

FISCAL MANAGEMENT GOALS

The Board of Education recognizes excellent fiscal planning as a key factor in attaining the district's educational goals and priorities. The Board seeks to engage in thorough advance planning of budgets and to devise expenditures which achieve the greatest educational returns given the district's available resources.

The Board's establishment of sound fiscal management policies are based on the following tenets.

1. All laws and regulations governing the use of public funds shall be strictly adhered to.
2. All district monies shall be expended in an efficient and judicious manner, bring the greatest benefit to the district.
3. Funds for which the district has no immediate need shall be legally invested where they can bring the greatest return.
4. All receipts and expenditures shall be recorded fully and in the proper manner.
5. The district shall seek and receive all state and federal funds for which it qualifies.
6. All funds, including cash in buildings, extra-classroom account funds, gifts, and bequests shall be provided maximum protection from misappropriation.
7. A formal process shall be developed linking fiscal resources and program priorities to the budget.
8. The budget shall reflect the views of administrators, teachers, students, and taxpayers in translating the educational needs and aspirations of the community in a composite financial plan.
9. To the extent possible, program evaluation shall be used to assess the effectiveness of all educational programs provided to district students, and future appropriations shall be adjusted accordingly.

Adoption date: March 23, 2006

FISCAL MANAGEMENT OPERATIONS

Chief Officer

The chief officer of the business office shall be the School Business Administrator, who is directly responsible to the Superintendent of Schools.

Role of the School Business Administrator

In accordance with Board philosophy and goals, the School Business Administrator shall have the following role:

- a. to advance educational opportunity through the management of district business affairs;
- b. to provide equipment and facilities required for the comfort, convenience, and performance of the educational staff and student body;
- c. to conduct the business office as a service organization to the district; and
- d. to serve in an advisory capacity to the Superintendent.

Duties of the School Business Administrator

Subject to the approval of the Superintendent, the School Business Administrator shall:

- a. direct the business affairs of the school system in compliance with the instructions of the Superintendent, pertinent laws, and Board of Education policies;
- b. oversee financial planning and budgeting for the district;
- c. perform or supervise internal audits and carry out recommendations of official audits;
- d. supervise expenditures as authorized by the district budget and in accordance with district purchasing procedures;
- e. prepare specifications and bids as needed; process orders and recommend payment following delivery of goods and services; provide district storage and delivery; carry out the responsibilities of the district purchasing agent;
- f. establish and supervise accounting, bookkeeping, payroll, reporting and cost analyses; organize and supervise inventory of school property;
- g. administer the insurance program and records;
- h. administer the district income and investment program;
- i. recruit and assist in selection, placement, training and advancement of noninstructional staff; oversee working conditions; take preliminary disciplinary action as needed and recommend termination of service to the Superintendent; carry out the requirements imposed by Civil Service Law and regulations;
- j. supervise custodial, maintenance, school lunch, and transportation programs, classified employees;

- k. establish general, district-wide procedures for the management of non-instructional personnel consistent with the rules and regulations established by the Superintendent;
- l. organize and direct a program of inservice training for noninstructional personnel;
- m. recommend Board policies to the Superintendent;
- n. serve as a member of the Administrative Council;
- o. ensure effective communications among business office personnel;
- p. perform such other specific duties as may be assigned; and
- q. perform other duties normally associated with the office.

Adoption date: March 23, 2006

BUDGET PLANNING

The Superintendent of Schools, with the assistance of the School Business Official, shall be responsible for preparation of the budget. This shall include developing a budget calendar in accordance with regulation 6110-R, and adhering to that calendar. The budget calendar shall be approved by the Board of Education in advance of the preparation of the district's annual budget.

The budget shall be designed to reflect the Board's objectives for the education of the children of the district. It shall be carefully organized and planned to provide adequate accounting for each program expenditure, understanding of the financial needs of anticipated program developments, and be within the financial limitations of the district. To assist in budget and long-range planning, ongoing studies of the district's educational programs will include estimates of the fiscal implications of each program.

The budget for the ensuing school year shall be thoroughly reviewed by the Board before its presentation to the voters for final adoption.

Ref: Education Law §§1608(2)-(4); 1716(2)-(4); 1804(4); 1906(1); 2002(1); 2003(1); 2004(1); 2022(2); 2601-a
Fiscal Management (NYSSBA, 1997)

Adoption date: March 23, 2006

BUDGET PLANNING REGULATION

The budget calendar prepared by the Superintendent of Schools shall include:

- a schedule which sets forth all important meetings and dates, including deadlines for budget proposals from within the district;
- commencement dates and deadlines for certain budgetary tasks such as the estimation of all revenues and income expected to be received by the district;
- events such as the preliminary dates for the Board of Education's consideration of the tentative budget.

The budget calendar will also set forth the name of every individual (or their title) who is assigned to perform a particular task with regard to the development of the budget.

As part of the budget planning process, the Superintendent or School Business Official will evaluate:

- the educational philosophy, goals and objectives of the district and their modification where required;
- the district education program and support systems such as transportation and business affairs;
- census and enrollment projections;
- the condition of the physical plant for operation and maintenance needs and new construction;
- debt service schedules;
- estimated revenue from sources other than the property tax, such as state and federal aid.

Adoption date: March 23, 2006

BUDGET TRANSFERS

The transfer of funds between and within functional unit appropriations of the General Fund is commonly required during the school year. The Superintendent of Schools, in accordance with the Regulations of the Commissioner of Education, is authorized to make budget transfers between line item accounts, so long as the transfer for any one item does not exceed \$25,000. All transfers in excess of \$25,000 require prior Board of Education approval. The Superintendent will report any transfers to the Board as an information item at its next meeting.

Ref: Education Law §1718
8 NYCRR §170.2(1)

Adoption date: March 23, 2006

REVENUE

The School Business Administrator is responsible for obtaining the maximum income from available sources. In an attempt to provide the best education possible to students within the limits of the resources available, the Board of Education may:

1. request adequate local funds for the operations of the school district. The amount of the local financial support requested, when added to state and federal aid and revenue from all other sources, shall yield sufficient revenue to meet the total expenses of the school district;
2. accept all available state funds to which the district is entitled by law or through state regulations;
3. accept all federal funds that are available providing there is a specific need for them and matching funds that are required are available; and
4. upon the resolution of the Board, borrow short-term funds by issuing either revenue or tax anticipation notes.

Adoption date: March 23, 2006

**TAX EXEMPTIONS FOR SENIOR CITIZENS (WITH LIMITED INCOME)
AND DISABLED (WITH LIMITED INCOME)**

Real property owned by one or more persons, one of whom is sixty-five (65) years of age or over and limited family income or is disabled with limited income, shall be exempt from school taxation by the District to a maximum extent of fifty (50) percent of the assessed valuation. Those whose income meets the statutory requirements set forth in Section 467 (Senior Citizens) and Section 459-c (Disabled) of the Real Property Tax Law of the State of New York in effect for the tax year of application are eligible.

Plattsburgh City School District has approved increases to the base income eligibility levels to \$26,000 in 2007, \$27,000 in 2008, \$28,000 in 2009 and \$29,000 in 2010. For reference, the sliding scale for the 2007, 2008, 2009 and 2010 tax years is presented below:

Percentage Exemption	<u>2007 Tax Roll</u>	<u>2008 Tax Roll</u>	<u>2009 Tax Roll</u>	<u>2010 Tax Roll</u>
	2005 or 2006 Income	2006 or 2007 Income	2007 or 2008 Income	2008 or 2009 Income
50%	Under 26,000	Under \$27,000	Under \$28,000	Under \$29,000
45%	\$26,000-\$26,999	\$27,000-\$27,999	\$28,000-\$28,999	\$29,000-\$29,999
40%	\$27,000-\$27,999	\$28,000-\$28,999	\$29,000-\$29,999	\$30,000-\$30,999
35%	\$28,000-\$28,999	\$29,000-\$29,999	\$30,000-\$30,999	\$31,000-\$31,999
30%	\$29,000-\$29,899	\$30,000-\$30,899	\$31,000-\$31,899	\$32,000-\$32,899
25%	\$29,900-\$30,799	\$30,900-\$31,799	\$31,900-\$32,799	\$32,900-\$33,799
20%	\$30,800-\$31,699	\$31,800-\$32,699	\$32,800-\$33,699	\$33,800-\$34,699
15%	\$31,700-\$32,599	\$32,700-\$33,599	\$33,700-\$34,599	\$34,700-\$35,599
10%	\$32,600-\$33,499	\$33,600-\$34,499	\$34,600-\$35,499	\$35,600-\$36,499
5%	\$33,500-\$34,399	\$34,500-\$35,399	\$35,500-\$36,399	\$36,500-\$37,399
0%	\$34,400 & Over	\$35,400 & Over	\$36,400 & Over	\$37,400 & Over

Furthermore, in accordance with the Real Property Tax Laws of New York State:

1. These exemptions from taxation shall not be available in the case of real property where a child resides, if such child attends a public school within the District.
2. These exemptions shall be computed after all other partial exemptions allowed by law have been subtracted from the total amount assessed.
3. These exemptions cannot be granted where title is vested in either the husband or the wife, if their combined income exceeds such sum. As provided by law, such income shall include social security and retirement benefits, interest, dividends, total gain from the sale or exchange of a capital asset which may be offset by a loss from the sale or exchange of a capital asset in the same income tax year, net rental income, salary or

earnings, and net income from self-employment, but shall not include a return of capital, gifts or inheritances.

