

## 1.0 Title

These Guidelines shall be known as the "Guidelines for Investments of the Rochester-Genesee Regional Transportation Authority", or the "Investment Guidelines."

## 2.0 Purpose

1. These Investment Guidelines set forth the policy and practices for the investment of the liquid assets of the Authority in compliance with Public Authorities Law Sections 2856, 2890, 2925, 1299-gg(4) and 1299-11, and Office of the State Comptroller Investment Guidelines for Public Authorities and State Agencies at 2NCYRR Part 201.
2. The purpose of these guidelines is to ensure the safety, liquidity, yield, and legality of all investments. Safety concerns the preservation of capital and the protection of investment principal and is the primary investment objective. Liquidity concerns the ease of conversion of investments into cash, with minimal, if any, loss, to meet the operating requirements and emergency purposes of the Authority. Yield concerns the generation of income from investments to assist the Authority in meeting operating expenses. Legality refers to compliance with all statutes and regulations governing the investment of Authority assets.

## 3.0 Delegation of Authority

1. The Board of Commissioners has delegated the formulation of the investment policy to the Finance/Investment Committee. In addition to formulating the investment policy, the functions to be performed by the Finance/Investment Committee shall include, but not be limited to, evaluating the investment program by:
  - a. Monitoring the system of internal controls;
  - b. Verifying relevant matters relating to the securities purchased or held as collateral at least semi-annually and on an unscheduled basis;
  - c. Determining that the investment results are consistent with the objectives of the Board of Commissioners as expressed in this policy; and
  - d. Reviewing any independent audits of the investment program.

## 4.0 Definitions

- **Authority** means the Rochester Genesee Regional Transportation Authority and its subsidiary corporations as enacted by Section 1299 of the Public Authorities Law.
- **Board** means the Board of Commissioners.
- **Funds** means all monies and other financial resources available for investment by the Authority, including money held in reserve or sinking fund and money not required for immediate use or disbursement. Funds shall **not** include pension funds, which are separately administered pursuant to State and Federal law to funds in plans established under Section 457 of the Internal Revenue Code.
- **State** means the State of New York.

## 5.0 Permitted Investments

1. The following is a list of the permitted investments that may be made by the Authority with the Funds, all of which investments must be made in a manner and upon such terms as are consistent with the appropriate provisions of law and the limitations contained in contracts with bond or note holders:

- a. Certificates of Deposit with commercial banks or trust companies doing business in New York State and which are also Members of the Federal Deposit Insurance Corporation.
- b. Time Deposit, Demand Deposit, and Deposits in "Money Market" accounts of commercial banks or trust companies authorized to do business in New York State and which are also members of the Federal Deposit Insurance Corporation.
- c. Obligations of New York State or the United States Government or obligations the principal and interest of which are guaranteed by the State or the United States Government.
- d. Repurchase Agreements for no more than 90 days involving the purchase and sale of direct obligations of the United States of America. The purchase price shall be the present market value of the securities and not the face value. Securities purchased through a Repurchase Agreement shall be valued to market at least weekly.

## 6.0 Investment Maturities

1. Diversification of Maturities. Projected cash flow requirements are the primary factor to be used in determining investment maturity terms. After cash flow needs are met, yield considerations will be the next factor in determining maturity terms.
2. Investments may be sold prior to maturity to meet cash flow needs or when necessary to meet other Authority obligations as reasonably determined by the Chief Financial Officer.

## 7.0 Written Contracts and Procedures

1. The Authority shall enter into written contracts pursuant to which investments are made, unless the Authority 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 transaction, in which case the Authority shall adopt procedures covering such investment or transaction. Without limiting the generality of the foregoing, written contracts are required for Certificates of Deposit, Time Deposits, Demand Deposits, Deposits in "Money Market" accounts Repurchase Agreements and custodial undertakings. All purchases will be confirmed in writing to the Chief Financial Officer of the Authority, or designee.

Without limiting the generality of the foregoing:

- a. Written contracts shall be required for all Repurchase Agreements. Only credit worthy banks or trust companies authorized to do business in the State or broker-dealers on Federal Reserve Bank of New York's list primary government securities dealers shall be qualified to enter into a Repurchase Agreement with the Authority. The written contract shall provide that only obligations of the United States may be purchased, and the Authority shall take delivery, through the Authority's Custodian, of the purchased securities. No specific repurchase agreement shall be entered into unless a master repurchase agreement has been executed between the Authority and the trading partners. Such master repurchase agreement shall outline the basic rights of both the buyer and seller including:
  - (1) events of default which would permit the purchaser to liquidate the pledged collateral;
  - (2) the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
  - (3) procedures which ensure that the Authority obtains a perfected security interest in the securities which are the subject of the agreement;

- (4) the method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excess. Specific guidelines regarding margin maintenance shall be established, taking into consideration:
    - (i) the type of collateral;
    - (ii) the maturity of the collateral;
    - (iii) the method by which additional margin will be maintained.
  - (5) circumstances, if any, under which substitution of securities subject to the agreement shall be permitted.
- b. Written contracts shall be required for the purchase of all Certificates of Deposit.
  - c. A written contract shall be required with the Custodian.

