

Decisions regarding the investment of the Authority Funds are governed by its enabling statute, State law, and Policies and Procedures established by its Board of Directors. §2663 of the Authority’s enabling statute, as amended, provides that “any monies of the authority not required for immediate use or disbursement may, at the discretion of the authority, be invested pursuant to section ninety-eight-a of the state finance law in accordance with guidelines established by the Authority’s Board and amended from time to time.” Further, Provisions of Public Authorities Law §2925 further regulate the investment activities of the Authority.

Investment Objectives

The primary objectives of the Authority’s investment activities are, in priority order.

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

2018 Uses of Funds

Given the nature of the Authority’s mission to fund redevelopment activities with its statutorily defined geographic areas, its funds are limited to 1) operating funds and, 2) restricted project funds, and 3) debt service fund reserves. Exhibit 1 shows fund levels at the end of each quarter in 2018.

	<u>Mar 31, 18</u>	<u>Jun 30, 18</u>	<u>Sep 30, 18</u>	<u>Dec 31, 18</u>
Operating Accounts	4,867,734	5,775,516	5,121,726	4,689,553
Parking Revenue Accounts	159,720	162,247	105,927	42,751
Laz Parking Imprest Account	<u>88,836</u>	<u>109,818</u>	<u>101,771</u>	<u>99,580</u>
Operating Funds	<u>5,116,290</u>	<u>6,047,581</u>	<u>5,329,424</u>	<u>4,831,884</u>
Bond / BAN Proceeds Accounts	4,496,535	2,223,929	2,223,929	691,709
Restricted Debt Service	<u>4,286,127</u>	<u>5,569,375</u>	<u>2,772,630</u>	<u>4,053,238</u>
Total Restricted Funds	<u>8,782,662</u>	<u>7,793,304</u>	<u>4,996,559</u>	<u>4,744,947</u>

Operating Funds

Throughout 2018, its operating funds and bond proceeds accounts were invested among several banking institutions that were designated as acceptable by the Authority Board. These consisted of traditional bank deposit accounts, insured by the Federal Deposit Insurance Corporation within such limits as were available. To the extent that any deposit balance exceeded such limits, the institutions were required to pledge securities, held by a Third-Party trustee, and maintain values of such pledged assets at not less than 102% of such excess balances at all times. Furthermore, securities that are pledged must conform to those approved by State statute and the Authority’s

investment policy. In order to monitor compliance with the Authority's requirements, trustees provide periodic (at least monthly) reports of daily coverage and securities held on the Authority's behalf. Examples of such reports are attached. These reports are reviewed by management upon receipt and upon request by the Fiscal Audit Committee of the Authority Board of Directors.

Debt Service Fund Reserves

Since 2001, the Authority has issued Bonds in order to fund various redevelopment projects, and each issue requires that funds be set aside in order to meet near-term debt service requirements, and additional reserves that serve to further protect bondholders in the event of a future default. These funds are required to be held by the Trustee of the Bonds and may be invested for the Authority's benefit. Throughout 2018, the Trustee was directed to invest the funds in a money market fund that limits its purchases to US Treasury obligations. A description of the fund and its holdings at year-end is attached.

Conclusions

Given the Authority's need for liquidity to fund its operating activities and its need to preserve principal among its debt service funds, highly conservative approaches to investing were adhered to throughout 2018.

It is management's opinion that the organization remained in full compliance with the statutory and policy constraints in effect throughout the period.

NYS FINANCE LAW

§ 98. Investment of state funds. The comptroller shall invest and keep invested all moneys belonging to any and all funds which the comptroller now is or hereafter shall be authorized to invest, in any of the following securities:

1. Bonds and notes of the United States.
2. Bonds and notes of this state.

2-a. General obligation bonds and notes of any state other than this state, provided that such bonds and notes receive the highest rating of at least one independent rating agency designated by the comptroller.

3. Obligations for the payment of which the faith and credit of the United States or of this state are pledged.

3-a. Notes, bonds, debentures, mortgages and other evidences of indebtedness of the United States Postal Service; the federal national mortgage association; federal home loan mortgage corporation; student loan marketing association; federal farm credit system or any other United States government sponsored agency, provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, the highest rating of all independent rating agencies that rate such agency or its obligations, provided, however, that no more than two hundred fifty million dollars may be invested in the obligations of any one agency.

4. Judgments or awards of the court of claims of this state.

5. Stocks, bonds, or notes of any county, town, city, village, fire district or school district of this state issued pursuant to law.

