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**INVESTMENT GUIDELINES FOR THE  
NIAGARA FALLS WATER BOA PURSUANT TO ARTICLE  
9, SECTION 2925  
OF THE PUBLIC AUTHORITIES LAW**

**SCOPE**

This cash management and investment policy applies to all money and other financial resources available to the Niagara Falls Water Board for deposit and/or investment on its own behalf or on behalf of any other entity or individual.

These guidelines have been constructed pursuant to the laws detailed in Exhibit I.

**OBJECTIVES**

The primary objectives of the Water Board's investment activities are, in priority order:

1. To conform with all applicable federal, state and other legal requirements (legality),
2. To adequately safeguard principal (safety),
3. To provide sufficient liquidity to meet all operating requirements (liquidity), and,
4. To obtain a reasonable rate of return (yield).

**DELEGATION OF AUTHORITY**

The Niagara Falls Water Board's responsibility for administration of the investment program is delegated to the Director of Financial Services, who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

**PRUDENCE**

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Niagara Falls Water Board to operate effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be

derived. All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

#### DIVERSIFICATION

It is the policy of the Niagara Falls Water Board to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

#### INTERNAL CONTROLS

The Director of Financial Services is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

#### DESIGNATION OF DEPOSITARIES

The banks and trust companies authorized for the deposit of money are as follows:

- HSBC Bank USA
- Manufacturers and Traders Trust Company
- Bank of America
- Key Bank of New York
- JP Morgan Chase
- Citizens Bank, N.A.

The Board shall review and approve this list at least annually.

#### COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law, Article 2, Section 10, all deposits of the Niagara Falls Water Board, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

1. By a pledge of "eligible securities" with an aggregate "market value" as provided by GML 10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the guidelines.
2. Current market values will be reviewed monthly to ensure all deposits are properly collateralized.

## SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits shall be held by a third party, bank or trust company subject to written security and custodial agreements. The security agreement shall provide that eligible securities are being pledged to secure Niagara Falls Water Board deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits 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 Niagara Falls Water Board to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Niagara Falls Water Board, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Niagara Falls Water Board or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the Niagara Falls Water Board, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for 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 of 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 necessary to provide the local government a perfected interest in the securities.

## PERMITTED INVESTMENTS

The Niagara Falls Water Board authorizes the Director of Financial Services to invest money not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

1. Special Time Deposit accounts
2. Certificate of deposit
3. Obligations of the United States of America
4. Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America
5. Obligations of the State of New York
6. Obligations issued pursuant to Local Finance Law, section 24 or 25 (with approval of the State Comptroller) by any municipality, school district or district corporation other than this Water Board.
7. Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general

State statutes governing such entities or whose specific enabling legislation authorizes such investments.

All investment obligations shall be payable, saleable or redeemable at the option of the Niagara Falls Water Board within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable, saleable or redeemable at the option of the Water Board within two years of the date of purchase.

#### AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Niagara Falls Water Board shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investment which can be made with each financial institution or dealer. All financial institutions with which the Board conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Niagara Falls Water Board. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Director of Financial Services is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

If the Niagara Falls Water Board deems it advisable to retain an investment banker, broker, agent, dealer or other investment advisor or agent to transact business with the Board, it shall establish criteria for said individuals or firms covering the quality, reliability, experience, capitalization, size and any other factors that at the time the Board feels pertinent before qualifying said firm to transact business with the Water Board.

The Board must have discretion over all investment transactions and must be supplied with adequate documentation for each transaction. All agreements must comply with the Investment Advisor's Act of 1940 and applicable New York State and Federal laws. In addition, a separate agreement will be entered into with a third party custodian to hold all securities purchased by the investment advisor.

See Exhibit II for Authorized Financial Institutions and Dealers.

#### PURCHASE OF INVESTMENTS

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The Director of Finance is authorized to contract for the purchase of investments.

1. Directly, including through a repurchase agreement, from an authorized trading partner.
2. By participation in a cooperative investment program with another authorized governmental entity pursuant to Section 1230a of the Public

Authorities Law where the specific program has been authorized by the governing board.

3. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the Water Board.

All purchased investments, obligations, or participations unless registered or inscribed in the name of the Niagara Falls Water Board, shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Niagara Falls Water Board by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law section 10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the Niagara Falls Water Board, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities.

#### REPURCHASE AGREEMENTS

Repurchase agreements are authorized subject to the following restrictions:

1. All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
2. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
3. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
4. No substitutions of securities will be allowed.
5. The custodian shall be a party other than the trading partner.

#### REPORTING

The Director of Financial Services shall report to the Niagara Falls Water Board on the investments of the Water Board not less than once a month.

The independent accounting firm retained by the Water Board to perform the yearly audit of the Water Board's books and records shall audit the investments of the Water Board and Water Authority and make its report available to the members of the Niagara Falls Water Board.

APPENDIX A

**Schedule of Eligible Securities for Collateralization of Deposits**

1. Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, An agency thereof or a United States government sponsored corporation.
2. Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.
3. Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.
4. Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.

## **EXHIBIT I**

The Niagara Falls Water Board Investment Guidelines have been constructed pursuant to the following laws:

General Municipal Law 10, 11 and 39  
Banking Law 107a  
Public Authorities Law 2890, 2925, 1230  
New York State Office of the State Comptroller Investment Guidelines for  
Public Authorities (Revised 1/2/98)  
New York State Office of the State Comptroller's Local Government  
Management Guide (Formerly call Financial Management Guide)  
Investment Advisor's Act of 1940

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**EXHIBIT II**

Authorized Financial Institutions and Dealers:

HSBC Bank USA  
Manufacturers & Traders Trust Company  
Bank of America  
Key Bank of New York  
JP Morgan Chase Bank  
Bank of New York Citizens Bank, NA  
MBIA — Municipal Investors Services Corp.  
New York State Environmental Facilities Corporation