following notification of the award, the prospective Lessor must provide the District with a draft of its proposed financing documents, which will incorporate proposed terms and append sample documents provided with submission. Proposed financing documents and notification of credit approval for the transaction will be due no later than **June 15, 2023**. All financing documents are subject to modification by District counsel. Closing is subject to successful negotiation and approval of all documents by counsel to the District. The District reserves the right to rescind any award due to failure of successful negotiation of the parties to agree to the terms and conditions thereof and to recover its costs in connection therewith. Closing is subject to final approval by the District Board of Education, by resolution. Unless otherwise provided by a duly adopted resolution by the Board of Education, the prospective Lessor is advised that the Board President is the sole authorized representative of the District for the purpose of signing documents related to this Lease.

Lease Termination Upon termination of a Lease through exercise of the District’s option to prepay or through payment by the District of all Rental Payments and other amounts due with respect to such particular Equipment, Lessor's security interest in such Equipment shall terminate, and Lessor shall execute and deliver to the District such documents as the District may reasonably request to evidence the termination of Lessor's security interest in such Equipment.

Tax Status The Lease shall qualify as a tax-exempt lease financing, that is, the interest component of the Lease will be exempt from Federal, New York State and, where applicable, New York City taxation and is not a specific preference item for purposes of the federal alternative minimum tax, however for tax years beginning after December 31, 2022, the interest component of the Lease will be included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Internal Revenue Code. The Lease will **not** be designated as “bank qualified” pursuant to Section 265(b)(3) of the Internal Revenue Code. The District will not defend or hold the Lessor harmless from any adverse changes in the tax status of the transaction, after tax yield or cash flows resulting from changes in the Federal or State tax codes or regulations.

Credit Rating Moody’s Investors Services, Inc. currently maintains a “Aa2” rating on the District’s outstanding general obligation debt. The District will not seek a rating for the Lease.

Binding Authority Each Proposal must be signed by an individual who is legally authorized to contractually bind the proposing firm.

Purchase Price and Certificate The Lessor must submit to the District a certificate (the “Issue Price Certificate”), satisfactory to Bond Counsel, prior to the delivery of the Agreement, which states that the Lessor has purchased the Agreement for its own account and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary, and the price or prices at which such purchase was made, in such form and including such additional information as the District and Bond Counsel shall reasonably require.

Financial Information Links to select credit and project information may be found as follows:

- Link to Energy Performance Contract between the District and Johnson Controls, Inc. dated December 4, 2019 and Contract Amendment dated April 4, 2023: <http://www.capmark.org/RFPs.html>
- Link to Official Statement related to the District’s \$32,485,000 School District (Serial) Bonds, 2020: <https://emma.msrb.org/P11502494.pdf>
- Link to District Budget Information: https://www.farmingdaleschools.org/board_of_education/budget_information

- Link to FYE 6/30/2022 Audit: <https://emma.msrb.org/P11684971.pdf>
- Link to FYE 6/30/2021 Audit: <https://emma.msrb.org/P31524533.pdf>
- Link to FYE 6/30/2020 Audit: <https://emma.msrb.org/P11520503.pdf>

Evaluation Process

During the evaluation process, the District reserves the right, where it may serve the District's best interest, to request additional information or clarifications from proposers, or to allow corrections of error or omissions.

Amendments to RFP

Any verbal information obtained from or statements made by the representative of the District or its designee at the time of examination of the documents or site shall not be construed as, in any way, amending RFP documents or binding upon the District. Only such corrections or addenda that are issued in writing to all proposers shall become a part of the RFP. Any addendum issued in writing during the RFP process will become a part of any subsequent contract agreement.

Legal Requirements

The Lease is required to conform to the laws of the State of New York, including, but not limited to, General Municipal Law, Local Finance Law, Education Law, Energy Law and regulations promulgated by the Commissioner of Education and the Office of the State Comptroller.

Submission Requirements

In addition to submitting a completed **Proposal Response Form** as attached hereto, each proposing firm must include:

1. Examples of its prior experience with three (3) similar size closed lease financings for school districts in New York State;
2. Three references from jurisdictions that your firm has provided lease financing to in the past year in New York State; and
3. Any other information that would favor the use of your financial institution by the District.

Proposals are due by **11:00 a.m. on Thursday, June 1, 2023** by e-mail to:

Michael Motisi

Assistant to the Superintendent for Business
Farmingdale Union Free School District
Tel: (516) 434-5120
mmotisi@farmingdaleschools.org

Janet Morley

Senior Vice President
Capital Markets Advisors
Tel: 516-570-0340
jmorley@capmark.org

Questions regarding this RFP may be directed to Janet Morley.