6. Mortgage bonds or any obligations for the payment of money, no matter how designated, secured by another instrument representing a lien on specific real property or a leasehold thereof, heretofore or hereafter and at the time of the assignment thereof to the comptroller insured by the federal housing administrator or any of his successors in office and guaranteed by the United States under the provisions of the national housing act, as amended or supplemented. Any such mortgage bonds or obligations as aforesaid in which the comptroller has invested or shall have invested pursuant to this subdivision shall be serviced by the comptroller or in his discretion, by mortgagees, as such are defined by the national housing act, as amended or supplemented, duly appointed by him and subject to the inspection and supervision of some governmental agency. The comptroller may receive and hold such debentures and certificates or other obligations as are issued in payment of such insurance or guarantee.

7. Bonds and notes of the Savings and Loan Bank of the state of New York.

8. Bonds or notes of any housing authority of this state duly issued pursuant to law.

9. Bonds or notes of any regulating district of this state duly issued pursuant to law.

10. Bonds or notes of any drainage improvement district of this state duly issued pursuant to law.

11. Bonds or notes of the authorities or commissions set forth below when issued pursuant to law:

- a. Port of New York Authority.
- b. Niagara Frontier Authority.
- c. Triborough bridge and tunnel authority.
- d. Thousand Islands Bridge Authority.
- e. New York State Bridge Authority.
- f. New York City Tunnel Authority.
- g. Lake Champlain Bridge Commission.
- h. Lower Hudson Regional Market Authority.
- i. Albany Regional Market Authority.
- k. American Museum of Natural History Planetarium Authority.
- l. Industrial Exhibit Authority.

- m. Buffalo Sewer Authority.
- n. Whiteface Mountain Authority.
- o. Pelham-Portchester Parkway Authority.
- p. Jones Beach State Parkway Authority.
- q. Bethpage Park Authority.
- r. Dormitory Authority.
- s. Central New York Regional Market Authority.
- t. Erie County Water Authority.
- u. Suffolk County Water Authority.
- v. New York State Thruway Authority.
- w. Genesee Valley Regional Market Authority.
- x. Onondaga county water authority.
- y. Power Authority of the state of New York.
- z. Ogdensburg Bridge and Port Authority.
- aa. East Hudson Parkway Authority.
- aa. Niagara Frontier Port Authority.
- bb. Northwestern New York Water Authority.
- cc. Metropolitan Commuter Transportation Authority.
- dd. Niagara Frontier Transportation Authority.
- dd. New York State Pure Waters Authority.
- ee. Rochester-Genesee Regional Transportation Authority.
- ff. Capital District Transportation Authority.
- ff. Central New York Regional Transportation Authority.
- 12. Obligations of the International Bank for Reconstruction and Development duly issued pursuant to law.
- 13. Obligations of the inter-American development bank duly issued pursuant to law.
- 13-a. Obligations of the Asian Development Bank duly issued pursuant to law.
- 13-b. Obligations of the African Development Bank duly issued pursuant to law.
- 13-c. Obligations of the International Finance Corporation duly issued pursuant to law.
- * 14. Collateral trust notes issued by a trust company, all of the capital stock of which is owned by not less than twenty savings banks of the state of New York.
- * NB There are 2 sb 14's
- * 14. Bonds and notes issued for any of the corporate purposes of the New York state housing finance agency.
- * NB There are 2 sb 14's
- 15. Bonds and notes issued for any of the corporate purposes of the New York state medical care facilities finance agency.
- 16. Bonds and notes issued for any of the corporate purposes of the New York state project finance agency.
- 17. Bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for New York City.
- 18. Obligations of any corporation organized under the laws of any state in the United States maturing within two hundred seventy days provided that such obligations receive the highest rating of two independent rating services designated by the comptroller and that the issuer of such obligations has maintained such ratings on similar obligations during the preceding six months provided, however, that the issuer of such obligations need not have received such rating during the prior six month period if such issuer has received the highest rating of two independent rating services designated by the state comptroller and is the successor or wholly owned subsidiary of an issuer that has maintained such ratings on similar obligations during the preceding six month period or if the issuer is the product of a merger of two or more issuers, one of which has maintained such ratings on similar obligations during the preceding six month period, provided, however, that no more than two hundred fifty million dollars may be invested in such obligations of any one corporation.
- 19. Bankers' acceptances maturing within ninety days which are

eligible for purchase in the open market by federal reserve banks and which have been accepted by a bank or trust company, which is organized under the laws of the United States or of any state thereof and which is a member of the federal reserve system and whose short-term obligations meet the criteria outlined in subdivision eighteen of this section. Provided, however, that no more than two hundred fifty million dollars may be invested in such bankers' acceptance of any one bank or trust company.