4. The title of the property shall have been vested in the owner or one of the owners of the property for at least twelve (12) consecutive months prior to the date of making application for these exemptions, except as may be otherwise permitted by law in the case of death or reacquisition.
5. The property must be used exclusively for residential purposes provided, however, that in the event any portion of such property is not so used exclusively for residential purposes but is used for other purposes, such portion shall be subject to taxation and the remaining portion only shall be entitled to these exemptions provided by this policy.
6. These exemptions can be granted only if the real property is the legal residence of, and is occupied in whole or part, by the owner or by all owners of the property, except as may be otherwise permitted by law in the case of an owner receiving inpatient health related care.
7. The Senior Citizen Exemption can be granted only if the real property is owned by a husband and/or wife, or an ex-husband and/or and ex-wife, and either is absent from the residence, and an exemption was previously granted when both resided in the residence, provided the person remaining in the real property is sixty-two (62) years of age or over. This is not applicable to the Disabled Exemption.
8. Qualified individuals may receive one but not both the Senior Citizen and Disabled Exemptions.
9. Application for these exemptions must be made by the owner or owners of the property, on forms furnished by the City Assessor's Office, and shall be filed in the Assessor's Office on or before March 1st (the taxable status date).
10. Any person otherwise qualified under this policy shall not be denied the Senior Citizens Exemption under the section if he/she becomes sixty-five (65) years of age after March 1st but on or before December 31st of the same year. This is not applicable to the Disabled Exemption.
11. Any conviction for having made any willfully false statement in the application for the Senior Citizens Exemption shall be punishable by a fine of not more than one hundred dollars (\$100) and shall disqualify the application or applicants from further exemption for a period of five (5) years. This is not applicable to the Disabled Exemption.
12. All other requirements of Real Property Law, Sections 467 and 459-C, must be met.

Ref: Real Property Tax Laws §467 and §459-C

Adopted: January 25, 2007

FEDERAL FUNDS

A separate federal aid fund shall be maintained to record all financial transactions in federally aided projects. A checking account separate from all other district checking accounts shall be maintained.

Ref: 8 NYCRR Parts 114; 167; 200

Adoption date: March 23, 2006

INVESTMENTS

I. SCOPE

This investment policy applies to all moneys and other financial resources available for investment on its own behalf or on behalf of any other entity or individual.

II. OBJECTIVES

The primary objectives of the local government's investment activities are, in priority order,

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

III. DELEGATION OF AUTHORITY

The governing board's responsibility for administration of the investment program is delegated to the District Treasurer who shall establish written procedures for the operation of the investment program consistent with these 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.

IV. 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 Plattsburgh City School District 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.

V. DIVERSIFICATION

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

VI. INTERNAL CONTROLS

It is the policy of the Plattsburgh City School District for all moneys collected by any officer or employee of the government to transfer those funds to the District Treasurer within 3 days of deposit, or within the time period specified in law, whichever is shorter.

The District Treasurer 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 monies up to the maximum amounts are:

Depository Name

Key Bank
Evergreen Bank
NBT Bank
Glens Falls National Bank
Albank

VIII. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law, §10, all deposits of the Plattsburgh City 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:

1. 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 designated in Appendix A to the policy.
2. By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 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 of the three highest rating categories by at least one 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 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.

IX. SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits shall be held by a 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, 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 Plattsburgh City School District 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 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 a 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.

X. PERMITTED INVESTMENTS

As authorized by General Municipal Law, §11, the Plattsburgh City School District authorizes the District Treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts;
- Certificates of deposit;
- Obligations of the United States of America;
- 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;
- Obligations of the State of New York;
- Obligations issued pursuant to LFL §24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the Plattsburgh City School District;
- 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 authorizes such investments.
- Certificates of Participation (COPS) issued pursuant to GML §109-b.
- Obligations of this local government, but only with any moneys in a reserve fund established pursuant to GML §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 Plattsburgh City School 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 at the option of the Plattsburgh City School District within two years of the date of purchase.

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Plattsburgh City School District 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 local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Plattsburgh City School District. 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 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. PURCHASE OF INVESTMENTS

The District Treasurer 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 cooperative investment program with another authorized governmental entity pursuant to Article 5G 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 Chapter 623 of the Laws of 1998 (General Municipal Law 3A), and the specific program has been authorized by the governing board.
3. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

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 Plattsburgh City School 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, §10.

The custodial agreement shall provide that securities held by the bank or trust company, as 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 shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

XIII. REPURCHASE AGREEMENTS

Repurchase agreements are authorized subject to the following restrictions:

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

Adoption date: March 23, 2006

INVESTMENTS REGULATION**SINGLE BANK AGREEMENT**

THIS AGREEMENT, made and executed this ____ day of _____, ____ between the Plattsburgh City School District located in the County of Clinton, State of New York (“Local Government”) and _____ having offices at _____, New York (“Bank”).

WITNESSETH

WHEREAS, Local Government desires to maintain or continue to maintain public deposits with the Bank;

WHEREAS, the Bank desires to obtain such deposits and to provide security therefor as required by the General Municipal Law, Banking Law and other applicable statutes;

WHEREAS, the Bank agrees to provide safekeeping services and to hold any securities pledged to the Local Government in an account established for the benefit of the Local Government as secured party pursuant to this Agreement;

NOW, THEREFORE, in consideration of the mutual promises set forth hereafter, the parties hereto agree as follows:

1. Security Requirements
 - a. The Bank, to secure the timely payment of Uninsured Deposits heretofore or hereafter made by the Local Government, including any interest due, thereon, shall provide the Local Government with Eligible Collateral having an Adjusted Market Value equal to the Collateral Requirement. Whenever Eligible Securities are provided pursuant to this paragraph, the Bank hereby grants to the Local Government a pledge and security interest in and to such Eligible Securities and shall identify the Local Government’s interest in such Eligible Securities in the manner prescribed in Section 2 of this Agreement. The security interest of the Local Government in Eligible Securities shall terminate upon the transfer of such Eligible Securities from the Account. Eligible letters of Credit and Eligible Surety Bonds provided pursuant to this paragraph shall be subject to the prior approval of the Local Government unless the Local Government has approved in writing the form of an Eligible Letter of Credit or Eligible Surety Bond to be issued by a specific entity or the form of such Eligible Letter of Credit or Eligible Surety Bond as attached hereto as an Exhibit.
 - b. The bank will determine daily the Adjusted Market Value of the Eligible Collateral provided pursuant to this Agreement. If the Adjusted Market

Value of such Eligible Collateral is less than the Collateral Requirement, the Bank shall be required to provide additional Eligible Collateral having an Adjusted Market Value equal to or greater than such deficiency no later than one Business Day after such determination. If the Adjusted Market Value of the Eligible Collateral provided pursuant to this Agreement exceeds the Collateral Requirement, the Bank may transfer securities from the Account or in the case of other Eligible Collateral, cause a reduction in the amount thereof, to the extent of success excess.

- c. The Bank may substitute Eligible Collateral (“Substitute Collateral”) for any Eligible Collateral previously provided pursuant to this Agreement so long as the Substitute Collateral has an Adjusted Market Value equal to or greater than the Eligible Collateral which it will replace. In the event that the Substitute Collateral consists exclusively of Eligible Securities and the Bank determines that the Substitute Collateral has sufficient Adjusted Market Value, the Bank may transfer the Eligible Securities out of the Account against delivery to the Account on the same Business Day of the Substitute Collateral. In the event the Substitute Collateral consists of an Eligible Letter of Credit or Eligible Surety Bond, the prior consent of the Local Government shall be required before the Bank may complete the substitution unless the Local Government has, in writing, previously approved and consented to the form and issuer of the Eligible Letter of Credit and/or Eligible Surety Bond to be provided as Substitute Collateral
- d. The Bank, to the extent not contained in the confirmation required by paragraph c of Section 2 of this Agreement, shall provide the Local Government with written confirmation setting forth (1) a complete description of Eligible Collateral provided, reduced or transferred to or from the Account pursuant to this section; and (2) the Market Value and Adjusted Market Value of such Eligible Collateral as of the date of such transaction.
- e. The Bank shall have the right to collect and retain for its own account any and all interest, principal, dividend or other payments made in respect of the Eligible Securities held in the Account.

2. The Account

- a. The Bank shall assign a unique pledge code or name to the Local Government and will cause Eligible Securities to be credited to the Account and pledged to the Local Government. The Bank agrees to establish and maintain the Account and appropriate records identifying the Eligible Securities as placed by the Bank to the Local Government.
- b. The Bank and Local Government agree that a pledge of Eligible Securities to the Account may be in the form of credits to the accounts of the Bank at the Book Entry System or Depository. The Account shall be kept separate and apart from the general assets of the Bank and will

not, in any circumstances be commingled with or become part of the backing for any other deposit or other liability of the Bank. Eligible Securities credited to the Account and deposited in the Book Entry System or Depositories will be represented in accounts of the Bank at the Book Entry System or Depositories or other financial intermediary that include only assets held by the Bank for customers, including but not limited to accounts in which the Bank acts in a fiduciary, agency or representative capacity. Eligible Securities that are not held in the Book Entry System, a Depository or through another financial intermediary, will be held in the Bank's vault and physically segregated from securities and other non-cash property belonging to the Bank.

- c. The Bank shall provide the Local Government with a written confirmation on each Business Day on which any Eligible Securities are transferred to or from the Account. Such confirmation shall identify the specific securities which are the subject of the confirmation and state both the Market Value and Adjusted Market Value thereof. The Bank shall also provide the Local Government each month with a statement identifying all Eligible Securities in the Account, the Market Value and Adjusted Market Value thereof as of the date of such statement.
- d. The Account shall not be Subject to any security interest, lien or any right of set-off by or against the Bank.
- e. The Bank, in performing its duties and responsibilities pursuant to this section and in making the determinations or giving the notices required by paragraphs b, c and d of Section 1 of this Agreement, shall act as custodian for, and agent of, the Local Government.

3. Events of Default

In the event the Bank shall fail to pay the Local Government any amount of the Deposits by the Local Government covered by this Agreement in accordance with the terms of such Deposits or should the Bank fail or suspend active operations the deposits in such Bank shall become due and payable immediately and the Local Government shall have the right to unilaterally demand delivery of all Eligible Securities in the Account and to sell such securities at public or private sale. In the event of such sale, the Local Government after deducting all legal expenses and other costs, including reasonable attorney's fees, from the proceeds of such sale, shall apply the remainder towards any one or more of the liabilities of the Bank to the Local Government and shall return the surplus, if any, to the Bank.

