

**WOODFORD COUNTY BOARD OF EDUCATION
AGENDA ITEM**

ITEM #: XF **DATE:** June 20, 2022

TOPIC/TITLE: Pledge of Collateral (formerly Bond of Depository)

PRESENTER: Shane Smith

ORIGIN:

- ☐ TOPIC PRESENTED FOR INFORMATION ONLY (No board action required.)
☒ ACTION REQUESTED AT THIS MEETING
☐ ITEM IS ON THE CONSENT AGENDA FOR APPROVAL
☐ ACTION REQUESTED AT FUTURE MEETING: (DATE)
☐ BOARD REVIEW REQUIRED BY

- ☒ STATE OR FEDERAL LAW OR REGULATION
☐ BOARD OF EDUCATION POLICY
☐ OTHER:

PREVIOUS REVIEW, DISCUSSION OR ACTION:

- ☒ NO PREVIOUS BOARD REVIEW, DISCUSSION OR ACTION
☐ PREVIOUS REVIEW OR ACTION

- ☐ DATE:
☐ ACTION:

BACKGROUND INFORMATION:

The depository of school district funds is required to execute a bond to protect the district's funds.

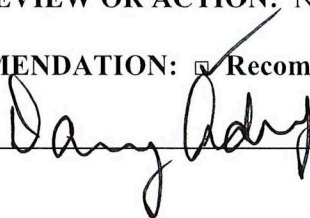
SUMMARY OF MAJOR ELEMENTS:

Approval is requested to renew Stock Yards Bank & Trust Company as our depository for our district funds for the FY 2022-23 school year. To the extent that our combined balances exceed the limits of FDIC insurance, the designated bank is required to pledge satisfactory collateral to the Board and the Commonwealth, and to provide safekeeping receipts for those pledges. The Pledge of Collateral certifies that those requirements are met. Approval of the bond is hereby requested, with the limit to be set at 103% of the combined current daily balances.

IMPACT ON RESOURCES: N/A

TIMETABLE FOR FURTHER REVIEW OR ACTION: N/A

SUPERINTENDENT'S RECOMMENDATION: ☒ Recommended ☐ Not Recommended



COLLATERALIZED DEPOSIT AGREEMENT

This Agreement is made and entered into by and between Stock Yards Bank & Trust Company (the "Bank") and the customer set forth below Woodford County Board of Education (the "Customer").

1. **Description of the Collateralized Deposit Program.** The Collateralized Deposit Program (the "Program") includes a daily review of the balance in the bank accounts (the "Bank Accounts") designated below, subject to such additions and deletions as both parties shall agree to in writing. Should the cumulative balance of the Bank Accounts exceed the amount insured by the Federal Deposit Insurance Corporation and letters of credit supporting Customer deposits, if any, the account balances in excess of said amount (the "Excess Deposit Balance") will be collateralized by securities described hereinafter (the "Securities").

2. **Bank Accounts.** The Customer hereby agrees that the rules and regulations of the Bank from time to time applying to bank accounts generally (including, without limitation, the rate of interest, if any, and the assessment and collection of service charges, if any) shall govern the Bank Accounts; provided, however, in the event of conflict between such rules and regulations of the Bank and the provisions of this Agreement, this Agreement shall control the operation of the Bank Account. Except as herein provided, the Bank Accounts shall operate in all respects as conventional bank accounts, and shall be subject to service charges under the Bank's rules regarding the Bank Accounts generally. The Customer may continue to make deposits to and withdrawals from the Bank Accounts at any time and by any accepted means.

3. **Excess Deposit Balance Limitation:**

No Limit – There is no limit as to the Excess Deposit Balance that will be collateralized.

4. **Granting of the Security Interest.** The Bank hereby pledges the Securities as collateral to secure its obligation to pay the amount of the Excess Deposit Balance in accordance with their terms. The following types of Securities are eligible to be used as collateral (mark all that apply):

☒ **Government Securities** – securities that are the direct obligation of, or the principal and interest of which are guaranteed by, the United States, one of its agencies or one of its government-sponsored enterprises. Bank agrees to pledge securities with a market value equal to or greater than 103 % of the Excess Deposit Balance secured by this type of security.

☒ **Municipal Bonds** – bonds issued by a state, city or other local governments or their agencies. These bonds may be taxable or tax exempt. Municipal Bonds may be general obligations of the issuer or secured by specified revenue. Bank agrees to pledge securities with a market value equal to or greater than 103 % of the Excess Deposit Balance secured by this type of security. Additional limitations with respect to this type of security are as follows (none if blank):

5. **Fractional Interests:**

Permitted – The Customer's interest in the Securities that act as collateral hereunder may be a fractional interest in such Securities. Note – If this option is selected, the Customer acknowledges that other customers of the Bank may receive a security interest in the remaining fractional interest in such Securities.

6. **Choice of Law:**

Customer's location – This Agreement shall be governed, construed, and interpreted under the laws of the state where the Customer's main office is located.