20. No-load money market mutual funds registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, provided that such funds are limited to investments in obligations issued or guaranteed by the United States of America or in obligations of agencies or instrumentalities of the United States of America where the payment of principal and interest are guaranteed by the United States of America (including contracts for the sale and repurchase of any such obligations), and are rated in the highest rating category by at least one nationally recognized statistical rating organization, provided, however, that no more than two hundred fifty million dollars may be invested in such funds.

The comptroller, whenever he deems it for the best interest of any of such funds, may dispose of any of the securities therein or investments therefor, in making other investments authorized by law, and he may exchange any such securities for those held in any other of such funds, and the comptroller may take such action as may be necessary to obtain the benefits of the insurance provided for in the national housing act, and may draw his warrant upon the treasurer for the amount required for such investments and exchanges.

Notwithstanding the provisions of any other general or special law, the comptroller shall not invest the moneys of any fund in any security or securities except as above described, provided, however, that: (a) the comptroller may, in order to maximize the rate of return on investments, invest the moneys belonging to the New York interest on lawyer account fund in notes, securities and deposits of banking institutions which accept IOLA accounts, and (b) the provisions of this section shall not limit the types of investments that may be made with moneys belonging to the volunteer ambulance service award fund established by section two hundred nineteen-h of the general municipal law.

§ 98-a. Investment of general funds, bond proceeds, and other funds not immediately required. 1. Except as otherwise provided in subdivision two of this section, any moneys in the general fund of the state or moneys received from the sale of any bonds or notes issued by the state, any moneys in any fund or account of the state, heretofore or hereafter established, the investment of which is not otherwise authorized and which are not immediately required may be invested by the comptroller. Such moneys may be invested only in obligations of the categories specified in subdivisions one to five, both inclusive, and subdivision seven, subdivision fourteen, as added by chapters seven hundred ninety-seven and nine hundred thirty-two of the laws of nineteen hundred sixty-three, respectively, subdivisions fifteen, sixteen and seventeen of section ninety-eight of this article, maturing or redeemable at the option of the holder within twelve years of the date of such investment, subdivisions two-a, eighteen, nineteen and twenty of section ninety-eight of this article or in a certificate of deposit of a bank or trust company in this state. Any certificate of deposit shall be fully secured by the issuer thereof depositing with the comptroller stocks, bonds, or notes of any county, town, city, village, fire district or school district of this state issued pursuant to law and maturing within five years from the date of issuance of such certificate of deposit, bonds or notes or direct or guaranteed obligation of the United States

of America or its agencies or of the state of New York or bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York in an amount equal to the amount of such certificate of deposit. Any bonds, notes or certificates of deposit purchased with moneys of the general fund shall be available always to pay any lawful appropriation in force. Any bonds, notes or certificates of deposit purchased with moneys received from the sale of any bonds or notes issued by the state shall be available always for the purposes or purpose for which such bonds or notes were issued. Any bonds, notes or certificates of deposit purchased with moneys of any other funds shall be available always for the purpose for which such fund was created. Unless otherwise required by law, income received on any moneys invested pursuant to this section shall be credited to the fund or funds from which such moneys were invested, provided, however, the comptroller is hereby precluded from crediting interest earnings to funds/accounts which:

(a) are funded entirely from the general fund; or

(b) are, or were, authorized to receive temporary loans pursuant to subdivision five of section four of the state finance law; or

(c) are federal funds, except such funds which are required to earn such interest pursuant to a court order or federal law or regulation; or

(d) are agency funds, except such funds which are held pending the outcome of litigation or are required to earn interest pursuant to a court order, contractual obligation, or state or federal law or regulation, or are appropriated.

Notwithstanding the provisions of paragraph (b) of this subdivision, the comptroller shall credit or charge interest to fund/accounts which are authorized to receive temporary loans if so requested by the state department or division responsible for such fund/account within thirty days of the beginning of each fiscal year or thirty days following the final approval of any bill containing language authorizing such temporary loans, whichever is later, and interest must be credited or charged from the first day of such fiscal year. Within ten days of the beginning of each month, the comptroller shall credit or charge interest to such funds/accounts based upon the average daily balance of the preceding month of such funds/accounts and shall provide notification to the director of the budget and the chairs of the senate finance and assembly ways and means committees of such funds/accounts to be credited or charged interest.

Provided, however, that income received from the investment of moneys of the local assistance account, the state purposes account and the capital projects fund may be credited in whole or in part to one or more of such funds to the extent necessary to reimburse first instance appropriations for interest on temporary obligations issued on behalf of the fund or funds to be credited. Notwithstanding any other provision of this section or of any other general or special law, all moneys available and retained on deposit for the payment of lottery prizes may be invested in obligations by the comptroller as herein provided, except that such obligations need not mature or be redeemable at the option of the holder within seven years of the date of such investment. Income received from such investments may be used for the payment of prizes awarded and made payable in more than one payment, including prizes awarded and made payable throughout the lifetime of the lottery prize winner.