4. Representation and Warranties.

a. Representations of the Bank. The Bank represents and warrants that:

- (1) it is the legal and actual owner, free and clear of all liens and claims, of all Eligible Securities pledged pursuant to this Agreement;
- (2) the form of this Agreement was approved by its board of directors;
- (3) this Agreement was executed by an officer of the Bank who was authorized by the Bank's board of directors to do so and will at all times be maintained as an official record of the Bank;
- (4) all securities pledged pursuant to this Agreement are Eligible Securities and that all letters of credit and surety bonds obtained by the Bank in satisfaction of its obligations hereunder and of which the Local Government is the beneficiary are Eligible Collateral;
- (5) the Bank is a bank or trust company located and authorized to do business in the State of New York; and,
- (6) all acts, conditions and things required to exist, happen or be performed on its part precedent to and in the execution and delivery of this Agreement exist or have happened or have been performed.

b. Representations of the Local Government. The Local Government hereby represents and warrants that:

- (1) this Agreement has been legally and validly entered into, does not and will not violate any statute or regulation applicable to it and is enforceable against the Local Government in accordance with its terms;
- (2) the establishment of the Account with the Bank has been duly authorized and no other action by the Local Government is required and this Agreement was executed by an officer of the Government authorized to do so;
- (3) it will not transfer, assign its interests in or the rights with respect thereto any Eligible Securities pledged pursuant to this Agreement except as authorized pursuant Section 3 of the Agreement; and,
- (4) all acts, conditions and things required to exist, happen or be performed on its part precedent to and in the execution and delivery of this Agreement exist or have happened or have been performed

5. Indemnity, fees and records.

- a. The Bank shall be responsible for (and nothing contained in this agreement shall limit or in any way impair any contractual, common law or statutory right of the Local Government to recover damages or obtain compensation from the Bank on account) of any and all claims, losses, liabilities or expenses (including reasonable fees and expenses of attorneys) suffered or incurred by the Local Government and arising from negligence or willful misconduct the part of the Bank in the performance of its duties hereunder. The Bank, however, shall not be liable for any loss or damage, including Counsel which are sustained or incurred by reason of any action or inaction by the Book Entry System or Depository.
- b. The Local Government shall pay to the Bank such fees as may be agreed upon from time to time.
- c. The Local Government's authorized officer, upon reasonable notice, shall have access to the Bank's books and records maintained with respect to the Local Government's interest in the Account during the Bank's normal business hours. Upon the reasonable request of the Local Government, copies of any such books and records shall be provided by the Bank to the Local Government or the Local Government's authorized officer at the Local Government's expense.

6. Termination.

Either of the parties hereto may terminate this Agreement by giving to the other party a notice in writing specifying the date of such termination, which shall be the earlier of (i) not less than 90 days after the date of giving such notice or (ii) the date on which the Deposits are paid in full. Such notice shall not affect or terminate the Local Government's security interest in the Eligible Securities in the Account. Upon termination hereof, the Local Government shall pay to the Bank such compensation as may be due to the Bank as of the date of such termination. Upon the date set forth in the termination notice, this Agreement shall terminate except as otherwise provided herein and all obligations of the parties to each other hereunder shall cease.

7. Miscellaneous

- (a) The Local Government agrees to furnish to the Bank a new Certificate (Exhibit C) in the event that any present Authorized Person ceases to be an Authorized Person or in the event that any other Authorized Persons are appointed and authorized. Until such new Certificate is received, the Bank shall be fully protected in acting upon Oral or Written Instructions or signatures of the present Authorized Persons.

- (b) Any Written Instructions or other instrument in writing, authorized or require by this Agreement to be given to the Local Government shall be sufficiently given if sent to the Local Government by regular mail to its Offices at Plattsburgh, New York or at such other Offices as the Local Government may from time to time designate in writing.
- (c) Any Written Instructions or other instrument in writing, authorized or require by this Agreement to be given to the Bank shall be sufficiently given if sent to the Bank by regular mail to its Offices at or at such other Offices as the Bank may from time to time designate in writing.
- (d) In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality an unenforceability of the remaining provisions or obligations shall not in any way be affected or impaired thereby and if any provision is inapplicable to an person or circumstances, it shall nevertheless remain applicable to all other persons and circumstances.
- (e) This Agreement may not be amended or modified in any manner except be written agreement executed by all of the parties hereto.
- (f) This Agreement shall extend to and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that this Agreement shall not be assignable by any party without the written consent of the other parties.
- (g) This Agreement shall be construed in accordance with the laws of the State of New York without regard to conflict of law principles thereof.

8. Definitions.

Whenever used in this Agreement the following terms shall have the following meanings:

- a. "Account" shall mean the account established with the Bank for the benefit of the Local Government as secured party in accordance with this Agreement.
- b. "Adjusted Market Value" shall be one hundred percent of Market Value.
- c. "Authorized Person" shall be any officer of the Local Government duly authorized to give Oral Instructions or Written Instructions on behalf of Local Government, such persons to be designated in a Certificate substantially in the form of Exhibit "C" attached hereto, as such Exhibit may be amended from time to time.
- d. "Bank" shall mean any bank as defined by the banking law of the State of New York or a national banking association located and authorized to do business in New York.
- e. "Book Entry System" shall mean the Federal Reserve/Treasury Book Entry System for receiving and delivering government securities.
- f. "Business Day" shall mean any day on which the Bank is open for business and on which the Book Entry System and/or the Depositories are open for business.
- g. "Certificate" shall mean the Certificate attached hereto as Exhibit C.

- h. "Collateral Requirement" shall mean the amounts required in Exhibit "A" unless the Bank and Local Government agree to a different amount in accordance with this Agreement.
- i. "Depository" shall include the Depository Trust Company, the Participants Trust Company and other securities depositories and clearing agencies (and their successors and nominees) registered with the Securities and Exchange Commission or otherwise regulated by appropriate federal or State agencies as a securities depository or clearing agency.
- j. "Deposits" shall mean all deposits by the Local Government in the Bank that are available for all uses generally permitted by the Bank to the Local Government for actually and finally collected funds under the Bank's account agreement or policies.
- k. "Eligible Collateral" shall mean Eligible Securities, Eligible Letters of Credit and Eligible Surety Bonds.
- l. "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 either:
 - (1) a bank (other than the Bank) 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 three highest rating categories based on the credit of such bank or holding company by at least one nationally recognized statistical rating organization; or
 - (2) by a bank (other than the Bank) which is in compliance with applicable Federal minimum risk-based capital requirements.
- m. "Eligible Securities" shall mean any securities of the types enumerated in the Schedule of Eligible Securities attached hereto as Exhibit "B" as such schedule may be amended by the parties in writing from time to time. Such Schedule may establish limitations pertaining to the types or amounts of Eligible Securities which may be provided pursuant to this Agreement.
- n. "Eligible Surety Bond" shall mean a bond executed by an insurance company authorized to do business in the State of New York, the claims paying ability of which is rated in the highest rating category by at least two nationally recognized statistical rating organizations.
- o. "Margin Percentage" shall equal 100 percent,
- p. "Market Value" shall mean, with respect to any Eligible Security held in the Account the market value of such Eligible Security as made available to the Bank by a generally recognized source selected by the

Bank or the most recently available closing bid quotation from such source plus, if not reflected in the market value, any accrued interest thereon, or, if such source does not make available a market value or a closing bid price for a particular security the market value shall be as determined by the Bank in its sole discretion based on information furnished to the Bank by one or more brokers or dealers or based on information otherwise reasonably acceptable to the Local Government. The Market Value of Eligible Letters of Credit and Eligible Surety Bonds shall be the face amount thereof.

- q. "Nationally Recognized Statistical Rating Organization" shall mean Moody's Standards and Poors, Fitch, Duff and Phelps, BankWatch, and IBCA and in the case of Eligible Surety Bonds, shall also include Bests.
- r. "Oral Instructions" shall mean verbal instructions actually received by the Bank from an Authorized Person or from a person reasonably believed by the Bank to be an Authorized Person.
- s. "Substitute Collateral" shall have meaning set for the in paragraph c of Section 2 of this Agreement
- t. "Uninsured Deposits" shall mean that portion of the Local Government's Deposits with the Bank which exceeds the insurance coverage available from the Federal Deposit Insurance Corporation.
- u. "Written Instructions" shall mean written communications actually received by the Bank from an Authorized Person or from a person reasonably believed by the Bank to be an Authorized Person by a computer, telex, telecopier or any other system whereby the receiver of such communications is able to verify by codes or otherwise with a reasonable degree of certainty the identity of the sender of such communication.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized and their respective seals to be hereunto affixed as of the day and year first above written.

Adoption date: March 23, 2006

INVESTMENTS EXHIBIT A

COLLATERAL REQUIREMENT

On any Business Day that the Local Government has Uninsured Deposits in the Bank, the Bank, in accordance with paragraph b of Section 1 of this Agreement, agrees to deliver or cause to be delivered to the account Eligible Collateral having an Adjustment Market Value equal to the Collateral Requirements. For purpose of this Agreement, Collateral Requirement shall mean the amount of such Uninsured Deposits times Margin Percentage, if any.

Adoption date: March 23, 2006

INVESTMENTS EXHIBIT B

SCHEDULE OF ELIGIBLE SECURITIES

- _____ (i) 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.
- _____ (ii) Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the African Development Bank.
- _____ (iii) Obligations partially insured or guaranteed by any agency of the United States of America, at a portion of the Market Value of the obligation that represents the amount of the insurance or guaranty.
- _____ (iv) 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.

Adoption date: March 23, 2006

INVESTMENT EXHIBIT C
CERTIFICATE OF AUTHORIZED PERSONS

For Local Government: District Treasurer
 Assistant Superintendent for Business Affairs
 Deputy Treasurer, only in the absence of the District
 Treasurer

For Bank:

Adoption date: March 23, 2006

AUTHORIZED SIGNATURES

The Board of Education authorizes the single signature of the District Treasurer on all district checks for the payment of all salaries, bills, expenses, obligations and liabilities of the district. In case of the Treasurer's absence or inability to perform his/her duties, the Deputy Treasurer is authorized to sign in his/her place and stead. Extra-classroom activity checks shall be signed by both the Central Treasurer and Building Principal or District Treasurer.