Basis of Award

The District reserves the right, in its sole discretion, to reject any and all proposals, or any part thereof, received in response to this Request for Proposals, to re-solicit for new proposals, to waive formalities, to request additional information from any proposer, and to award and negotiate the terms of the contract with any proposer. The District intends to select the firm whose proposal is most advantageous to the District and meets the District's needs for the Lease, and not necessarily the firm with the lowest cost proposal. In determining which proposal is most advantageous and in the District's best interests, the District will evaluate, among other things, the overall financing cost (inclusive of any interest and fees) to the District, optional redemption provisions, responsiveness of each proposal to the terms of this RFP and applicable law, the terms and conditions of the proposed agreement, experience, qualifications and reputation of the proposer in the State of New York. The adequacy of qualifications of proposers will be determined by the district and will not be subject to appeal. The District will not have any liability to any proposer for any costs or expenses incurred in connection with its response to the request for proposals.

All proposals shall be signed by an individual legally authorized to bind the proposing firm and the signer's name shall also be typed or printed to or under the signature together with his/her title or designation.

Following receipt of the completed proposals, tentative notification will be made to the prospective Lessor whose response best meets the District's needs and otherwise appears to meet the basis for award. It is expected that a formal award will be made by the Board of Education at its July 12, 2023 meeting, subject to and contingent upon final review of the Lease and all financing documents by the District's legal counsels. Note that the prospective Lessor must provide the District with a draft of its proposed financing documents, together with notification of credit approval in order for District officials to accept and grant final approval.

Tax Opinion

The successful proposer will be furnished without cost with the opinion as to tax exemption of the law firm of Orrick Herrington & Sutcliffe, LLP ("Bond Counsel"). The opinion of Bond Counsel shall contain statements to the effect that, in the opinion of said law firm, under existing statutes and court decision and assuming continuing compliance with certain tax certifications described in the Tax Certificate of the District, (i) the portion of the rental payment designated as and constituting interest paid by District and received by successful proposer during the term of the Lease is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) such interest is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest paid by the District is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the District, which will be delivered concurrently with the delivery of the Lease will contain provisions and procedures relating to compliance with applicable requirements of the Code.

Opinion of School Attorney

At closing, the District shall furnish a validity opinion of Guercio & Guercio, LLP ("School Attorney"), dated the closing date, including a statement to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the execution or delivery of the installment financing agreement by the District.

Summary of Estimated Dates

RFP Sent to Providers:	May 18, 2023
Proposal and Response Form Due:	June 1, 2023 (by 11:00 a.m.)
Selected Lessor Tentatively Approved:	June 1, 2023 *
Credit Approval Completed:	June 15, 2023
Draft Documents Delivered:	June 15, 2023
District Board Meeting Date:	July 12, 2023 Lease approved
Closing of Lease:	July 19, 2023

*Subject to formal award by members of the Board of Education on July 12, 2023.

The District reserves the right to modify these dates.

Thank you for your interest in the Farmingdale Schools.

END OF RFP

PROPOSAL RESPONSE FORM

June 1, 2023

Ladies and Gentlemen:

In response to Farmingdale Union Free School District’s (the “District”) Request for Proposals (“RFP”), the undersigned, an authorized representative of _____ commits said firm to enter into a Lease-Purchase Agreement to provide the required refinancing of the project cost including equipment provided to the District by Johnson Controls, Inc. under an Energy Performance Contract. We understand that this Lease-Purchase Agreement is subject to the approval of the District’s Board of Education. The submission of this Response Form indicates that we have read the District’s RFP and are fully informed as to the extent and character of this request and we can satisfactorily comply with all specifications of the RFP.

We understand the District will repay such lease in periodic installments, including interest and all financing costs. We understand the lease-purchase agreement shall be funded following the approval of the District’s Board of Education.

Our proposal, the terms of which are good through and including August 1, 2023, is as follows:

The principal amount of the lease will be: \$11,168,109

Lease Maturity will be: July 19, 2038

The interest rate on this loan will be: _____%

The index used to establish this interest rate is: _____

The margin added to the index to establish this interest rate is: _____

Prepayment Terms: _____

Lease payments will be payable on: _____

Other required fees, if any (please explain): \$ _____

Proposing Firm: _____

Contact: _____

Address: _____

Tel.: _____

E-mail: _____

Proposer Attachments: Sample Lease and Escrow Documents

Farmingdale Union Free School District Investment Policy

Introduction

The objectives of the School District's Investment Policy are to safeguard district funds, to minimize risk, to ensure that investments mature when cash is required to finance operations and to ensure a competitive rate of return.