2. Notwithstanding any provision of law to the contrary, investment of bond proceeds and other funds not immediately required may be invested by the comptroller in linked deposits pursuant to article fifteen of this chapter. If any moneys are invested by the comptroller in linked deposits pursuant to article fifteen of this chapter, the comptroller shall compute the monthly earnings for all funds, other than the general fund, as if no such moneys had been invested in such linked deposits.

PUBLIC AUTHORITIES LAW

§ 2925. Investments of funds by public authorities and public benefit corporations; general provisions. 1. Every public authority and every public benefit corporation whether or not such corporation is otherwise governed by this chapter, (such entities to be hereinafter in this title referred to as "corporation") shall by resolution adopt comprehensive investment guidelines which detail the corporation's operative policy and instructionsto officers and staff regarding the investing, monitoring and reporting of funds of the corporation. The investment guidelines approved by the corporation shall be annually reviewed and approved by the corporation.

2. Funds of the corporation, for purposes of this title, shall consist of all moneys and other financial resources available for investment by the corporation on its own behalf or on behalf of any other entity or individual.

3. The investment guidelines approved by the corporation shall include, but not be limited to the following:

(a) A detailed list of the permitted investments of the corporation, which shall be consistent with the appropriate provisions of law relating to the corporation and any additional requirements pursuant to any contract with bondholders and noteholders.

(b) Procedures and provisions to fully secure the corporation's financial interest in investments; provided that the guidelines may include a description of the circumstances under which the corporation's financial interest in investments may be less than fully secured.

(c) A requirement that the corporation shall enter into written contracts pursuant to which investments are made, unless the corporation shall by resolution determine that a written contract is not practical or that there is not a regular business practice of written contracts with respect to a specific investment or transaction, in which case the corporation shall adopt procedures covering such investment or transaction. Such contracts and procedures shall include provisions:

(i) deemed necessary and sufficient to secure in a satisfactory manner the corporation's financial interest in each investment;

(ii) covering the use, type and amount of collateral or insurance for each investment;

(iii) establishing a method for valuation of collateral, and procedures for monitoring the valuation of such collateral on a regular basis;

(iv) for the monitoring, control, deposit and retention of investments and collateral which shall include, in the case of a repurchase agreement, a requirement that the obligations purchased be physically delivered for retention to the corporation or its agent (which shall not be an agent of the party with whom the corporation enters into such repurchase agreement), unless such obligations are issued in book-entry form, in which case the corporation shall take such other action as may be necessary to obtain title to or a perfected security interest in such obligations.

(d) Standards for the diversification of investments, including diversification with respect to types of investments and firms with which the corporation transacts business.

(e) Standards for the qualification of investment bankers, brokers, agents, dealers and other investment advisers and agents which transact business with the corporation, such as criteria covering quality, reliability, experience, capitalization, size and any other factors that, in the judgment of the corporation, make a firm qualified to transact business with the corporation.

(f) Provisions for reporting on the investments of the corporation, including provisions for an annual independent audit of all investments, the results of which shall be available to the board at the time the annual review and approval of investment guidelines is conducted by the corporation.

4. Each corporation shall have the power from time to time to amend such investment guidelines in accordance with the provisions of this title.

5. Each corporation shall direct the preparation and filing with the board of quarterly reports, or reports covering such other period as may be approved by the corporation, from a designated officer or employee regarding any new investments, the inventory of existing investments, and the selection of investment bankers, brokers, agents, dealers or auditors.

6. Each corporation shall annually prepare and approve an investment report which shall include the investment guidelines, as specified in subdivision three of this section, amendments to such guidelines since the last investment report, an explanation of the investment guidelines and amendments, the results of the annual independent audit, the investment income record of the corporation and a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment associated services to the corporation since the last investment report. Such investment report may be a part of any other annual report that the corporation is required to make.

7. (a) Each corporation, a majority of the members of which consist of persons appointed by the governor or who serve as members by virtue of holding a civil office of the state, or a combination thereof, shall annually submit its investment report to the division of the budget and copies thereof to the department of audit and control, the senate finance committee and the assembly ways and means committee.

(b) Each corporation, other than a corporation included under paragraph (a) of this subdivision, shall annually submit its investment report to the chief executive officer and chief fiscal officer of each municipality for the benefit of which it was created and to the department of audit and control.

(c) Each corporation shall make available to the public copies of its investment report upon reasonable request therefor.

8. Nothing contained in this section shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this title.