The Board authorizes the District Clerk, Superintendent, Treasurer and President of the Board to sign such contracts, documents, papers, agreements, writings, and other instruments in writing as are authorized by the Board or required by law to be executed.

In the absence or inability of the President of the Board to sign any of the above documents, the Vice President of the Board is authorized to sign in his/her place and stead.

The Board authorizes the use of a machine check-signer to stamp school district checks with the required signature. The check signing device must be a recognized manufactured product with safeguards for the school district's protection. The Treasurer has the responsibility of preventing unauthorized use of the check-signer.

Ref: Education Law §§1720; 2523
8 NYCRR §170.1(c)(d)

Adoption date: March 23, 2006

BONDED EMPLOYEES AND OFFICERS

All school employees will be covered by a blanket bond or appropriate insurance. Such employees are held personally responsible for funds which they collect during the course of their assigned duties and responsibilities.

All money including petty case shall be kept in the school safe(s) overnight. The Superintendent of Schools shall inform all employees of its requirement and enforce this policy.

Moneys should be deposited in the bank as soon as possible.

Ref: Education Law §§1709(20-a); 1720; 2130(5); 2526

Adoption date: March 23, 2006

FISCAL ACCOUNTING AND REPORTING

The Board of Education insists on clear, complete, and detailed accounting of all financial transactions for which the Board is held accountable.

Accounting and Reporting Systems

The system of accounts will conform to the Uniform System of Accounts for School Districts. The accounting system will yield information necessary for the Board to make policy decisions.

Proposed expenditures will be budgeted under and the actual expenditures will be charged to categories that most accurately describe the purpose for which monies are to be spent.

The Board directs the Superintendent of Schools to keep it informed of the financial status of the district through monthly cash reconciliation and budget status reports and annual fiscal reports. The Superintendent should highlight any deviation in actual fiscal conditions from planned fiscal conditions and offer recommendations to the Board to remedy the situation. The Business Manager will prepare and submit, through the Superintendent, to the Board and the Commissioner of Education, such reports as are prescribed by law. These shall be filed with appropriate governmental bodies as required under law or regulation. The district will cooperate with governmental agencies and research organizations as required by law for data concerning the fiscal operations of the district.

Independent/External Audits

The district shall be audited annually by an independent certified public accountant or a public accountant. The auditor's report shall be adopted by resolution and a copy shall be filed with the Commissioner of Education.

The Superintendent is hereby directed to respond to all audit findings and recommendations. Such response is to include a statement of the corrective actions taken or proposed to be taken, or if action is not taken or proposed, an explanation of reasons, as well as a statement on the status of corrective actions taken on findings or recommendations contained in any previous report of examination or external audit, or any management letter for which a response was required.

The Superintendent shall also ensure that the provisions contained in the General Municipal Law in regard to audit reports are followed.

Cross-ref: 1120, School District Records

Ref: Education Law §§1610; 1721; 2117; 2528; 2577; 2590-i
General Municipal Law §§33; 34
8 NYCRR §§155.1; 170.1; 170.2

Adoption date: March 23, 2006

ACCOUNTING SYSTEM

To ensure greater fiscal accountability, it is suggested that the Board meet with the external auditor prior to the annual audit to make clear that their relationship is directly with the board and not the superintendent or school business official and to determine exactly what the audit will and will not include. The board may want to require that the auditors provide a separate written report, including recommendations, regarding the internal controls within the

The district will use the Uniform System of Accounts for School Districts, a double-entry accounting system which is recommended by the New York State Education Department and the Department of Audit and Control. Accounts will reflect expenditures by function, objects of expense coded in detail by program, and by school building location.

This standard accounting system may be supplemented by any additional accounts or records that may be useful in yielding fiscal information that might enhance fiscal decision-making by the Board.

The accounting system will:

1. safeguard school district funds from loss, theft, waste or misuse;
2. promote budgetary control;
3. provide information that is necessary in policy formulation;
4. provide information that is necessary to the public and the school system;
5. provide necessary data for state reports; and
6. show compliance with legal mandates.

Adoption date: March 23, 2006

INTERNAL AUDITOR

The Board of Education will designate and appoint an internal auditor for the district. The internal auditor shall serve at the pleasure of the Board. The internal auditor shall report directly to the Board.

The internal auditor is responsible for formally examining, allowing or rejecting all accounts, charges, claims or demands against the school district. The auditing process should determine:

1. that the proposed payment is for a valid and legal purpose;
2. that the obligation was incurred by an authorized district official;
3. that the items for which payment is claimed were in fact received or, in the case of services, that they were actually rendered;
4. that the obligation does not exceed the available appropriation; and
5. that the submitted voucher is in proper form, mathematically correct, does not include previously paid charges, and is in agreement with the purchase order or contract upon which it is based.

The internal auditor shall provide periodic written reports as may be requested by the Board.

Ref: Education Law §§1709(20-a); 1724; 2509; 2526; 2554(b)
8 NYCRR §170.2
Matter of Levy, 22 EDR 550 (1983)

Adoption date: March 23, 2006

PETTY CASH ACCOUNTS

Petty cash funds shall be established at each school, the maintenance facility, and the business office for the purchase of materials, supplies or services under conditions requiring immediate payment.

The amount of each fund will not exceed \$50.00 at the elementary schools or \$100.00 at the secondary schools. The Board of Education, upon the recommendation of the Superintendent of Schools, shall appoint a bursar for each petty cash fund who shall administer and be responsible for such fund.

Receipts and cash-on-hand must always total the authorized fund amount. All disbursements from such funds are to be supported by receipted bills, paid out slips or other evidence documenting the expenditure.

Payments may be made from petty cash for materials, supplies, or services only when payment is required on delivery. Sales tax on purchases will not be paid by the school district from petty cash funds. The district shall reimburse uses of petty cash funds up to the extent of expenditures, with appropriate documentary support. Each fund will be closed at the end of the school year.

Ref: Education Law §§1604(26); 1709(29)

Adoption date: March 23, 2006

PURCHASING

The Board of Education views purchasing as serving the educational program by providing necessary supplies, equipment and related services. Purchasing will be centralized in the business office under the general supervision of the Purchasing Agent designated by the Board of Education.

It is the goal of the Board to purchase competitively, without prejudice or favoritism, and to seek the maximum educational value for every dollar expended. Competitive bids or quotations shall be solicited in connection with purchases pursuant to law. The General Municipal Law requires that purchase contracts for materials, equipment and supplies involving an estimated annual expenditure exceeding \$10,000 and public work contracts involving an expenditure of more than \$20,000 will be awarded only after responsible bids have been received in response to a public advertisement soliciting formal bids. Similar procurements to be made in a fiscal year will be grouped together for the purpose of determining whether a particular item must be bid.

- Alternative Formats for Instructional Materials
Preference in the purchase of instructional materials will be given to vendors who agree to provide materials in a usable alternative format (i.e., any medium or format, other than a traditional print textbook, for presentation of instructional materials that is needed as an accommodation for each student with a disability, including students requiring Section 504 Accommodation Plans, enrolled in the school district). Alternative formats include, but are not limited to, Braille, large print, open and closed captioned, audio, or an electronic file in an approved format as defined in Commissioner's Regulations.

Goods and services which are not required by law to be procured by the district through competitive bidding will be procured in a manner so as to ensure the prudent and economical use of public monies, in the best interests of the taxpayers, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances, and to guard against favoritism, improvidence, extravagance, fraud and corruption.

Alternative proposals or quotations will be secured by requests for proposals, written or verbal quotations or any other appropriate method of procurement, except for procurements:

1. under a county contract;
2. under a State contract;
3. of articles manufactured in State correctional institutions; or
4. from agencies for the blind and severely disabled.

The district's purchasing activity will strive to meet the following objectives:

1. to effectively supply all administrative units in the school system with needed materials, supplies, and contracted services;
2. to obtain materials, supplies and contracted services at the lowest prices possible consistent with the quality and standards needed as determined by the Purchasing Agent in cooperation with the requisitioning authority. The educational welfare of the students is the foremost consideration in making any purchase;
3. to ensure that all purchases fall within the framework of budgetary limitations and that they are consistent with the educational goals and programs of the district;
4. to maintain an appropriate and comprehensive accounting and reporting system to record and document all purchasing transactions; and
5. to ensure, through the use of proper internal controls, that loss and/or diversion of district property is prevented.

Opportunities shall be provided to all responsible suppliers to do business with the school district. Suppliers whose place of business is situated within the district may be given preferential consideration only when bids or quotations on an item or service are identical as to price, quality and other factors. Purchases will be made through available cooperative BOCES bids, State contracts of the Office of General Services or county contracts whenever such purchases are in the best interests of the district. In addition, the district will make purchases from correctional institutions and severely disabled persons through charitable or non-profit-making agencies, as provided by law.

The district will provide justification and documentation of any contract awarded to an offeror other than the lowest responsible dollar offeror, setting forth the reasons why such award is in the best interests of the district and otherwise furthers the purposes of section 104-b of the General Municipal Law.

The Purchasing Agent will not be required to secure alternative proposals or quotations for:

1. emergencies where time is a crucial factor;
2. procurements for which there is no possibility of competition (sole source items);
3. procurements of professional services, which, because of the confidential nature of the services, do not lend themselves to procurement through solicitation; or
4. very small procurements when solicitations of competition would not be cost-effective.

The Superintendent of Schools, with the assistance of the Purchasing Agent, shall be responsible for the establishment and implementation of the procedures and standard forms for use in all purchasing and related activities in

the district. Such procedures shall comply with all applicable laws and regulations of the State and the Commissioner of Education.

