

**BUFFALO FISCAL STABILITY AUTHORITY
ANNUAL INVESTMENT REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

Requirements

Section 2925.6 of the New York State Public Authorities Law requires public authorities to “annually prepare and approve an investment report which shall include the investment guidelines..., 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 advisor rendering investment associated services to the corporation since the last investment report.”

Investment Guidelines

The Investment Guidelines of the Buffalo Fiscal Stability Authority (“BFSA” or “Authority”) reflect the principles and precepts of investment safety and control contained in the BFSA Act Article 3854(11), as well as the New York State Office of the State Comptroller’s Public Authorities Regulation Part 201.3, *Accounting, Reporting, and Supervision Requirements for Public Authorities – Investment Guidelines for Public Authorities*. The BFSA’s Investment Guidelines set forth the BFSA’s policies and objectives regarding the investment of BFSA funds in accordance with the BFSA statute and the bond indenture executed by BFSA and its trustee for debt issuances, the Bank of New York-Mellon (Trustee).

The investment objectives of the Authority are set in the guidelines as follows:

“The Authority’s investment activities shall have as their first and foremost objective the safeguarding of the principal amount of the Investment Funds. Additional considerations regarding the Authority’s investment activities shall be liquidity of investments, realization of a reasonable return on investments and diversification of investments.”

No modifications were made to the Investment Guidelines this past year; such guidelines were approved by the BFSA Board of Directors on August 12, 2021 via Resolution No. 21-12.

Investment Activity

The Authority's cash and investments at June 30, 2021 consisted of the following:

| | Cost | Fair Value |
|---|--------------------|--------------------|
| Cash | \$31,667 | \$31,667 |
| Money Market | \$370,445 | \$370,445 |
| BNY Cash Reserve | \$70,072 | \$70,072 |
| US Treasury SLGS | \$170,346 | \$172,108 |
| Federal Home Loan Bank Construction | \$169,385 | \$171,704 |
| Federal Home Loan Bank Discount Notes | \$1,094,420 | \$1,124,673 |
| Federal National Mortgage Association | \$492,830 | \$503,609 |
| US Cash Management Bill | \$27,700 | \$27,997 |
| US Treasury Bill | \$107,622 | \$110,994 |
| US Treasury Note SLGS | <u>\$135,000</u> | <u>\$135,000</u> |
| Total Cash and Investments at June 30, 2021 | <u>\$2,669,487</u> | <u>\$2,718,269</u> |

All investments mature no later than September 1, 2021.

The BFSA recorded total investment earnings of \$140,966 for the year ended June 30, 2021, consisting of investment earnings on bond funds and the BFSA's operating funds. Additional information on the sources of the investments of the BFSA is below. Actual investment earnings, according to source, are as follows:

| | |
|--|------------------|
| Bond funds, held by Trustee | \$140,923 |
| Operating Funds | <u>43</u> |
| Total Investment Earnings for the year ending June 30, 2021 | <u>\$140,966</u> |

During the year ended June 30, 2021, the BFSA had two principal types of investment accounts: 1) accounts held by the Bank of New York Mellon as trustee under the BFSA's bond indentures, which contained debt service set-asides; and 2) BFSA operating funds accounts. Deposits of the operating funds are held at KeyBank in BFSA-owned money market accounts.

The BFSA trust indenture requires the Authority to retain out of the first payment of sales taxes each month an amount equal to 1/6 of the next interest payment and 1/12 of the next principal payment. The full amount of the next payment must be fully funded two months in advance of the maturity. These set asides are deposited into each bond account upon receipt of the funds (usually by the 6th or 7th of each month) and invested in A1/P1 commercial paper or U.S. Government and Agency obligations until the 15th of the same month. After a bidding process, the Authority entered into various Forward Delivery Agreements for delivery of securities against the cash set-asides. These agreements are structured to yield investment earnings within the parameters of the yield restrictions imposed by the federal government's requirements for tax-exempt bonds. To avoid potential yield issues in accordance with the tax-exempt status of the bonds, certain set asides are invested in 0% state and local governments series securities – U.S. Treasury (SLGS). All securities, mature before or on the next required payment date, so the

longest maturity possible (although not common) is approximately 13 months. All transactions take place within the trustee accounts.

All bank deposits of Authority funds are required to be fully collateralized. Bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Additional collateral is obtained to collateralize the remaining balances and is held by a custodian in the Authority's name. Such collateral consists of U.S. Government and Agency obligations. Investments were fully collateralized at June 30, 2021.

GASB Statement No. 72

Effective June 30, 2015, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which required the Authority to measure investments at fair value. At June 30, 2021, the balance of investments was increased by \$48,782 to value the investments at fair value.

Fees

No investment fees or commissions were paid in connection with the investment portfolio during the fiscal year.

BFSA pays the Trustee an annual fee of \$2,450 for each bond transaction covering all trustee services, including the operational aspects of the investments in each bond account. The trustee also charges a \$250 dissemination fee and a \$1,650 custodial fee each year. Total expenses for the year ended June 30, 2021 for trustee fees were \$6,019.

The cost of the operating funds bank accounts is currently covered through compensating balances.

Independent Audit

Please see separate documents for a copy of the independent auditors' report.