This investment policy was updated in March 2007 essentially to simplify language and to update sections that refer to the General Municipal Law in order to ensure that the policy remains current.

Pursuant to Chapter 708 of the Laws of 1992, [Section 39 was added to the General Municipal Law](#), requiring the Farmingdale UFSD to adopt, by resolution, a comprehensive Investment Policy detailing the district's operative policy and instructions to its Officers and staff regarding the investing, monitoring and reporting of funds. Farmingdale's Investment Policy, adopted June 26, 1985, conformed to the June 1985 recommendations of the School Investment Task Force of Nassau and Suffolk Counties and to the State Education Department memorandum issued by Gerald Freeborne, and is essentially unchanged as to substance in this revision which responds directly to [Section 39](#).

The purpose of this 1992 legislation was to require, through statute, that districts formalize policies and procedures. Such policy shall ensure that the district establish a prudent set of basic procedures to meet individual investment objectives;

- assure that investment assets are adequately safeguarded or collateralized
- establish and maintain a system of internal controls, including adequate accounts and records, which accurately reflect, in reasonable detail, all investment transactions
- provide accurate reporting and evaluation of investment results in conformance with generally accepted accounting principles (GAAP)

The legislation requires that the adopted policy address, at a minimum, broad areas which will result in the creation of:

- a list of authorized investments
- procedures to secure the school district's financial interest in investments
- standards for written agreements consistent with legal requirements

- procedures for the monitoring, control, deposit and retention of investments and collateral
- standards for security agreements and custodial agreements consistent with legal requirements
- standards for diversification of investments including diversification as to the type of investments and the firms with whom the Farmingdale UFSD transacts business
- standards for qualification of investment agents which transact business with the school district

The policy must be formally adopted by resolution and re-adopted annually or affirmed by the Board of Education at the organizational meeting.

I. Scope

This Investment Policy applies to all moneys and other financial resources available for investment by the district.

II. Objectives

The primary objectives of the Farmingdale School District investment program are, in priority order:

Legality: to comply with all applicable, federal, state and other legal requirements

Safety: to adequately safeguard principal

Liquidity: to provide sufficient liquidity to meet all operating requirements

Yield: to obtain a reasonable rate of return

III. Delegation of Authority

The responsibility of the Board of Education for the administration of the Investment Program is delegated to the Assistant Superintendent for Business/ Business Administrator who shall establish written procedures for the operation of the Investment Program consistent with this Investment Policy. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability. Such accountability shall be based on a data base or records which include a description of and the amounts of investments, transaction dates, and other relevant information and procedures to regulate the activities of involved subordinate staff.

Direct implementation of the Board of Education Investment Policy and its Regulations shall be the responsibility of the Board of Education's appointed District Treasurer.

IV. 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 Farmingdale UFSD 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, insuring the safety of the principal while maximizing the probable income within the framework of this policy.

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. All employees who have a material interest, direct or indirect, in any banking institution that the District conducts business with must fill out a Farmingdale School District Related Party Questionnaire and present it to the Assistant Superintendent for Business who will deliver the form to the Independent Auditors.

V. Diversification

The Farmingdale UFSD will diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling, consistent with the tenets of Legality, Safety, Liquidity and Yield.

VI. Internal Controls

The Assistant Superintendent for Business/ Business Administrator 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.

VII. Designation of Depositories

The banks and trust companies authorized for the deposit of moneys shall be specifically designated by Board resolution, typically at the Annual Reorganization Meeting of the Board of Education. The authorized depositories will be found in the minutes of that (those) meeting(s).

