

New York City Transitional Finance Authority Fiscal Year 2020 Investment Report

- I. Investment Guidelines (See Schedule 1)
- II. Explanation of the Investment Guidelines

The New York City Transitional Finance Authority (the “Authority”) originally adopted Investment Guidelines on November 18, 1998, with subsequent amendments of June 25, 2001, August 1, 2001, March 14, 2005, March 16, 2009, September 26, 2013 and September 28, 2018. The Investment Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Authority. For purposes of the Investment Guidelines, funds of the Authority are all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. All such moneys shall be invested at all times to the fullest extent practicable, and in accordance with the requirements and restrictions set forth in the Investment Guidelines.

- III. Results of the annual independent audit (See Schedule 2)
- IV. Investment Income of record of the Authority (See Schedule 3)
- V. List of total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment services to the Authority (See Schedule 3)

SCHEDULE 1

New York City Transitional Finance Authority Investment Guidelines

Adopted November 18, 1998
Amended June 25, 2001 and
Amended August 1, 2001 and
Amended March 14, 2005 and
Amended March 16, 2009
Amended September 26, 2013 and
Further Amended September 28, 2018

I. Purpose

- A. Adoption. These investment guidelines (the “Guidelines”) are adopted by the Board of Directors of the New York City Transitional Finance Authority (the "Authority"), pursuant to Section 2925 of the Public Authorities Law of the State of New York.
- B. Scope. These Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Authority. For purposes of these Guidelines, funds of the Authority are all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. All such moneys shall be invested at all times to the fullest extent practicable, and in accordance with the requirements and restrictions set forth in these Guidelines.
- C. Review and Amendment. These Guidelines shall be reviewed and approved by the Board of Directors annually and may be amended by the Board of Directors from time to time.

II. Permitted Obligations

- A. Indenture Accounts. Pursuant to Section 505(a) of the Indenture, dated as of October 1, 1997, by and between the Authority and The Bank of New York Mellon, as successor trustee, as as restated December 1, 2010, as supplemented (the

"Indenture"),* the School Bond Account, the Recovery and Parity Debt Account, the Collection Account, the Bond Account, the Redemption Account (collectively, the "Indenture Accounts") may be invested in any Eligible Investments. Terms used but not defined herein shall have the same meaning as assigned to them in the Indenture.

- B. Other Funds. Pursuant to Section 403 of the Indenture, other funds of the Authority, including but not limited to money in the Project Fund and money held by the Authority for the payment of operating expenses, may be invested in (i) Project Fund Investments, (ii) obligations of municipal corporations, public benefit corporations and local development corporations of the State, or (iii) investments permitted by Section 165.00 of the LFL or Section 2799-ee.8 of the Act or these Guidelines as they may be amended from time to time.

III. Conditions of Investment

- A. Maturities: All investments shall mature or be redeemable at the option of the holder no later than such times as shall be necessary to provide moneys needed for payments to be made from any fund or account in which such investments are held.

B. Diversification

1. Indenture Accounts. No more than the greater of \$15 million or 50% of the amounts on deposit in the Indenture Accounts (determined at the time of investment) shall be invested in either Commercial Paper of a single issuer or Investment Agreements with a single provider.
2. Project Fund. Except for Project Fund Repurchase Agreements, U.S. Obligations and U.S. Agency Obligations, no more than the greater of \$15 million or 35% (determined at the time of investment) of the investments made from the Project Fund may be invested in securities of a single issuer.

- C. Payment for Securities. Payment for investments shall be made only upon receipt of the securities purchased. In the case of book entry form securities, payment may be made only when the custodian's account at the Federal Reserve Bank is credited for the purchased securities.

*Unless otherwise indicated, all capitalized terms shall have the meanings set forth in the Indenture.

D. Custodial Arrangements.

1. All securities held by any depository designated by the Authority in bearer or book-entry form (the "Custodial Bank") are held solely as agent to the Trustee or (in the case of the Project Fund or funds held by the Authority for the payment of operating expenses) the Authority. Any securities held in registered form shall be registered in the name of the Authority or the Trustee. Payment for purchases is not to be released until the purchased securities are received by the Custodial Bank.
2. The Custodial Bank will, upon instructions of the Trustee or (in the case of the Project Fund) the Authority, release to the Treasurer of the Authority all purchased securities including those subject to repurchase. This will permit the Authority to sell such securities, if necessary.

