INVESTMENT OF PUBLIC FUNDS

New York Liquid Asset Fund (NYLAF), rbc-cmg@rbc.com
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The Purpose:
Each district/agency must establish a prudent investment procedure which is suitable for its individual needs while ensuring compliance with General Municipal Law (GML). This policy must follow the steps below in order to best safeguard each district/agency’s Funds:

1. Legality
2. Safety and Security
3. Policy
4. Liquidity
5. Strategy

Legal Reference:

- Permissible Collateral (Article 2.0 – Section 10 of GML)
- Permissible Investments (Article 2.0 – Section 11 of GML; Article 5G of GML; Article 3A of GML (Chapter 623 of the Laws of 1998); Article 2.0 – Section 6 of GML)
- Investment Policy (Article 2.0 – Section 39 of GML)

Best Practices:

Objective:
The objectives of the district/agency’s investments are to:

- Conform to all applicable federal, state and other legal requirements, to safeguard district/agency funds and to minimize risk. Ensure that investments mature when cash is required to finance operations and to receive a competitive rate of return.

Delegation of Authority:
In consultation with the Business Administrator, the Treasurer, or designee, is authorized to invest and/or deposit all funds, subject to the investment regulations approved by the Board of Education.

Designation of Depositories:
The banks, trust companies, and cooperative investment programs authorized for deposit of monies shall be designated annually at the reorganizational meeting of the Board of Education and at other times as recommended by the Administrator.

Permitted Investments:
As detailed in General Municipal Law Section 11 and this Policy, the district/agency authorizes the Treasurer or designee to invest monies not immediately needed for expenditure in the following types of legally permitted investments:
• Certificates of Deposit issued by a bank or trust company located in and authorized to do business in New York State;
• Time Deposit Accounts in a bank or trust company authorized to do business in New York State;
• Obligations of the United States of America;
• Obligations of New York State;
• Cooperative investment program established in accordance with Article 5G of the New York General Municipal Law, as amended, and Article 3A of the General Municipal Law (Chapter 623 of the Laws of 1998);
• Qualified Reciprocal Deposit Program as allowed under Chapter 128 of NYS Laws of 2012 amended sections 10 and 11 of the General Municipal Law.
• Repurchase Agreements involving the purchase and sale of direct obligations of the United States; and
• Obligations of a local entity*.

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

*Only Reserve Funds established by section 6-c, 6-d, 6-e, 6-f, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m and 6-n of the General Municipal Law may be invested in obligations of local entities.

Safety and Security:
The district/agency’s investment officer needs to fully understand each investment and how it complies with GML

• Is it a permissible investment?
• Does the investment comply with the district/agency’s investment policy?
• What is backing the investment (Insurance, Collateral, etc.)?
  o If collateral is needed, is the collateral permissible with GML?
  o Is the district/agency comfortable with the pledged collateral type?

  *Note – Collateral can vary from U.S. Treasury Securities to Corporate Bonds. District/agencies must use prudence in determining suitability.

Policy:

Article 2 Section 39 of GML requires that each Local Government to adopt a comprehensive investment policy which will set forth both the general operative policy as well as instruction to its administrators and
staff regarding the investing, monitoring and reporting of the funds. The Board must review this policy at a minimum of annually and may amend at any time.

**Cash Flow Profile:**

A cash flow projection schedule is maintained, analyzed and updated at least monthly for the purpose of planning investments and moving funds in and out of interest-bearing accounts. A cash flow projection would be necessary if the district/agency invests in securities with specific terms.

Each district/agency’s primary goal should be Safety and Legality, Liquidity (ensuring sufficient funds to pay expenses), and then Yield.

- Extending investments further on the yield curve will typically increase yield.

- Recommended Investment guideline – Minimum of 30% of funds should be in a liquid instrument.

**Diversification:**

It is suggested that each district/agency establish diversification limits as far as investment providers and product selection. Diversification can help limit risk and increase yield.

**Resources:**