NEW YORK STATE OF OPPORTUNITY. Thruway Authority — GENERAL POLICY	SECTION TITLE: POLICIES - FINANCIAL	NUMBER: 25-4-01
APPROVED **BOARD MEETING NUMBER: 629** **RESOLUTION NUMBER: 5349** **DATE: May 4, 2004**	SUBJECT **INVESTMENTS**	

I. GENERAL POLICY

A. It is the policy of the Authority that its investment objectives are for the protection of funds, the preservation of principal, the proper application of funds, the maintenance of demand deposit balances at minimum levels consistent with sound operations, and for the maximization of income from all Authority funds available for investment as permitted by Law and within the definition of the various bond resolutions.

B. The Authority shall have an investment policy that meets all requirements established by the State Legislature pursuant to the Thruway Act and the Public Authorities Law and meets the Investment Guidelines for Public Authorities developed by the Office of the State Comptroller.

C. Funds administered by the Authority may be invested in obligations of, or guaranteed by, the United States of America or the State of New York, other than obligations of the Authority, as well as time deposits and repurchase agreements. Pursuant to Chapter 330 of the Laws of 1991, the Authority may also invest in obligations which the Office of the State Comptroller may invest in accordance with Section 98a of the State Finance Law, as well as, commercial paper, agencies of the federal government and bankers acceptances.

D. Pursuant to Section 2925 of the Public Authorities Law, the Authority Board shall annually review and approve an investment report which shall include the investment guidelines, the results of the annual independent audit, the investment income record and a list of fees and commissions paid for investment services since the last report. The investment report (upon approval by the Authority Board) is annually submitted to the Division of the Budget, the
* Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee.

E. The Executive Director shall be responsible for interpreting, implementing and administering this policy to include developing any operational and/or administrative policies and procedures necessary to carry out its intent.

* Revised Material 5/04.

ADMINISTRATIVE POLICY

A. General Information

1. All Thruway Authority funds authorized in Section 502 of the General Revenue Bond Resolution adopted August 3, 1992, as amended January 5, 2007, are applicable to the production of investment income. These funds are either administered by the Authority or by the appointed Trustee.

   a. Sections 503-514 of the General Revenue Bond Resolution describe the purpose of these funds and provide for the investment of such funds.

   b. Section 1303 of the General Revenue Bond Resolution includes the authorization to place revenues and other moneys of the Authority held or set aside under the Resolution in time deposits as well as demand deposits. Such deposits shall be secured by direct obligations of the United States of America or the State of New York of a market value at least equal to the amount of such deposits.

2. Sections 502-511 of the Local Highway and Bridge Service Contract Bond Resolution, adopted August 23, 1991, as further amended and supplemented on September 17, 2003, describe the purpose of these funds. Sections 701 and 702 provide for the security and investment of such funds to be administered by the Thruway Authority.

3. Sections 503-511 of the Highway and Bridge Trust Fund Bond Resolution, adopted May 19, 1994, describe the purpose of these funds. Sections 701 and 702 provide for the security and investment of such funds to be administered by the Thruway Authority.

4. Sections 503-510 of the State Personal Income Tax Revenue Bonds General Bond Resolution, adopted June 27, 2002, as amended and supplemented on June 6, 2022, describe the purpose of these funds. Section A-701 of Annex A, which contains the State Personal Income Tax Revenue Bonds Standard Resolution Provisions, provides for the security and investment of such funds to be administered by the Thruway Authority.

5. Sections 503-511 of the Second Highway and Bridge Trust Fund Bond Resolution, adopted February 27, 2003, describe the purpose of these funds. Sections 701 and 702 provide for the security and investment of such funds to be administered by the Thruway Authority.

B. Investment of Funds Administered by the Authority

1. In accordance with Chapter 330 of the Laws of 1991, moneys of the Authority and funds administered by the Authority may be invested in obligations in which the Comptroller may invest pursuant to Section 98-a of the State Finance Law. Investments in commercial paper, agencies of the federal government and bankers acceptances are now permitted by statute if defined in the authorizing bond resolution. All Bond Resolutions permit such investments.