No Board member, officer or employee of the school district shall have an interest in any contract entered into by the Board or the district, as provided in Article 18 of the General Municipal Law.

Adoption date: March 23, 2006

PURCHASING REGULATION

The following sets forth the procedures for the procurement of goods and services by the district:

I. Definitions

Purchase Contract: a contract involving the acquisition of commodities, materials, supplies or equipment

Public Work Contract: a contract involving services, labor or construction

II. General Municipal Law

The General Municipal Law requires that purchase contracts for materials, equipment and supplies involving an estimated annual expenditure exceeding \$10,000 and public work contracts involving an expenditure of more than \$20,000 will be awarded only after responsible bids have been received in response to a public advertisement soliciting formal bids. Similar procurements to be made in a fiscal year will be grouped together for the purpose of determining whether a particular item must be bid.

III. Competitive Bidding Required

A. Method of Determining Whether Procurement is Subject to Competitive Bidding

1. The district will first determine if the proposed procurement is a purchase contract or a contract for public work.
2. If the procurement is either a purchase contract or a contract for public work, the district will then determine whether the amount of the procurement is above the applicable monetary threshold as set forth above.
3. The district will also determine whether any exceptions to the competitive bidding requirements (as set forth below) exist.

B. Contract Combining Professional Services and Purchase

In the event that a contract combines the provision of professional services and a purchase, the district, in determining the appropriate monetary threshold criteria to apply to the contract, will determine whether the professional service or the purchase is the predominant part of the transaction.

C. Opening and Recording Bids; Awarding Contracts

The Purchasing Agent will be authorized to open and record bids. Contracts will be awarded to the lowest responsible bidder (as recommended by the Purchasing Agent), who has furnished the required security after responding to an advertisement for sealed bids.

D. Documentation of Competitive Bids

The district will maintain proper written documentation which will set forth the method in which it determined whether the procurement is a purchase or a public work contract. Proper written documentation will also be required when a contract is not awarded to the vendor submitting the lowest quote, setting forth the reasons therefore. A quote which exceeds the bid limit will be awarded only when such award is in the best interests of the district and otherwise furthers the purposes of section 104-b of the General Municipal Law. The district will provide justification and documentation of any such contract awarded.

E. Purchase of Instructional Materials

In accordance with Education Law the district shall give a preference in the purchase of instructional materials to vendors who agree to provide materials in alternative formats (i.e., any medium or format for the presentation of instructional materials, other than a traditional print textbook, that is needed as a accommodation for a disabled student enrolled in the district, including but not limited to Braille, large print, open and closed captioned, audio or an electronic file in an approved format.)

The district will establish and follow a plan to ensure that every student with a disability who needs his or her instructional materials in an alternative format will receive those materials at the same time that they are available to non-disabled students.

F. Leases of Personal Property

In addition to the above-mentioned competitive bidding requirements, section 1725 of the Education Law requires that the district will be subject to competitive bidding requirements for purchase contracts when it enters into a lease of personal property. Documentation: The district will maintain written documentation such as quotes, cost-benefit analysis of leasing versus purchasing, etc.

Any legal issues regarding the applicability of competitive bidding requirements will be presented to the school attorney for review.

IV. Exceptions to Competitive Bidding Requirements

The district will not be subject to competitive bidding requirements when the Board of Education, in its discretion, determines that one of the following situations exists:

1. emergency situations where:
 - a. the situation arises out of an accident or unforeseen occurrence or condition;
 - b. a district building, property, or the life, health, or safety of an individual on district property is affected; or
 - c. the situation requires immediate action which cannot await competitive bidding.

However, when the Board passes a resolution that an emergency situation exists, the district will make purchases at the lowest possible costs, seeking competition by informal solicitation of quotes or otherwise, to the extent practicable under the circumstances.

Documentation: The district will maintain records of verbal (or written) quotes;

2. when the district purchases surplus or second-hand supplies, materials or equipment from the federal or state governments or from any other political subdivision or public benefit corporation within the state.

Documentation: The district will maintain market price comparisons (verbal or written quotes) and the name of the government entity;

3. when the Board separately purchases eggs, livestock, fish and dairy products (other than milk), juice, grains and species of fresh fruits and vegetables directly from producers or growers. The amount expended in any fiscal year by the district may not exceed an amount equal to fifteen cents multiplied by the number of days in the school year multiplied by the total enrollment of the district.

Documentation: The district will maintain documentation consistent with sections 114.3 of the Regulations of the Commissioner of Education;

4. when the Board separately purchases milk directly from licensed milk processors employing less than forty (40) people. The amount expended in any fiscal year by the district may not exceed an amount equal to twenty-five cents multiplied by the number of days in the school year multiplied by the total enrollment of the district or exceed the current market price.

Documentation: The district will maintain documentation consistent with section 114.4 of the Regulations of the Commissioner of Education;

5. when the district purchases goods, supplies and services from municipal hospitals under joint contracts and arrangements entered into pursuant to section 2803-a of the Public Health Law.

Documentation: The district will maintain the legal authorization, Board authorization and market price comparisons; or

6. when there is only one possible source from which to procure goods or services required in the public interest.

Documentation: The district will maintain written documentation of the unique benefits of the item or service purchased as compared to other items or services available in the marketplace; that no other item or service provides substantially equivalent or similar benefits; and that, considering the benefits received, the cost of the item or service is reasonable, when compared to conventional methods. In addition, the documentation will provide that there is no possibility of competition for the procurement of the goods.

V. Quotes When Competitive Bidding Not Required

Goods and services which are not required by law to be procured by the district through competitive bidding will be procured in a manner so as to ensure the prudent and economical use of public monies in the best interests of the taxpayers. Alternative proposals or quotations will be secured by requests for proposals, written or verbal quotations or any other appropriate method of procurement, as set forth below.

A. Methods of Documentation

1. Verbal Quotations: the telephone log or other record will set forth, at a minimum, the date, item or service desired, price quoted, name of vendor, name of vendor's representative;

2. Written Quotations: vendors will provide, at a minimum, the date, description of the item or details of service to be provided, price quoted, name of contact. For example, with regard to insurance, the district will maintain documentation that will include bid advertisements, specifications and the awarding resolution. Alternatively, written or verbal quotation forms will serve as documentation if formal bidding is not required. "Requests for Proposals" (RFPs), documented in the same manner as described herein, may also be used;
3. Requests for Proposals: the district will contact a number of professionals (e.g., architects, engineers, accountants, lawyers, underwriters, fiscal consultants, etc.) and request that they submit written proposals. The RFPs may include negotiations on a fair and equal basis. The RFPs and evaluation of such proposals will consider price plus other factors such as:
 - a. the special knowledge or expertise of the professional or consultant service;
 - b. the quality of the service to be provided;
 - c. the staffing of the service; and
 - d. the suitability for the district's needs.

The district will first locate prospective qualified firms by:

- a. advertising in trade journals;
- b. checking listings of professionals; or
- c. making inquiries of other districts or other appropriate sources.

The district will then prepare a well-planned RFP which will contain critical details of the engagement, including the methods which it will use in selecting the service.

B. Purchases/Public Work: Methods of Competition to be Used for Non-Bid Procurements; Documentation to be Maintained

The district will require the following methods of competition be used and sources of documentation maintained when soliciting non-bid procurements in the most cost-effective manner possible:

1. Purchase Contracts up to \$10,000
 - a. Contracts from \$100 to \$1,000: Verbal quotes
Documentation will include notations of verbal quotes.

- b. Contracts in excess of \$1,000 to \$10,000: Written quotes
2. Public Work Contracts up to \$20,000
 - a. Contracts from \$1,000 to \$5,000: Verbal quotes
Documentation will include notations of verbal quotes.
 - b. Contracts in excess of \$10,000 to \$20,000: Written quotes
3. Emergencies: Verbal quotes
Documentation will include notations of verbal quotes.
4. Insurance: Written quotes
Documentation will include bid advertisements, specifications and the awarding resolution. Alternatively, written or verbal quotation forms will serve as documentation if formal bidding is not required. "Requests for Proposals" (RFPs), documented in the same manner as described herein, may also be used.
5. Professional Services: RFP
Documentation will include written proposals.
6. Leases of Personal Property: Written quotes
Documentation will include written quotes, cost-benefit analysis of leasing versus purchasing, etc. The district will note that the contract is a true lease and not an installment purchase contract.
7. Second Hand Equipment from Other Governments:
Written quotes
Documentation will include market price comparisons (verbal or written quotes) and the name of the government.
8. Certain Food and Milk Purchases: Written quotes
Documentation will be consistent with sections 114.3 and 114.4 of the Regulations of the Commissioner of Education.
9. Certain Municipal Hospital Purchases: RFP
Documentation will include the legal authorization, Board authorization, and market price comparisons.
10. Sole Source: Written or verbal quotes
Documentation will include, among other things, the unique benefits of the patented item as compared to other items available in the marketplace; that no other item provides substantially equivalent or similar benefits; and that considering the benefits received, the cost of the item is reasonable, when compared to conventional methods. Notations of verbal quotes will be maintained by the district. In addition, the district will document that there is

no possibility of competition for the procurement of the goods.

VI. Quotes Not Required When Competitive Bidding Not Required

The district will not be required to secure alternative proposals or quotations for those procurements:

1. under a county contract;
2. under a state contract;
3. of articles manufactured in state correctional institutions; or
4. from agencies for the blind and severely disabled.

In addition, the district will not be required to secure such alternative proposals or quotations for:

1. emergencies where time is a crucial factor;
2. procurements for which there is no possibility of competition (sole source items);
3. procurements of professional services, which, because of the confidential nature of the services, do not lend themselves to procurement through solicitation; or
4. very small procurements when solicitations of competition would not be cost-effective.

VII. Procurements from Other than the “Lowest Responsible Dollar Offeror”

The district will provide justification and documentation of any contract awarded to an offeror other than the lowest responsible dollar offeror, setting forth the reasons why such award is in the best interests of the district and otherwise furthers the purposes of section 104-b of the General Municipal Law.