F. Standards and Qualifications. The following are the standards for the qualifications of brokers, agents, dealers, investment advisors, investment bankers and custodians:

1. Brokers, Agents, Dealers
 - a. In Government Securities: any bank or trust company organized or licensed under the laws of any state of the United States of America or of the United States of America or any national banking association or any registered broker/dealer or government securities dealer.
 - b. In Municipal Securities: any broker, dealer or municipal securities dealer registered with the Securities and Exchange Commission (the "SEC").
2. Investment Advisors: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, and any firm or person which is registered with the SEC under the Investment Advisors Act of 1940.
3. Investment Bankers: firms retained by the Authority to serve as senior managing underwriters for negotiated sales must be registered with the SEC.
4. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association with capital and surplus of not less than \$50,000,000.

G.Contracts. The Authority shall not be required to enter into written contracts for the purchase of investments, with the exception of repurchase agreements, investment agreements or guaranteed investment contracts described in paragraphs (vi), (ix) and (x) under the definition of Eligible Investments in the Indenture.

IV. Reports

A. Quarterly. The Executive Director shall prepare and deliver to the Board of Directors once for each quarter of the Authority's fiscal year a report setting forth a summary of new investments made during that quarter, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, investment advisors and auditors.

B. Annually.

1. Audit. The Authority's independent auditors shall conduct an annual audit of the Authority's investments for each fiscal year of the Authority, the results of which shall be made available to the Board of Directors at the time of its annual review and approval of these Guidelines.
2. Investment Report. Annually, the Executive Director shall prepare and the Board of Directors shall review and approve an Investment Report, which shall include:
 - a. The Investment Guidelines and amendments thereto since the last report;
 - b. An explanation of the Guidelines and any amendments made since the last report;
 - c. The independent audit report required by Subsection (1) above;
 - d. The investment income record of the Authority for the fiscal year; and
 - e. A list of fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Authority since the last report. The Investment Report shall be submitted to the New York State Department of Audit and Control, and to the Mayor and Comptroller of the City of New York. Copies of the annual report shall also be made available to the public upon reasonable request.

V. Applicability

Nothing contained in these Guidelines 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 these Guidelines.

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

Independent Auditors' Report

The Members of the Board of Directors of the
New York City Transitional Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the year ended June 30, 2020 and have issued our report thereon dated September 30, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with the terms, covenants, provisions or conditions of its Investment Guidelines insofar as they relate to financial and accounting matters. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with the Investment Guidelines referred to above. Accordingly, we do not express such an opinion.

This report is intended solely for the information of the Authority's Audit Committee, Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

Marks Paneth LLP

September 30, 2020
New York, NY

SCHEDULE 3

**New York City Transitional Finance Authority
Annual Investment Report
As of and for the year ended June 30, 2020**

Investment Income for FY 2020 (accrual basis) \$ 56,495,350

Investment Fees for FY 2020:

The Bank of New York Mellon \$ 679,400

Cash Equivalent and Investment by Funds

<u>Fund</u>	<u>Fair Value</u>
Debt Service Fund	\$ 3,956,991,153
Capital Project Fund	\$ 410,968,363
Cost Of Issuance Fund	\$ 1,446,295
Operating Fund	\$ 2,438,268
Cash Equivalent and Investment	\$ 4,371,844,079
Cash	\$ 932,561
Total Cash, Cash Equivalents and Investments	\$ 4,372,776,640

Cash Equivalent and Investment by Security Types

<u>Description</u>	<u>Fair Value</u>	<u>Maturities in Years</u>	
		<u>Less than 1</u>	<u>5 to 10</u>
Government Money Market	\$ 693,590,988	\$ 693,590,988	\$ -
Federal Farm Credit Disc.	\$ 349,626,910	\$ 349,626,910	\$ -
Federal Home Loan Bank Discount Notes	\$ 1,396,013,964	\$ 1,396,013,964	\$ -
Roche Holding Inc	\$ 99,986,389	\$ 99,986,389	\$ -
United States Treasuries	\$ 1,832,623,828	\$ 1,630,295,575	\$ 202,328,253
Cash Equivalent and Investment	\$ 4,371,842,079	\$ 4,169,513,826	\$ 202,328,253
Cash	\$ 932,561		
Total Cash, Cash Equivalents and Investments	\$ 4,372,774,640	\$ 4,169,513,826	\$ 202,328,253