2. The Authority may sell such investments at any time.

3. Interest earned is credited to the appropriate fund in accordance with the respective Bond Resolution.

C. Investment of Funds Administered by the Trustee

1. The following funds administered by the Trustee are invested by the Trustee, if, and as the Authority directs, pursuant to the respective Bond Resolution:

    a. Senior Debt Service Reserve Fund;

    b. Senior Debt Service Fund;

    c. Junior Indebtedness Debt Service Reserve Account;

    d. Junior Indebtedness Debt Service Payment Account;

    e. Local Highway and Bridge Service Contract Bond Service Funds;

    f. Highway and Bridge Trust Fund Debt Service Fund;

    g. State Personal Income Tax Revenue Bonds Debt Service Fund.

2. The Trustee sells any of such investments if directed by the Authority.

3. Interest earned on all funds is credited to the appropriate fund in accordance with the respective Bond Resolution.

D. Investment Objectives

The basic investment objectives of the Thruway Authority provide for:

1. The protection of funds by investing as outlined by the Bond Resolutions (see Section A above);

2. The preservation of principal;

3. Proper application of funds;

4. The maintenance of demand bank balances at minimum levels consistent with sound operations;

5. The maximization of income from all Authority funds available for investment.

E. Investment Practices

1. Authority Bond Resolutions define investment obligations. Currently, in accordance with Chapter 330 of the Laws of 1991, moneys of the Authority may be invested in obligations in which the Comptroller may invest pursuant to Section 98-a of the State Finance Law.

   Demand and time deposits can be placed with a bank or trust company as defined by law and must be secured by direct obligations of the United States or of the State of New York having a market value at least equal to the deposits. These statutory investment requirements serve as the basic guidelines followed for all Authority investments.

2. The Authority has a designated custodian and third-party fiduciary of collateral held in escrow for demand and time deposits.

   The Authority also has designated an institution to hold in safekeeping securities purchased by the Authority, including securities purchased under repurchase agreements, for all funds except Debt Service and Debt Service Reserve Funds. The safekeeping of securities for these funds is administered by the Trustee.

3. It is the Authority's policy to purchase securities with the intention of holding them to maturity. In addition to the security of the funds invested, the goal of the investment program is to maximize investment income through interest earnings.

4. The factors considered for each investment made by the Authority are as follows:

   a. Maximizing Interest Income

   Knowledge of market conditions is maintained daily. Current interest yields by type of investment together with forecasts of future interest trends are reviewed and analyzed to determine investment policy that will maximize earnings. As a result, the Authority's concentration of investments may vary depending on market yields of various types of investment and the availability of collateral.

   b. Cash Disbursement Requirements

   To insure cash availability, near term and annual disbursement requirements are continually updated. Monthly cash requirements for operating expenses are projected and forecasts of capital expenditures and reserve maintenance disbursements are made. Investments for one month or less are made in time deposits, discount notes, commercial paper, repurchase agreements and Treasury bills with maturities coinciding with payroll dates and projected payment needs. Longer term investments are also made in commercial paper, time deposits and U.S. Treasuries or government agencies with maturities allowing for cash availability during the construction season, on debt service payment dates and other periods requiring large cash availability. Funds are also available in the Authority's checking accounts for current disbursement requirements.

   c. Term of Investments

   Market conditions and cash flow requirements are considered in determining the term of an investment. In addition, rates offered by institutions are often contingent on the length of time funds are required by them. As a result, depositories may request a specific term for the investment which could be agreeable to the Authority because of the attractive rate offered. The term of an investment is also influenced by the maturity dates of other investments within the fund. An over concentration of short or long-term maturities within some funds is avoided.

   d. Type of Investment and Amount Available for Investment

   - Each type of investment is typically associated with a different minimum amount. Treasury bills, Treasury notes and Treasury bonds require a minimum purchase of $100 and then can be purchased in increments of $100. Agency issues require a minimum purchase of $1,000 and then can be purchased in increments of $1,000. (Note: Some agency or Treasury issues may require a minimum purchase of $5,000.)