VIII. Internal Control

The Board authorizes the Superintendent of Schools, with the assistance of the Purchasing Agent, to establish and maintain an internal control structure to ensure, to the best of their ability, that the district's assets will be safeguarded against loss from unauthorized use or disposition, that transactions will be executed in accordance with the law and district policies and regulations, and recorded properly in the financial records of the district.

Comments will be solicited from those administrators involved in the procurement process before enactment of the district's regulations regarding purchasing and from time to time thereafter. The regulations

must then be adopted by Board resolution. All district regulations regarding the procurement processes will be reviewed by the Board at least annually.

The unintentional failure to fully comply with the provisions of section 104-b of the General Municipal Law or the district's regulations regarding procurement will not be grounds to void action taken or give rise to a cause of action against the district or any officer or employee of the district.

Adoption date: March 23, 2006

PURCHASING AUTHORITY GOALS

The Board of Education, at its annual reorganizational meeting, should designate a purchasing agent with the authority and responsibility for committing the school district to purchase orders. The purchasing agent should not only be responsible for reviewing and approving purchase orders, but also for developing and implementing procedures for the requisition, receipt, storage and distribution of supplies and material, establishment of the purchasing cycle, oversight of the record keeping systems, evaluation of the operation of the purchasing function, and the training of district staff regarding the purchasing system and procedures. Among the other specific duties and functions of the purchasing agent are to:

1. ensure that every purchase request meets an educational need as determined by the appropriate administrator;
2. ensure that no purchase will exceed the unencumbered balance of the account code and appropriation for such purpose and encumber balances when transmitting an approved purchase order;
3. determine whether to batch purchase requests and decide whether to purchase by bid, State Contract, quotations, open purchase order or some other method;
4. ensure that goods received conform to the purchase order in quality, quantity and price;
5. ensure that partial deliveries, damaged goods and late orders are followed up by the appropriate district employees;
6. approve invoices and claims for payment as the “officer giving rise to the claim;”
7. develop and maintain vendor relationships consistent with the best interests of the school district;
8. develop standardized supply lists and establish blanket order procedures with local vendors to meet immediate needs; and
9. be responsible for the school district's competitive bidding program, including preparation of bid specifications.

Ref: Education Law §1709(20-a)
8 NYCRR §170.2(b)

Adoption date: March 23, 2006

COMPETITIVE BIDDING REQUIREMENTS AND PROCEDURES

The Board of Education is required by law to award all purchase contracts for supplies, materials and equipment involving expenditures in excess of \$10,000 and all contracts for public works in excess of \$20,000 to the lowest responsible bidder after advertising for sealed bids.

The Board should direct the purchasing agent to develop and implement procedures for complying with the legal requirements for competitive bidding. It is also good practice to solicit bids or quotations for purchases that involve less than the statutory dollar amounts.

The competitive bidding requirements embodied in the General Municipal Law are designed to guard against fraud, corruption, extravagance and favoritism, to foster honest competition in order to assure the prudent and economical use of public moneys in purchasing goods and services, and to provide all responsible vendors with an equal opportunity to furnish goods and services to school districts without favoritism. The bidding statutes are incorporated by reference into the Education Law and apply to all school districts.

Contract Nature and Threshold Amounts

Section 103 of the General Municipal Law sets forth the dollar threshold for application of the competitive bidding requirements. Contracts for the purchase of commodities in excess of \$10,000, and public works contracts involving expenditures for services, labor or construction in excess of \$20,000 are subject to the competitive bidding requirements. When a contract involves acquisition of both goods and services, a judgment must be made as to the primary purpose of the contract. If the services are minor, incidental or customarily provided by the vendor in connection with the goods purchased, the contract should be viewed as a purchase contract. Conversely, if the service component is extensive or predominant, or involves special skills, the contract should be treated as one for public works.

In determining the necessity for competitive bidding, the aggregate amount to be expended during the fiscal year on an item or those of a similar nature (a "reasonable commodity grouping") must be considered. For example, office supplies or art materials would constitute an appropriate grouping for bidding purposes. The requirements of the bidding statutes may not be evaded by artificially splitting contracts into purchases for sums less than the threshold amount.

Additionally, in determining whether the dollar requirements have been reached, allowances for any trade-in related to the purchase must be treated as an expenditure; the estimated gross cost of the item is controlling. Net cost is relevant only to the determination of the low bid.

Bid Specifications

Although school districts have broad discretion to set reasonable standards and limitations when preparing bid specifications, particular care and thoroughness are essential to ensure that potential bidders are not misled or confused about the specifications. Specifications should completely describe the item or services to be purchased, including size, color, weight, time of delivery and other relevant considerations. However, they may not be fixed or manipulated for the purpose of favoring a particular bidder or stifling competition.

If a brand name product represents an industry-wide standard, it may be specified as a standard of supply provided that the specifications indicate that products which are reasonably equivalent are acceptable. In addition, a brand name product may be exclusively specified if the Board adopts a standardization resolution by 3/5 vote, after determining such a requirement is necessary for reasons of efficiency or economy. The resolution should contain a statement of the reasons for its adoption. For example, it might be appropriate to designate a specific school bus make and model to permit interchange ability of parts and uniformity of maintenance procedures. Notwithstanding the adoption of a standardization resolution, compliance with competitive bidding requirements is still required. Any vendor who can furnish the specified item must be afforded the opportunity to bid.

Bidding instructions should be complete and clearly state the procedures each bidder must follow and the time fixed for receiving and opening the bids. Instructions should reserve the right of the Board to reject any and all bids or to waive minor irregularities or variances in the bid. The instructions also should state that, as required by the General Municipal Law 103-d, every bid or proposal must be accompanied by a signed statement, affirmed under the penalties of perjury, certifying that there was no collusion with any other bidder over prices in the bid nor any attempt by the bidder to restrict competition.

Bid specifications may include an escalator clause for supplies that are purchased on an ongoing basis, such as fuel oil, gasoline and milk products, to avoid the necessity of re-bidding such items, while permitting vendors to receive a price consistent with current market conditions.

At the discretion of the Board, bid specifications also may require "bid deposits" to be submitted by bidders with their bids. Customarily such deposits, when required, are fixed at an amount equal to 5 or 10 percent of the bid price. The deposit requirement has several purposes. It serves as security for the school district that the bid will be kept open for the period specified and that the bidder will enter into a contract in accordance with the specifications after an award is made. It also protects the district from the submission of bids by financially irresponsible bidders.

If no contract award is made within 45 days after bids have been received, bidders may withdraw their bids and any bid deposit must then be returned. Bid deposits are to be returned to unsuccessful bidders after a contract has been awarded by the Board. The bid deposit from the successful bidder is retained until a contract is executed or a performance bond, if required, is provided. In the event of the bidder's failure to execute a contract or meet other requirements necessary to undertake the contract, the amount of the deposit is forfeited.

Advertising for Bids

Advertisements for bids ("Notice to Bidders") must be published in one or more newspapers designated by the Board for that purpose. The notice must state the time when and place where the bids received will be publicly opened and read. It also should contain a general description of the items or equipment being sought, where and when trade-in goods, if any, may be inspected, and how formal specifications and detailed plans may be obtained.

The notice must be published at least once not less than five days before the time when bids are to be opened and read. In practice, advertisements for bids should be published several times and at least two or three weeks should be allowed between the date of first publication and the time for opening and reading of bids.

Notices, with copies of the specifications and bidding forms, may be mailed to potential vendors. Many districts maintain lists of companies to whom such notices are routinely mailed. If mail solicitation is used, the time between mailing and the bid opening date must be sufficient to permit completion and submission of the bid.

Bid Opening and Contract Awarding

Bids should be kept in a safe, locked location until the time for their opening. It is recommended that each bid be stamped with the date and time received. Bids received after the time for opening should be rejected. A record of all bids received should be maintained and presented to the Board at its next meeting.

All interested parties may be present when bids are opened and read. If no spectators are present, it is prudent for the purchasing agent or other designated official to have one or more persons serve as witnesses to the process.

Board action to award a contract or reject any or all bids is done by formal resolution at a regular or special meeting. After the bids have been opened and analyzed, and the purchasing agent has made a recommendation, the contract is awarded to the lowest responsible bidder who has met or complied with the bid specifications.

Under the General Municipal Law §104, school districts may provide a 10 percent competitive bidding price preference for recycled products. Each document printed on recycled paper must include a printed statement or symbol indicating that the document was printed on recycled paper.

The Board may waive technical or minor noncompliance with the bid specifications if it is in the best interests of the school district. However, it may not waive noncompliance which is material or substantial. The Board also may reject an apparent low bid on the ground that the bidder is not “responsible.” That term has been construed by the courts and the Commissioner of Education to encompass considerations such as financial resources, accountability, reliability, skill, judgment, integrity, and moral worth. In addition, districts may consider performance, conduct and labor practices of bidders and proposed subcontractors on prior contracts, and the background of such bidders and subcontractors, including their ownership, management, affiliation, history of past performance, and compliance with relevant state and federal laws and regulations.

Determination of whether the lowest bidder is “responsible” is made by the Board in the first instance. It is a question of fact to be determined on a case-by-case basis. To assist in this decision-making process, the Board may require a bidder to submit references and it may rely on prior bad experience with the bidder, either within the district or with another municipality, in rejecting a bid. Poor performance by a contractor or vendor should be recorded at the time of occurrence by the school district. This will provide documented evidence of irresponsibility if the Board rejects a low bid in the future.

The minutes of the Board meeting at which an apparent low bid is rejected should carefully document the reasons for the Board action. The courts have held that in certain circumstances a rejected low bidder may be entitled to an opportunity to rebut a finding of non-responsibility. The Commissioner has held that a Board may not determine relative responsibility among several bidders; it must consider only the responsibility of the low bidder.

When no bids are received, the Board should usually re-advertise for bids and directly solicit bids from potential vendors. However, where the Board has taken steps in good faith to obtain bids, it may make purchases in the open market until conditions change. In case of tie bids, the Board may award the contract to one of the low bidders or reject all bids and re-advertise the purchase. Some Boards may award the contract in such an instance to the local vendor or may draw lots to eliminate the charge of favoritism. However, the contract may not be split among the tied bidders.