VIII. Collateralizing of Deposits

In accordance with the provisions of [General Municipal Law §10](#), all deposits of the Farmingdale UFSD, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act as now or hereafter amended, shall be secured by:

- A pledge of "eligible securities" with an aggregate "market value," as provided by [General Municipal Law §10](#), at least equal to the aggregate amount of deposits together with a security agreement from the bank.

or

- An "eligible letter of credit" payable to Farmingdale UFSD for the payment of 140% of the aggregate amount of public deposits and the agreed upon interest, if any. An "eligible letter of credit" shall mean an irrevocable letter of credit issued in favor of the local government for a term not to exceed ninety days by a bank (other than the bank with which the money is being deposited or invested) whose commercial paper and 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's Commercial paper and other unsecured short-term debt obligations) are rated in one of the three highest rating categories (based on the credit of such bank or holding company) by at least one nationally recognized statistical rating organization or by a bank (other than the bank with which the money is being deposited or invested) that is in compliance with applicable federal minimum risk-based capital requirements. However, in the event that such "eligible letter of credit", which is payable to the Farmingdale UFSD, is issued 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, the "eligible letter of credit" may be in the amount of one hundred percent (100%) of the aggregate amount of public deposits from such officers and the agreed upon interest, if any.

or

- An "eligible surety bond" payable to the Farmingdale UFSD as security for the payment of 100% of the aggregate amount of deposits and the agreed upon interest, if any. An "eligible surety bond" shall mean a bond executed 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 statistical rating organizations.

The District Treasurer shall ensure that maturity dates of collateral will be maintained at levels sufficient to match investment terms.

IX. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by 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 the deposits of the Farmingdale UFSD 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 Farmingdale UFSD to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Farmingdale UFSD, such securities shall be delivered in a form suitable for transfer, or with an assignment in blank, to the Farmingdale UFSD 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 Farmingdale UFSD, 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 also prescribe 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 Farmingdale UFSD a perfected interest in the securities.

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

A. Collateral:

1. 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. Written Contracts

1. Written contracts are required for certificates of deposit and custodial undertakings. With respect to the purchase of direct obligations, by the custodian, of U.S., New York State, or other governmental entities in which monies may be invested, the interests of the school district will be adequately protected by conditioning payment on the physical delivery of purchased securities to the school 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 school district.

2. The following written contracts are required:

a. Written agreements will be required for the purchase of all certificates of deposit.

b. A written contract will be required with the Custodial Bank(s).

The written contract will stipulate that only obligations of the United States may be purchased and that the school district shall make payment upon delivery of the securities or the appropriate book-entry of the purchased securities.

X. Authorized Investments

The District Treasurer, or in her/his absence, the Assistant Superintendent for Business/Business Administrator is authorized to invest all available District funds not required for immediate expenditure, for terms not to exceed its projected cash flow needs, in the following types of investments:

Savings accounts or money market accounts of designated banks

Certificates of deposit issued by a bank or trust company located in and authorized to do business in New York State

Demand deposit accounts in a bank or trust company in and authorized to do business in New York State

Other Investments as permitted by The General Municipal Law, Local Finance Law, and any other State Statute or regulation, upon recommendation by the Treasurer and the Assistant Superintendent for Business/ Business Administrator, with approval by the Board of Education, and pursuant to a written agreement.

All investment obligations shall be payable or redeemable at the option of the District within such times as the proceeds will be needed to meet expenditures for the purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of the bonds or notes, shall be payable or redeemable at the option of the District within two (2) years of the date of purchase.

XI. Authorize Financial Institutions and Dealers

The Farmingdale UFSD shall maintain a list of financial institutions and dealers approved for investment purposes and shall establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the Farmingdale UFSD conducts business must be credit worthy per the guidelines in the annual review. 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 District Treasurer, in concert with the Assistant Superintendent for Business/ Business Administrator, 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.

XII. Operations, Audit, and Reporting

1. The Treasurer or designee will authorize the purchase and sale of all securities and execute contracts for investments and deposits on behalf of the school district. Oral directions concerning the purchase or sale of securities will be confirmed in writing. The school district will pay for purchased securities upon the simultaneous delivery or book-entry thereof.
2. The school district will conduct the purchase and sale of securities through a competitive process involving telephone solicitation for at least three quotations.
3. The independent auditors will audit the investment proceeds of the school district for compliance with the provisions of this Investment Regulation, as part of their annual audit.
4. Monthly investment reports will be furnished to the Board of Education.

APPENDIX A - LEGAL OR REGULATORY REFERENCES

All applicable provisions of the General Municipal Law, Education Law, Local Finance Law and any other applicable State Statutes or regulations and the Comptroller's Financial Management Guide.

APPENDIX B - SCHEDULE OF ELIGIBLE SECURITIES FOR COLLATERAL

See "Authorized Investments" delineated above at Section X.

Refer to "eligible securities" per [General Municipal Law §10](#) deposits of public money and all other applicable provisions of the General Municipal Law, Local Finance Law and the Comptroller's Financial Management Guide.

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Farmingdale Union Free School District