Repurchase agreements generally must be for amounts of at least $1,000,000 and certificates of deposit start at $100,000. Usually, Authority investments are made for amounts of at least $100,000.

- The typical term or maturity for each type of investment varies as well. Treasury bills when first sold usually carry terms of four weeks, three months, six months or one year. Treasury notes when first sold usually carry a maturity of two to ten years while Treasury bonds carry maturities of 30 years.
- Certificates of deposit generally range in term from seven days to one year. Repurchase agreements generally range from overnight to six months. The Authority generally utilizes repurchase agreements for investments normally not exceeding 60 days.
- Also, some institutions have minimum investment amounts required for time deposits and repurchase agreement transactions. Therefore, the amount available for investment may influence the institutions contacted for rate quotations from time to time.

e. Availability of Collateral

U.S. Government securities available for sale under repurchase agreements or available as collateral for time deposits are held in different proportions by banks. Therefore, the availability of appropriate collateral influences the type of investment and the bank in which an investment is placed.

f. Revenue Projections

Near term and annual revenue projections are used as a basis for current investment decisions. Monthly charge account payments and other revenue receipts are anticipated and invested or are used for current disbursements as required. Short-term revenue investments are made for the period prior to the date revenues are required to be paid into the Operating Fund or remitted to the Trustee for allocation as required by Section 504 of the General Revenue Bond Resolution.

g. Investment Concentration

- Funds in the Senior Debt Service, Senior Debt Service Reserve Funds, the Junior Indebtedness Debt Service Payment Account and the Junior Indebtedness Debt Service Reserve Account must be held by the Trustee. Inasmuch as the balance in the Senior Debt Service Fund and the Junior Indebtedness Debt Service Payment Account represents accrued senior debt service and accrued junior debt service, respectively, for the current year, investments in this fund are generally less than one year.

- The Authority may maintain a higher concentration of deposits in demand accounts if market conditions are such that the earnings rate credit earned on these accounts is higher than what could be earned on permitted investments. (Demand accounts are fully collateralized with the pledged securities held by a third party custodian.)

- The Authority's bond proceeds, operating reserves, retirement funding, debt service and revenue fund balances generally represent almost all of the investment portfolio and are required for near term disbursements. Investments purchased with these funds normally mature within 18 months. As a result, the portfolio relationship of U.S. Treasuries, agencies or time deposits will vary depending on market conditions. Working capital in the Operating Fund is invested in short-term instruments.

- The Authority will maintain an investment concentration in each portfolio not to exceed the percentages noted for the authorized investment instruments. The Chief Financial Officer is authorized to approve any deviation from these limits on a case by case basis.

Category	Concentration Percentages	
	Sector Limit	Issuer Limit as a Percent of Total Portfolio
U.S. Treasury Securities	100%	100%
Municipal Debt	50%	5%
Federal Agencies	85%	40%
Commercial Paper	50%	20%
Repurchase Agreements	50%	25%
Certificates of Deposit	75%	25%
Bankers' Acceptance	25%	5%

For example, if the Authority had a total of $100 million in its investment portfolio to be invested, $85 million could be invested in Federal Agencies of which only $40 million could be invested in FHLB paper.