7. **Confirmations to Customer.** The Bank will confirm in writing (via facsimile, U.S. Mail, electronic mail, courier or otherwise, as determined by Bank) the letters of credit supporting Customer deposits, if any, the Customer's Excess Deposit Balance and the specific Securities (specifying the

Security's issuer, maturity date, coupon rate, par amount, market value, either the CUSIP or mortgage-backed security pool number and the fractional interest, if applicable) that are the collateral for the Excess Deposit Balance

Monthly – no less often than monthly.

8. **Custodian of Securities.** In order to perfect the security interest of the Customer in Securities that act as collateral for the Excess Deposit Balance, the Bank has transferred such Securities to (hereinafter the "Custodian"), which is qualified under applicable law to serve as a custodian of the Securities. The Bank and the Customer hereby agree that the Custodian shall be the Customer's agent for the purposes of possessing said Securities and perfecting the Customer's security interest in said Securities. In order to ensure the perfection of the security interest in Securities that act as collateral for the Excess Deposit Balance, the Bank hereby waives any right to substitution. The Bank will pay all expenses associated with the Custodian providing its services. A copy of the Collateral Custodial Agreement executed by and between the Bank and Custodian is available for examination by the Customer at the Bank's main office during regular banking hours. In the event Bank shall have defaulted in its obligation to repay the Excess Deposit Balance, the Custodian shall liquidate the Securities and use the proceeds thereof to fulfill the Bank's repayment obligation. In no event shall the Customer receive more than the Excess Deposit Balance and any interest accrued thereon. **Important** The Securities are not insured by the Federal Deposit Insurance Corporation (F.D.I.C.) and are subject to investment risks, including possible loss of principle. If the Bank fails (i) Customer will be a secured creditor, but (ii) Customer may become an unsecured general creditor to the extent that the market value of the Securities used as collateral falls below the Excess Deposit Balance.

9. **Reports to Custodian.** In no event less often than confirmations are delivered to the Customer under Paragraph 6, the Bank will confirm to the custodian in writing (via facsimile, U.S. Mail, electronic mail, courier or otherwise, as determined by Bank) the Customer's Excess Deposit Balance and the specific Securities (and the fractional interest, if applicable) that are the collateral for the Excess Deposit Balance **(mark only one choice):**

Monthly – no less often than monthly.

Notwithstanding the choice designated, if either (a) fractional interests are utilized or (b) specific Securities are not designated, reports will be delivered to Custodian at the end of each banking day that the Excess Deposit Balance is greater than zero.

10. **Termination.** Should the Bank desire to terminate this Agreement, it must give the Customer no less than seven (7) calendar days prior notice of its intent to terminate. The Customer may terminate this Agreement by giving the Bank notice of intent to terminate at any time. Upon termination, the disposition of the Bank Accounts shall then be governed by the ordinary rules and policies of the Bank governing bank accounts generally, including, without limitation, Bank's right of setoff. Upon the Bank paying out an accounting for all or any portion of the Bank Accounts, any Collateral pledged under this Agreement to secure such Bank Accounts shall be released from the security interest created hereunder.
11. **Certain Matters Unrelated.** The interest rate on the Bank Accounts is unrelated to the interest rate on the Securities. Unless and until the Bank shall have defaulted in its obligation to repay the Excess Deposit Balance, the Bank shall have the right to receive interest paid on the Securities. Moreover, the amount of the Excess Deposit Balance on any given day is fixed, and will not fluctuate, even though the market value of the Securities may rise or fall. The obligation to pay Excess Deposit Balance will in most cases will be paid from general banking assets of the Bank, rather than from proceeds from the sale of the Securities.
12. **Miscellaneous.** The Customer shall not assign or transfer any rights under this Agreement. No enumeration or recital of any remedy shall waive or bar any other remedy available to either part at law or equity. The terms of this Agreement contain the entire agreement between the parties

and shall not be varied by any oral or written communication prior to or at the time of execution of this Agreement. This Agreement may be amended by the mutual consent of the parties. This Agreement supersedes prior agreements regarding the collateralization of the Customer's deposits, if any, which prior agreements are hereby terminated by mutual assent, notwithstanding any terms contained therein to the contrary.

NOTICE

THIS AGREEMENT PROVIDES FOR IMPORTANT LEGAL RIGHTS, DUTIES AND LIMITATIONS, INCLUDING THE ABSENCE OF DEPOSIT INSURANCE ON THE SECURITIES. READ THIS AGREEMENT CAREFULLY. THIS AGREEMENT PROVIDES FOR IMPORTANT LEGAL RIGHTS AND DUTIES. ASK QUESTIONS ABOUT ANY PROVISIONS YOU DO NOT FULLY UNDERSTAND BEFORE SIGNING. YOU WILL RECEIVE A SIGNED COPY OF THIS AGREEMENT.

Date: _____

Woodford County Board Education
CUSTOMER

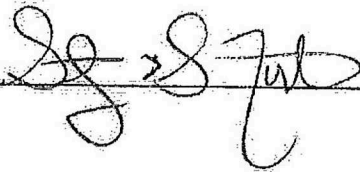
By: _____

Printed: _____

Printed: _____

Its: _____

Stock Yards Bank & Trust Company
BANK

By:  _____

Its: Senior Vice President, Treasury Services