Exceptions to Competitive Bidding

There are several exceptions to the competitive bidding laws. For example, competitive bidding is not required under the General Municipal Law §103 when there is only one possible supplier or source from which to procure goods or services, such as in the case of a public utility or a patented item.

The competitive bid law also need not be followed if there is an emergency, accident or unforeseen occurrence or condition, which constitutes an imminent danger to public buildings or property or to the life, safety, or health of residents, and requires immediate action which cannot await competitive bidding.

Contracts for professional services and other services requiring special or technical skill, training or expertise are not deemed to be contracts for public work or purchase contracts under the General Municipal Law §103 and, thus, are not subject to competitive bidding requirements.

The courts have held that “true lease” agreements are not subject to competitive bidding requirements since they are neither contract purchases nor contracts for public work. However, the Education Law §1725 provides that leases of personal property by school districts are subject to competitive bidding requirements.

There also is a statutory exception to competitive bidding requirements which permits the purchase of surplus and secondhand supplies from the federal or state government or from any other political subdivision or public benefit corporation.

The requirement for competitive bidding does not apply to an award of a contract for the transportation of students, if such award is based on an evaluation of proposals in response to a request for proposals (RFP) in accordance with the Education Law §305. In addition, the competitive bidding requirement does not apply to annual, biennial, triennial, quadrennial or quinquennial year extensions of a contract involving either transportation of students or mobile instructional units secured either through competitive bidding or through an RFP when such extensions are made by a Board in accordance with Commissioner’s regulations.

Annual, biennial or triennial extensions of contracts to maintain and operate cafeteria or restaurant services by a private food service management company are not subject to competitive bidding so long as the extension does not extend the original contract period beyond five years from the date cafeteria or restaurant service began under the contract.

School districts also may make direct purchases of fresh farm products such as eggs, livestock, fish, dairy products, fresh fruit and vegetables without competitive bidding.

Nonetheless, even when districts are exempt from the requirements of competitive bidding, the General Municipal Law §104-b requires districts to procure goods and services in a manner which ensures the prudent and economical use of public monies. Alternative proposals or quotations must be secured by RFPs, written or verbal quotations, or other appropriate methods of procurement except for procurements through the county in which the district is located, through a state contract of items manufactured in state correctional institutions or from agencies for the blind and severely disabled. The latter instances are more fully discussed in School Policy 6731, State Contracts.

Noncompliance with Competitive Bidding Requirements

The effect of noncompliance with competitive bidding requirements, as a general rule, renders the contract in question void and unenforceable. In special circumstances where the total forfeiture penalty is so disproportionate as to shock the conscience, a court may fashion a less harsh remedy. However, such situations are not frequent and will be subjected to very careful scrutiny.

Violation of the competitive bidding laws may also subject an offender to criminal liability. It is a misdemeanor for any person or corporation to conspire to prevent or otherwise subvert competitive bidding on a contract for public work or purchase which has been advertised for bidding.

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COMPETITIVE BIDDING REGULATION

The requirements for formal competitive bidding are as follows:

1. All items must be bid when the cost of any single item or group of similar items is in excess of ten thousand dollars (\$10,000);
2. All transportation must be bid where the cost of any single transportation service is in excess of ten thousand dollars (\$10,000), unless the district has elected to contract for the transportation of students through a request for proposals (RFP) process. Annual, biennial, triennial, quadrennial or quinquennial year extensions of a transportation contract secured either through competitive bidding or through the RFP process are not subject to competitive bidding when such extensions are made in accordance with the Regulations of the Commissioner of Education;
3. All repair or contract obligations involving the use of personnel and goods in a single project must be bid when such project costs exceed twenty thousand dollars (\$20,000);
4. All items and/or groups of items whose total exceeds five hundred dollars (\$500), but is less than ten thousand dollars (\$10,000), will require informal quotations either by a request for quotation form mailed to bidders, or by telephone when time is of the essence;
5. A "Notice to Bidders" shall be published in the officially designated newspaper at least once, commencing not less than 5 days prior to the bid opening date. Notices may also be mailed to potential bidders sufficiently in advance of the scheduled bid opening date to permit timely preparation and submission of bids;
6. Bids shall be received until the opening time designated in the official notice. All bids shall be date stamped upon receipt and shall be kept in a safe, locked location until the time for opening;
7. Bids shall be opened at the time and place set forth in the Notice to Bidders. There will be at least three district employees present at each bid opening, including the purchasing agent or his/her designee. All interested parties may also attend the opening of bids;
8. After being opened, all bids shall be recorded and analyzed. In this analysis, in order to determine whether the low bidder is "responsible," the purchasing agent shall consider whether the record of the bidder demonstrates or includes:
 - a. lack of adequate expertise, lack of prior experience with comparable projects, or lack of financial resources necessary to perform the work outlined in the contract in a timely, competent and acceptable manner;
 - b. engagement in criminal conduct in connection with any other government contract or the conduct of business activity that involves such crimes as extortion, bribery, fraud, bid-rigging and embezzlement;

- c. grave disregard for the safety of employees or members of the public. The purchasing agent should determine whether employees will be properly trained and whether the equipment to be used is safe and functioning properly;
 - d. willful noncompliance with the state labor laws regarding prevailing wage and supplement payment requirements. All contractors on public work projects are required to pay their employees not less than the prevailing wage;
 - e. disregard for other state labor laws, including child labor, proper and timely wage payments and unemployment insurance laws;
 - f. violations of the State Workers' Compensation Law including failure to provide proof of proper workers' compensation or disability coverage;
 - g. violations of any state or federal environmental statutes;
 - h. the failure to abide by state and federal statutes and regulations regarding efforts to solicit and use disadvantaged, minority and women-owned business enterprises as potential sub-contractors;
 - i. the submission of a bid which is mathematically or materially unbalanced;
 - j. the submission of a bid which is so much lower than the contracting agency's confidential estimate that it appears unlikely that the contractor will be able to complete the project satisfactorily at the price bid; or
 - k. the presentation of false or misleading statements or any other issue that raises serious questions about the responsibility of the bidder.
9. The purchasing agent shall make a recommendation to the Board of Education as to the lowest responsible bidder who has met or complied with the bid specifications;
 10. In the event there are two or more bona fide low responsible bidders, the Board may make an award to one of the low bidders or, in its discretion, it may reject all the bids and re-advertise the purchase. In making an award in the case of tied low bidders, the Board may give consideration to a local business or supplier;
 11. Bid bonds or deposits of 5 percent of the bid price may be required, at the discretion of the purchasing agent, on all purchase contracts of less than \$25,000. Bid bonds or deposits of 5 percent of the bid price are required for labor or service contracts. Performance bonds of 100 percent of the bid price are required for all contracts in excess of \$25,000. Performance bonds on contracts for less than \$25,000 may be required, at the discretion of the purchasing agent;
 12. Every bid shall contain the certification, properly executed by the bidder, required by Section 103-d of the General Municipal Law; and
 13. Minor deviations from specifications or compliance with bidding requirements may be waived by the Board, upon the recommendation of the purchasing agent. The purchasing agent shall determine all questions of comparability or equivalency.

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COOPERATIVE PURCHASING

The Board of Education is authorized to participate in cooperative purchasing with other school districts. Through volume purchasing on a cooperative basis, the Board can achieve savings as the result of lower prices, and shared efforts and expenses.

Pursuant to §119-o of the General Municipal Law, two or more school districts may enter into an agreement for the cooperative purchasing of goods or services (and other joint efforts). Any cooperative arrangement must be approved by the Board of each participating district.

The cooperative agreement should provide a method of equitably allocating costs of the venture, such as legal advertising, mailing, bid specification preparation, duplicating, etc., and carefully spell out any other procedural agreements. Each participating district also must be willing to abide by the decision of the majority on such matters as product quality standards and awarding of contracts.

A Board of Cooperative Educational Services is frequently the appropriate agency to coordinate joint purchasing efforts among its component school districts. However, any district may undertake that role or each participant might agree to carry out one specific function such as preparation of specifications or analysis of the bids.

The competitive bidding requirements of the General Municipal Law apply to cooperative purchasing ventures on the same dollar threshold basis as other purchase contracts. In addition, if voter approval is necessary for a purchase, as would be the case for the purchase of new school buses, it is still required in the cooperative purchasing situation. Each participating district would have to obtain authorization from its own voters before proceeding with the cooperative venture.

Ref: Education Law §1950
General Municipal Law §119-o

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STATE CONTRACTS

The Board of Education is authorized by the General Municipal Law §104, to make purchases of materials, supplies or equipment (except printed material), in excess of \$500, through the New York State Office of General Services (OGS) without competitive bidding.

The use of state purchase contracts is generally considered good business practice in view of the lower prices usually available through this method of purchasing. In addition, the Board does not bear the costs for developing bid specifications or advertising and other related purchasing expenses. A further benefit of this method of purchasing is on-going quality control of items by the Division of Standards and Purchase within OGS.

When state contracts are used, it is not necessary for the school district's purchasing agent to obtain informal quotations or formal bids. Purchase orders containing the state contract number and other pertinent information may be issued directly to the vendor. The school district is responsible for audit and inspection of the purchase, as well as payment to the vendor.

OGS periodically publishes "award" sheets containing names of vendors, item descriptions and pricing data. Information about purchasing through state contracts, including the applicable rules, is available from the Purchase Coordinator for State Political Subdivisions, Office of General Services, Standards and Purchase Group, 38th Floor, Corning Tower, Empire State Plaza, Albany, New York 12242.

Section 103(3) of the General Municipal Law also authorizes county governing boards to make provisions for purchases by school districts and other political subdivisions of materials, equipment or supplies under county contracts. As with purchases through the State, these purchases are exempt from the competitive bidding requirements of the law.