- The Authority has established Investment Guidelines that include standards for the diversification of investments both by type and investment institution. These Guidelines are periodically reviewed and approved by the Authority's Chief Financial Officer.

h. Financial Strength of Institutions

- The Authority has established a list of approved banks and broker/dealers. Banks and broker/dealers must meet established criteria and be approved by the Chief Financial Officer to be placed on this list. The list specifies the investment instruments that may be purchased from the approved bank or broker/dealer.
- Investments in time deposits are made only with commercial banks. Their annual reports are reviewed to determine satisfactory financial strength. The required collateral is held by the Authority's third party custodian.
- Purchases of U.S. Treasuries and other securities require the seller to transfer securities to the Authority's custodian. The financial strength of the dealer or bank is not a factor in the purchase of securities inasmuch as they are only the seller of the obligations which are transferred through the Federal Reserve Bank or Depository Trust Company book entry system.
- The Authority enters into repurchase agreements only with dealers or banks on the Federal Reserve's most recent list of primary reporting dealers in government securities and executes a master written agreement with each dealer or bank prior to the initial repurchase transaction.

F. Description of Investments Used by the New York State Thruway Authority

1. U.S. Treasury Securities

a. Treasury Bills

Short-term, direct obligations of the U.S. Government that are usually issued with maturities of four weeks, three months, six months or one year. Bills are issued in amounts of $100 and up in multiples of $100. Bills do not bear a stated interest rate; the interest is calculated by taking the difference between the discount price paid at purchase and the face amount (par) collected at maturity.

b. Treasury Notes

Direct obligations of the U.S. Government to pay a specified rate of interest for a specified period of time on the face value (par) of the instrument. Interest is paid semi-annually and the life of notes is usually limited to ten years or under. Treasury notes can usually be purchased in $100 denominations and require a $100 minimum purchase.

c. Treasury Bonds

Direct obligations of the U.S. Government to pay a specified rate of interest for a specified period of time on the face value (par) of the bond. Interest is paid semi-annually and the life of the bonds is 30 years. Treasury bonds can usually be purchased in $100 denominations and require a $100 minimum purchase.

2. Federal Agencies

Obligations sponsored or guaranteed by government agencies and not direct obligations of the United States. Securities invested in may include bonds with a stated coupon for a fixed period of time paying interest at maturity or discount notes. Discount notes, the more common, are sold at a discount from par and earn interest on the basis of the actual number of days until maturity. At the time of investment, such agencies or its obligations must be rated at the highest rating of all independent rating agencies. In addition, no more than $250,000,000 may be invested in the obligations of any one agency.

3. Municipal Debt

Obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by S&P and Moody's or obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P and Moody's.

4. Certificate of Deposit

A negotiable or non-negotiable receipt from a bank for deposit of funds for a specified period of time at a specified rate of interest. Certificates of deposit generally range from seven days to one year and the minimum amount is $100,000.

5. Repurchase Agreement

   Consists of a primary reporting bank or dealer selling U.S. Treasury securities or securities of a federal agency for cash to the Authority which, at the same time, agrees to buy them back on an established date and at an agreed upon rate of interest. Generally, the Authority uses this type of investment for periods ranging from overnight to 60 days.

   Repurchase agreements generally start at $1,000,000. Payment is made against the delivery of the securities. Delivery is required. Substitution of the securities is permitted by the Authority in accordance with the Authority’s repurchase agreement with the bank or broker.

6. Commercial Paper

   Negotiable unsecured promissory notes issued for a specific face amount that mature on a specific future date. Maturities range from 1 to 270 days. Commercial paper is generally sold at a discount with the full face value paid at maturity. It is generally issued in book entry form, with minimum denominations beginning at $100,000. The Authority can only purchase commercial paper in the highest Rating Category by S&P and Moody's (A-1+/P-1 and A-1/P-1). In addition, the issuer must have maintained such rating for similar obligations during the preceding six month period. No more than $250,000,000 may be invested in the obligations of any one corporation.

7. Bankers’ Acceptances

   A bankers’ acceptance is a promised future payment, or time draft, which is accepted and guaranteed by a bank and drawn on a deposit at the bank. After acceptance, the draft becomes an unconditional liability of the bank. The holder of the draft can sell it for cash at a discount to a buyer who is willing to wait until the maturity date for the funds in the deposit. They are widely used in international trade for payments that are due for a future shipment of goods and services. Maturities range from 30 to 180 days, but the Authority may only invest in bankers’ acceptances maturing within 90 days. Bankers’ acceptances are typically sold in multiples of $100,000. No more than $250,000,000 may be invested in such bankers’ acceptances of any one bank or trust company.