## 8.0 Collateral

1. Except as otherwise specifically provided herein, investments shall be fully secured by insurance of the Federal Deposit Insurance Corporation (FDIC) and, to the extent not so insured, by obligations of the United States, or obligations of Federal Agencies, the principal and interest of which are guaranteed by the United States, or obligations of the State which have a liquid market with a readily determinable value equal at all times to the amount of the investment. Collateral shall be delivered to the Authority or a Custodian with which the Authority has entered into a Security/Custodial Agreement.
2. FDIC insurance and collateral shall not be required for the purchase of direct obligations of the United States, the State, or for the purchase of obligations of Federal Agencies the principal and interest of which are guaranteed by the United States Government.
3. FDIC insurance and collateral shall not be required for securities purchased under a Repurchase Agreement of direct United States Government obligations.
4. Collateral held by the Authority, or its agent shall be valued at its current value either on a regularly traded money market, or on a stock market exchange. The valuation of such collateral shall equal the value of the investment plus accrued interest, and shall be monitored at least monthly. The collateral for investments shall be limited to obligations having the same ratings as or higher ratings than the ratings of the obligations permitted for direct investment by the Authority under this policy. The collateral shall be segregated and Authority's name and shall be in the custody of the Authority for third-party Custodian. The Authority shall not accept a pledge of proportionate interest in a pool of collateral. There shall be a written custodial agreement which, among other things, specifies the circumstances under which collateral may be substituted and provides that the Custodian is holding the securities solely for the benefit of the Authority.
5. All investments and collateral shall be controlled and managed by the Chief Financial Officer or designee, and shall, if practicable, be deposited and secured in fire proof, or other safe locations.
6. Except where such an arrangement is not done in the ordinary course of business for investment transactions of the particular kind, payment of Funds shall only be made against the delivery of collateral, or other acceptable form of security, the delivery of government obligations when such obligations are purchased outright, or the delivery of the underlying securities when a repurchase agreement is involved. With respect to the purchase of obligations of United States, New York State, or other governmental entities in which monies may be invested, the interests of the Authority payment shall be conditioned on the physical delivery of purchased securities to the Federal Reserve System account of the Authority's Custodian. Custodians must have prior authorization from the

Authority to deliver obligations and collateral. Delivery of obligations sold by the Authority shall only be made upon receipt of funds. Custodian shall be required to report periodically as appropriate on transactions involving the Authority and must have the written consent of the Authority to transfer collateral. Telephonic communications should be confirmed in writing within a commercially acceptable period of time. Electronic communications (i.e. "e mail") shall be considered as written communications.

7. The security/custodial agreement shall provide that eligible securities are being pledged to secure Authority deposits or investment or, in the case of a Repurchase Agreement, the seller's repurchase obligation, together with agreed upon interest, if any, and any costs or expenses (including reasonable attorney's fees) arising out of the collection of all amounts owed the Authority 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 Authority to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Authority, such securities shall be delivered in a form suitable for transfer or with an assignment to the Authority or its Custodian (which shall not be an agent of the party with whom the Authority enters into a Repurchase Agreement).

The custodial agreement shall provide that the securities held by the bank or trust company, or agent of and custodian for the Authority, will be kept separate and apart from the general assets of the Custodian and will not, in any circumstances be commingled with or become part of the backing of 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 or 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, and the Authority shall take all actions, necessary to provide the Authority title to or a first-priority perfected interest in the securities.