No purchase under a State or county contract may be made when a school district has already advertised and received bids on a purchase, unless it can be made upon the same terms, conditions and specifications, but at a lower price through OGS or the county. In either situation, the purchase must be made from a vendor holding a current State or county contract which has been extended to local political subdivisions. The fact that another vendor is offering goods at a price lower than under a State contract does not otherwise exempt the purchase from competitive bidding requirements.

The Board may permit nonpublic elementary and secondary schools within the school district to make purchases in excess of \$500 through OGS, provided the nonpublic school bears the cost of any administrative expenses incurred in connection with the purchase.

Under Correction Law 184, school districts are required to purchase goods manufactured in prisons from the Department of Correctional Services, unless the Commissioner of Corrections certifies that such goods are not available upon requisition. No claim for such types of goods may be audited or paid without a certificate. An application may be made to the Department for a waiver which would permit the purchase to be made from other sources pursuant to normal competitive bidding requirements. The amount of the purchase price may also be appealed on the ground that it unreasonably exceeds the fair market price.

The State Finance Law requires school districts to procure, when available, all suitable products and services, as determined by the Commissioner of General Services, which are manufactured, produced, assembled or provided by the blind or other severely handicapped persons, from approved, qualified charitable, non-profit making agencies. The Commissioner is responsible for determining the prices for such good and services, which are not to exceed in any unwarranted amount, the prevailing market prices for the same or equivalent goods or services.

Purchases of prison-made goods and from agencies for the blind and other severely handicapped persons are not subject to the competitive bidding requirements.

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PURCHASING PROCEDURES

The Board of Education should ensure that a comprehensive set of purchasing procedures is developed and uniformly followed throughout the school district. This responsibility is generally delegated to the School Business Official and the staff of the purchasing office.

The goal of efficient and economical purchasing of needed goods and services will not be attained unless comprehensive purchasing procedures are established and district staff adhere to such procedures. Without the latter, the best set of purchasing policies and guidelines will be meaningless. The purchasing agent designated by the Board normally will be responsible for running the purchasing program in compliance with the procedures. The agent should constantly be alert to ways in which the procedures can be improved.

Among the areas addressed by a comprehensive purchasing procedure are:

1. the manner in which goods and services are requisitioned;
2. how and by whom purchase orders are generated or canceled;
3. standard supply lists;
4. the various forms to be used in each aspect of the purchasing function and where they are routed and filed;
5. the procedures for receiving, storing and inventorying goods and supplies;
6. the procedures for auditing and paying bills and claims for purchases;
7. the procedures for soliciting quotations and competitive bidding;
8. the procedures for informal (non-competitive) and open order purchases; and
9. relations with vendors and sales representatives.

All of these procedures should ensure that: (a) legal requirements are satisfied; (b) budgetary control is maintained; (c) supply shortages are prevented; and (d) the quality of the goods and services meets the specifications.

Nevertheless, the procedures should be as simple and economical as possible; excess documentation is detrimental since it will unnecessarily complicate the function. Procedures also must be flexible to meet changing conditions and emergencies. Above all, the procedures should help the school district accomplish its educational goals and overall mission.

The scope and detail of purchasing procedures will depend, in large part, upon the size of the district and the number of people involved in the purchasing function. There are certain elements that are common to any good procedure. For example, regardless of size, the authority to purchase should be centralized and all purchases and contracts should be coordinated through the purchasing agent or office. In every district, all contracts should be approved or authorized by the Board as required by law. Written requisitions, signed by the appropriate building or department administrator, should be required for all purchases, except occasional urgent, minor purchases of supplies. Requisitions also should be

checked to ensure that a purchase is covered by a budget line authorization and that there is a sufficient unencumbered balance, prior to the issuance of a purchaser order to the vendor. Purchase orders should be serially numbered and kept in the possession of the purchasing agent.

The Office of the State Comptroller has identified a variety of additional considerations that are generally applicable to procedures in any size district. These include the need to establish a cyclical purchasing schedule; the maintenance of files for vendor performance, catalogs, specifications, state contracts, alphabetical and numerical purchase orders, paid claims and other files necessary to document all purchasing activities and facilitate future purchasing; and the implementation of internal controls to prevent embezzlement, theft or other diversion of assets.

The importance of internal controls cannot be over-emphasized. There are relatively uncomplicated practices that can yield substantial loss control benefits. For example, in the area of purchasing, different individuals should have the authority to approve requisitions and the duty of entering the transaction in the accounting records. There should be strict control of and accounting for pre-numbered forms such as requisitions and purchase orders.

Other sensitive areas, such as receiving, should be adequately protected against loss. It is essential that all orders be checked against shipping documents for shortages and conformity of goods.

Additional practices likewise promote efficiency and control. The State Comptroller recommends that, to the extent possible, school districts should eliminate the routine use of "confirming orders" that are placed verbally and later confirmed in writing. This practice bypasses the encumbering process and prevents the purchasing agent from consolidating similar purchases and obtaining competitive prices. The use of such orders should be limited to emergency situations.

Attention should also be given to following up on back ordered items and nonconforming performance by vendors. These problems will not resolve themselves if left unattended.

It should be remembered at all times that the district's purchasing practices directly affect its reputation with the business community and the general public. It is essential that the Board ensure adherence at all times to the policies and procedures it adopts in this sensitive area.

Installment Purchase Contracts

Section 109-b of the General Municipal Law generally authorizes installment purchase agreements to acquire, erect, construct, or renovate buildings, or to acquire equipment, machinery and apparatus. Section 1725-a of

the Education Law specifically authorizes school boards, with the prior written approval of the Commissioner, to enter into agreements for the installment purchase of equipment, machinery and apparatus. An installment purchase contract is an agreement which provides for periodic payments to be applied toward the purchase price or transfers title at the end of the term to the school district automatically or for a nominal sum, or for an option price which is an amount less than the fair market value at the time of purchase. Such agreements are subject to competitive bidding requirements if the total amount to be paid over the life of the agreement, including finance charges, exceeds the statutory threshold.

In an effort to compare the relative costs of such purchasing with more traditional means, Boards may solicit alternative bids both for an installment purchase and an outright purchase.

By statute, installment purchase contracts are subject to various restrictions:

1. they must be approved by the Board;
2. any down payment may not exceed ten percent of the full contract price;
3. payment installments must be substantially equal;
4. no payment may be financed by the proceeds of bonds or notes, nor are payments considered an object or purpose for which bonds may be issued;
5. such contracts are not deemed as indebtedness for gross indebtedness purposes or as evidence of indebtedness under the Local Finance Law;
6. the term of an installment purchase contract, including all renewals, cannot exceed thirty years or the period of probable usefulness as set forth in section 11 of the Local Finance Law;
7. in certain circumstances the contract may be subject to a referendum of the voters of the district; and
8. the contract must contain an "executory clause" which limits liability under the contract to the amount of moneys actually appropriated and available for the contract.

The effect of this last restriction is to avoid characterization of such contracts as unauthorized debt of the district. It also precludes the contract from being considered an ordinary contingent expense of the district in the event of a budget defeat. In such case, the contract would terminate pursuant to the executory clause and the equipment would be returned to the vendor, unless the contract provided otherwise.

The Board must utilize installment purchasing prudently. Fiscal ramifications of imprudent action may be harsh. Therefore, careful analysis of such methods of acquiring equipment must be undertaken before it is determined to use that acquisition route instead of traditional methods. Consultation with the school attorney in connection with such contracts is strongly recommended.

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DISPOSAL OF DISTRICT PROPERTY

The Board of Education is authorized to sell or otherwise dispose of all obsolete, surplus and scrap materials, equipment and other property of the school district.

The proceeds from the sale of unneeded, obsolete or scrap property or materials can be a significant revenue source for the school district. The purchasing agent shall be responsible for property disposal and that the same precautions taken for the purchasing function shall be observed in the sale of unneeded district property.

The purchasing agent shall ensure that property is not disposed of unless it has been determined that it is unneeded for present or future use, or its period of usefulness has expired; e.g., a mileage standard for district vehicles or a period of use standard for equipment such as a typewriter. To this end, there should be a procedure for periodically canvassing each school or department to identify unneeded or obsolete materials, equipment or supplies. The value of all such property should be estimated and a recommended means of disposal determined.

Sale is not always the most appropriate means of disposal. For example, surplus equipment or supplies in one building may be transferred to another building or department where needed. Items can also be effectively disposed of by using them as trade-ins on new equipment. Excess new or unused materials may be returnable to a vendor for credit. Reconditioning or reuse should also be considered. If these methods are exhausted, sale of the property is appropriate.

No statute prescribes the method of disposal of property owned by a school district. Nor is there a statutory mandate that property be sold at a public auction. As a general rule the Board must receive fair and reasonable consideration for such property, although the actual amount is within the Board's discretion. The Court of Appeals and the Commissioner of Education have characterized the Board's duty in respect to such sales as a fiduciary responsibility to secure, in its judgment, the best price obtainable or the most beneficial terms to the public interest.

Selling for a nominal or inadequate sum could result in a prohibited gift of public funds and might be considered an act of waste. Thus, while sale pursuant to a private negotiation is possible, it is not advisable. Competition usually results in the best price and an open market price is considered a good indicator of a bona fide effort to obtain the highest consideration and maximum benefit to the district.

Sales of surplus equipment to a Board member or other school officials who have authority to negotiate, prepare, authorize or approve a contract or audit bills and claims under a contract, or appoint persons with such authority are generally prohibited by the conflict of interest provisions of the General Municipal Law. Private sale of surplus or obsolete property to other district

employees, although not unlawful, is not advisable since it might open the Board to charges of impropriety and acts of waste. It is recommended that the particular facts of such a transaction be reviewed by the school attorney for any potential conflict of interest.

If it is determined that particular items will not produce sufficient revenue to meet the expenses of a sale, disposition of the property by dumping or destruction is permissible. In addition, the Board should consider whether sale or disposal of an item will expose the school district to potential liability as the result of misuse by a subsequent owner or an unsafe condition of which the district should have been aware.

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