G. Procedures Used in Making Investments

As approved by Board Resolution, a written contract is not required for certain investment transactions entered into by the Authority as it is neither practical nor a regular business practice for the types of investment instruments purchased by the Authority. Detailed records are maintained by the Authority indicating the banks or broker/dealers contacted for the purchase of each investment and the investment instrument and firm selected for the purchase.

1. U.S. Treasury Securities

   When purchasing U.S. Treasury obligations (bills, notes and bonds), the Authority contacts a minimum of four security dealers or banks for the best rate offered for the investment. When a determination is made regarding which dealer or bank the Authority will make the purchase from, funds are transferred to the appropriate bank, for use by the bank to purchase the securities. The bank releases the funds covering the purchase only after advice from the Federal Reserve Bank that the securities have been received through the Federal Reserve book entry system.

2. Federal Agencies

   When purchasing federal agency obligations (bonds, debentures and notes) the Authority contacts a minimum of four security dealers or banks for the best rate offered for the investment. When a determination is made regarding which dealer or bank the Authority will make the purchase from, funds are transferred to the appropriate bank, similar to the procedure for purchasing Treasury securities noted in number 1 above. The bank releases the funds covering the purchase only after advice from the Federal Reserve Bank that the securities have been received through the Federal Reserve book entry system.

3. Certificates of Deposit

   a. When certificates of deposit are purchased, a determination is made regarding the length of time for which the investment should be purchased.

   b. In order to determine current market rates, interest rate quotations are obtained from at least two banks or trust companies as defined by law. There are currently a number of banks in which the Authority has contracted to purchase certificates of deposit in which appropriate collateral has been pledged in accordance with the General Bond Resolutions. The determination regarding which banks are to be contacted is based upon the availability of collateral and the amount of monies already invested with that bank.

c. Funds are generally invested with the bank paying the highest rate of interest, providing there is sufficient collateral to cover such investment. These banks, in addition to posting collateral, have expressed interest in issuing certificates of deposit, have demonstrated an ability and willingness to provide competitive interest rates and are financially sound.

d. Funds to cover the certificates of deposit are wired directly to the bank in which the certificate of deposit is purchased. There are two written agreements executed between the Authority and each bank. These agreements are an undertaking and an assignment of securities. These agreements commit the bank from which the Authority has purchased a certificate of deposit to the Authority's terms and conditions of sale and indemnifies and holds the Authority harmless for any loss of funds. Only with the approval of the Authority are adjustments made in the amount of collateral held by the designated custodian and third party fiduciary. Collateral is priced to insure that the market value of the securities pledged is equal to or greater than the amount invested in certificates of deposit.

e. When the market value of the collateral is not sufficient to cover the investments currently held, additional collateral is immediately pledged.

f. When a certificate of deposit matures, and the funds are not immediately needed, they are generally rolled over with the same bank. However, if the bank is not paying a competitive rate of interest, the funds are transferred to another bank or invested in other authorized investments.

4. <u>Repurchase Agreements</u>

a. The Authority enters into repurchase agreements with those banks or brokers appearing on the Federal Reserve Bank's most current list of primary reporting dealers in government securities. In addition, the Authority enters into a written agreement with each bank or broker prior to investing in repurchase agreements. The written agreement commits the broker or bank to the repurchase of the securities and provides for the Authority's right to sell the securities should the bank or broker default at the time the repurchase agreement matures.

b. When a repurchase agreement investment is made by the Authority, funds are wired to the appropriate bank. The bank releases the funds covering the purchase only after the securities (direct obligations of, or guaranteed by, the U.S. Government or Agencies of the Government if allowed by the authorizing Bond Resolution) are received by the bank based on advice from the Federal Reserve Bank that the securities have been received through the Federal Reserve book entry system. The requirement is payment only against delivery, which is the same requirement used when Treasury or Agency securities are purchased outright. The Authority also receives written confirmation of the securities purchased underlying the repurchase agreement. The description of the securities is provided at the time the investment is made to enable the Authority to price the securities and determine that the market value is sufficient to cover the principal and interest payment to be made at maturity and provide a margin of safety.