8. In the event the market value of the collateral is less than 99% of the value of the original investment plus all capitalized and accrued interest, the entity providing the collateral will be required to immediately deliver additional collateral to the Custodian in order to be in compliance with these guidelines. Failure of the entity providing the collateral to correct this situation within one (1) business day following notice by the Authority or its Custodian will result in such entity being held in default; and, **all further investment activity with that entity will be suspended until the default is resolved.**

### 9.0 Standards for Diversification of Investments

1. Investments of the Authority shall be reasonably diversified, as shall the investment firms or banks with which the Authority transacts investment business. This Section 9 shall not be construed so as to mandate absolute diversification in the event that the Chief Executive Officer of the Authority, on advice of the Chief Financial Officer, considers, in a certain instance, that diversification is not in the best interests of the Authority.
  - a. In making permitted investments, selection of investments shall be competitively based, except in the purchase of Federal government securities at auction. A complete and continuous record of all bids or quotes, both solicited and unsolicited, shall be maintained. Not less than three investment firms or banks shall be solicited prior to an investment transaction, and a contract shall be awarded to any firm or bank offering the highest yield.
  - b. The process of initiating, reviewing and approving requests to buy and sell investments shall be documented by the Chief Financial Officer or designee. Telephonic communications must be

confirmed in writing within a commercially acceptable period of time. Electronic communications (i.e. "e mail") shall be considered as written communications.

### **10.0 Standards for the Qualification of Investment Bankers, Brokers, Agents, Dealers, and Other Investment Advisors and Agents Transacting Business with the Authority; Conflicts of Interest**

1. All financial institutions must be credit worthy. Prior to doing business with the Authority, credit rating agencies (Moody's, Fitch, or Standard and Poors) will be used to determine their creditworthiness. Credit ratings will be reviewed quarterly. The institutions' annual financial reports will be submitted each year to the CFO or designee for review and analysis.
2. Specifically, but without limitation, the following shall be considered qualified:
  - a. As investment bankers, brokers, custodians, agents, and dealers: any bank or trust company organized under the laws of the State or the United States of America, or any government bond broker dealer reporting to, trading with, and recognized as a primary government securities dealer by the Federal Reserve Bank of New York (listed on the then-current "List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York"). In selecting bankers, brokers, custodians, agents and dealers with which to transact business, the Authority will consider quality, reliability, experience, capitalization, size, and other relevant factors.
  - b. As investment advisors: any bank or trust company organized under the laws of the State, or the United States of America, and any person, firm, or corporation that is:
    - (1) Registered with the Securities and Exchange Commission under the Investment Advisor Act of 1940;
    - (2) Registered with the Secretary of the State of the State as an Investment Advisor; and
    - (3) A member in good standing of the Investment Counsel Association of America.
    - (4) Investment business may not be transacted with any institution or dealer of which a Board member, a senior Authority officer, any other officer, or employee of the Authority is an officer, director, substantial stockholder, member or partner, or where any such transaction would violate the prohibitions of Section 73 of the New York Public Officers Law.
3. An approved list of financial institution shall be established for each type of investment based on the qualifications of investment bankers, brokers, agents, dealers and other investment advisors and agents as transacts business with the Authority. In addition, a list shall also be maintained of approved security broker/dealer selected by creditworthiness. All financial institutions and broker/dealer's that desire to become qualified for investment transaction must supply the following as appropriate:
  - a. Audited financial statements;
  - b. Proof of National Association of Securities Dealers certification
  - c. Proof of State registration;
  - d. Completed broker/dealer questionnaire in the form adopted by the Authority.

## 11.0 Operations and Management

1. The Chief Financial Officer is hereby authorized to make all investment decisions, invest all Authority funds and execute repurchase agreements and certificates of deposit on behalf of the Authority in line with these guidelines.
2. The aforementioned authorization may be delegated by the Chief Financial Officer to qualified designees, who shall assume the duties relative to the investments of the Authority, subject to oversight by the Chief Financial Officer and internal controls including, but not limited to, the following:
  - a. No single staff person shall both execute and authorize an investment transaction.
  - b. All transactions must be approved in writing, prior to execution of the transaction, by either the Chief Financial Officer or designee by the end of each business day.
  - c. Investment yields shall be allocated among the Authority's various sources of funds on a pro-rata basis.
  - d. Testing of the investment practices and controls (including proper execution, and completion of required documentation) shall be periodically done by both internal and external independent auditors.
  - e. The Authority shall annually engage a firm qualified to conduct an independent audit of all investments. The results of the audit shall be made available to the Board at the time that the annual review and approval of these Investment Guidelines is conducted. Such independent auditors shall review the Authority's investment policies and practices to determine whether:
    - (5) the Authority complied with applicable laws, regulations and the State Comptroller's investment guideline requirements;
    - (6) the Authority complied with its own investment policies;
    - (7) investment assets were adequately safeguarded;
    - (8) adequate accounts and records were maintained which accurately reflect all transactions, including a report on the disposition of public authority investment assets; and
    - (9) a system of adequate internal controls is maintained.
  - f. The independent auditors shall issue a written audit report presenting the results of the annual independent audit of all investments which shall include:
    - (1) a description of the scope and objectives of the audit;
    - (2) a statement attesting that the audit was conducted in accordance with generally accepted Government auditing standards;
    - (3) a description of any material weaknesses found in the internal controls;
    - (4) a description of all non-compliance with Authority's own investment policies as well as applicable laws, regulations, see State Comptroller's investment guideline requirements for public authorities; and such public authority accounting directors as may be issued by the State Comptroller;
    - (5) a statement of positive assurance of compliance on the items tested; and



- (6) a statement of any other material deficiency or finding identified during the audit not covered elsewhere in the report.
- g. The Chief Executive Officer shall establish and maintain an internal control structure designed to provide reasonable assurance that the investment assets of the authority are protected from loss, theft and misuse. The internal controls shall address the following:
  - (1) Control of collusion;
  - (2) separation of transaction authority from accounting and recordkeeping;
  - (3) custodial safekeeping;
  - (4) avoidance of physical delivery securities;
  - (5) clear delegation of authority to subordinate staff members;
  - (6) confirmation transactions were investments and wire transfers; and
  - (7) wire transfer agreements.
- 3. Each disbursement of funds (and corresponding receipt of securities) for deliveries of securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given verbally, there shall be written confirmation to the Custodian.
- 4. The process of initiating, reviewing and approving requests to buy and sell investments shall be documented and retained for audit purposes.

### 12.0 Approval of Investment Policy

- 1. The investment policy shall be formally approved and adopted by the Audit Committee, Finance Committee, and the Board of Commissioners. Annually, the policy shall be reviewed, modified as necessary, and reaffirmed by the Audit Committee, Finance Committee, and Board of Commissioners.
- 2. No departure from the State Comptroller investment guideline requirements shall occur unless it is formally approved by resolution of the Board of Commissioners. Any such resolution shall be submitted to the Office of Budget Policy Analysis of the Office of the State Comptroller not less than 30 days after the adoption of the resolution.

### 13.0 Reporting

- 1. Monthly reports shall be provided by the Chief Financial Officer to the Board. Such reports shall consist of the following:
  - a. An inventory of existing investments as of the end of the prior month including amount of investment, type of investment, interest rate, investment period, expected yield, name of financial institution; and receipt of collateral., if required.
  - b. The selection of investment bankers, brokers, agents, dealers, or auditors since the last report.
- 2. Annual Reports — Within sixty days after the end of its fiscal year, the CFO or designee shall prepare an annual investment report that shall include:
  - a. These Investment Guidelines as then currently amended;
  - b. A description of any amendments to these Investment Guidelines since the last annual investment report;

- c. An explanation of these Investment Guidelines as amended;
  - d. The results of the annual independent audit;
  - e. The investment income record of the Authority; and
  - f. A list of the total fees, commissions, or other charges paid to each investment banker, broker, agent, dealer, and advisor that rendered investment associated services to the Authority since the last annual investment report. The annual investment report may be a part of any other annual report that the Authority is required to make.
3. On or before a date fixed by the Authorities Budget Office, the Authority shall submit to the Authorities Budget Office a statement of intent to guide the Authority's issuance and overall amount of bonds, notes, and other debt obligations it may issue.
  4. A copy of the written audit report of investments prepared by the external independent auditors shall be filed within 90 days after the close of the Authority's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.
  5. Reporting and evaluation of investment results shall be in conformance with accounting principles generally accepted the United States of America (GAAP).

### 14.0 Submission of Annual Investment Report

1. The annual investment report described in Section 13 shall be submitted to the New York Office of the State Comptroller, Authority Budget Office and the Division of the Budget and copies thereof shall be filed with the New York State Senate Finance Committee, the Assembly Ways and Means Committee. Copies of each report shall be made available to the public upon reasonable requests therefor and upon compliance with the Freedom of Information Law Procedures.

### 15.0 Third Party Rights; Validity of Contracts; Etc.

1. These Investment Guidelines are intended for the guidance of the Board, officers, and employees of the Authority only, and nothing contained herein is intended, or shall be construed to confer upon any person, firm, or corporation any right, remedy, claim, or benefit under, or by reason of any requirement or provision hereof.
2. Nothing contained in these Investment Guidelines shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract or agreement made or entered into violation of, or without compliance with, the provisions of these Guidelines.
3. Where applicable, federal, state, or local laws or regulations contain requirements that are in conflict with, or that impose greater obligations upon the Authority than these Investment Guidelines, then such laws or regulations shall take precedence over those contained herein.