c. During the term of a repurchase agreement, the Authority will allow the bank or broker to substitute securities for the original securities purchased in accordance with the Authority's repurchase agreement with the bank or broker.

d. Repurchase agreements may be for overnight investments or periods generally not exceeding 60 days. This requirement protects the Authority from significant fluctuations occurring in the market value of the securities. Should the market value not be equal to the amount of the investment and the interest to be paid at maturity, additional securities are delivered to cover the investment.

5. <u>Commercial Paper</u>

Generally, purchases of commercial paper are used for investments not exceeding 180 days. When purchasing commercial paper the Authority contacts a minimum of four security dealers for the highest yield offered. Upon determining the successful dealer, funds are wire transferred to the appropriate bank. The bank releases the funds covering the purchase only after receipt of the actual securities or advice from the Depository Trust Company that the securities are in the Authority's name in the book entry system.

6. <u>Bankers' Acceptances</u>

Bankers' acceptances would be purchased using the same procedure for purchasing commercial paper, however, the maximum term is 90 days from date of purchase.

H. <u>Procedure for Receiving Securities Through Federal Reserve Book Entry</u>

The appropriate bank receives advice per Fed Wire that their securities account at the Fed is credited and their cash position at the Fed is charged. Payment is made at the same time to the dealer or bank through their cash position at the Fed. When the bank receives this advice, they charge the Thruway account only if authorized by the Authority and reimburse their cash position at the Fed. If securities are not for the Thruway account, the account is not charged and the bank recovers the cost of securities plus interest, if appropriate, from the seller of the securities.

I. Responsibilities

1. Chief Financial Officer

    a. Approves the selection of depository banks and broker/dealers for the purchase and sale of securities and for securing all types of time deposits. Approval will be made based on the response from the bank or firm to the Authority's Broker/Dealer Questionnaire and submission of other required information.

    b. Gives instructions to brokers or bank agents to buy or sell such securities.

    c. Binds and obligates the banking agent or brokers and the Authority at all times in every way for the completion of any contract, arrangement or transaction entered into for or on behalf of the Authority.

    d. Establishes and maintains an internal control structure that provides assurance that the investment objectives of the Authority are met and that the Authority's investments are protected from loss, theft or misuse.

    e. Approves Investment Guidelines as submitted by the Director of Investments and Asset Management.

    f. Submits to the Authority Board and Finance Committee on a quarterly basis a report of the investments purchased within the quarter, the inventory of existing investments and the banks, brokers, agents or dealers from whom the investments were purchased.

    g. Ensures that an independent audit is completed of the Authority's investment activities to ensure compliance with this Policy.

    h. Makes an annual report to the Authority Board and Finance Committee of all investment transactions made by the Chief Financial Officer during the calendar year.

    i. Submits for Authority Board and Finance Committee approval an annual report which includes guidelines for making investments, the results of the annual independent audit, the investment income record and a list of the total fees, commissions or other charges paid to each investment banker, agent, dealer and adviser rendering investment associated services since the last report.

NOTE: Consistent with Title 7, Section 2925 of the Public Authority Law, formal approval of these General and Administrative Policies for Investments (25-4-01), by the Authority Board is required on at least an annual basis.

j. After approval of the annual report by the Authority Board, submits the report to the New York State Division of the Budget, and sends copies to the New York State Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee.

2. Director of Investments and Asset Management

Senior Investment Officer

Investment Officer

Associate Investment Officer/Tax Compliance Officer

Assistant Investment Officer

Or any other titles as designated by the Chief Financial Officer are authorized to act, in the absence of or as directed by the Chief Financial Officer, as to the investment of funds.