



Battery Park City Authority

BATTERY PARK CITY AUTHORITY

INVESTMENT REPORT & GUIDELINES

FISCAL YEAR ENDED

OCTOBER 31, 2015

January 2016

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1. OVERVIEW OF INVESTMENT GUIDELINES

1.1. Definitions

“Authority” means the Battery Park City Authority, a corporate municipal instrumentality of the State of New York, established pursuant to the Act (“**Act**” shall mean the Battery Park City Authority Act, Title 12 of Article 8 of the Public Authorities Law [constituting Chapter 43-a of the Consolidated Laws of the State of New York] as added by Chapter 343 of the Laws of 1968, as amended).

“Board” means the Members of the Battery Park City Authority Board.

“Investment Funds” means monies and financial resources available for investment by the Authority.

“Investment Securities” means any or all of the investment obligations.

“Rating Agencies” means Standard & Poor’s Corporation, Moody’s Investor Service, and Fitch Ratings.

“State” means the State of New York.

1.2. Purpose and Scope

The purpose of these guidelines (“Guidelines” or “Investment Guidelines”) is to establish the parameters, responsibilities, and controls for the investment and the management of Investment Funds. These Guidelines have been adopted by, and can be changed only by, the Board.

These Guidelines shall govern the investment and reinvestment of Investment Funds and the sale and liquidation of Investment Securities, as well as the monitoring, maintenance, accounting, reporting, and internal controls by and of the Authority with respect to such investment and reinvestment of Investment Funds and sale and liquidation of Investment Securities.

The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the management or administration of these funds.

1.3 Compliance

Section 2925 (6) of the State Public Authorities Law requires the Authority to annually prepare and approve an investment report which describes the Authority’s Investment Guidelines and any amendments to the Guidelines, investment policies and procedures, the results of the annual independent audit, the Authority’s investment income and a list of the fees associated with those investments, as well as commissions or other charges paid to each investment banker, broker, agent, dealer and advisor (**SEE - APPENDIX B – INVESTMENT REPORT FYE OCTOBER 31, 2015**).

1.4. Roles and Responsibilities

It shall be the responsibility of the Chief Financial Officer to ensure that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in New York and the guidelines established by the State Comptroller’s Office and the Governmental Accounting Standards Board (GASB). The Assistant Treasurer, acting on behalf of the Board as custodian of the Investment Policy is responsible for ensuring that all aspects of the investment management program are executed in a manner

consistent with the Guidelines. A description of operating controls is attached as Appendix A to these Guidelines.

An investment committee (“Investment Committee”) will be appointed by the Board to develop and execute investment strategy for the Authority’s Investment Funds. In the event that the Board is not fully constituted, the entire Board may meet in lieu of the Investment Committee. The Investment Committee may consult with a qualified investment advisor/manager in the course of fulfilling its responsibilities.

The Authority’s external auditor will conduct an annual audit of the investment management activity to ensure compliance with the Investment Guidelines by Treasury and the external investment manager, if any. The findings of the audit shall be formally documented and submitted annually to the Chief Financial Officer and the Board.

1.5. Standard of Prudence

The standard of prudence to be applied to the investment of the Authority’s Investment Funds shall be the “Prudent Person Rule” that states:

“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 probable safety of their capital as well as the probable income to be derived.”

Authorized Authority officials and employees involved in the investment process acting in accordance with the laws of the State, these Guidelines and any other written procedures pertaining to the administration and management of the Investment Funds and who exercise the proper due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided that any negative deviations are reported in a timely fashion to the Chief Financial Officer or another authorized official and that reasonable and prudent action is taken to control and prevent any further adverse developments.

1.6. Conflict of Interest

Authority Officers and employees involved in the investment process (Investment Officials) shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment Officials shall not:

1. accept any money, loan, gift, favor, service, or business or professional opportunity that could influence them in the performance of their official duties;
2. accept any business or professional opportunity when they know there is a reasonable likelihood that the opportunity is being afforded to influence them in the performance of their official duties;
3. enter into any personal investment transactions with the same individual with whom business is conducted on behalf of the Authority; or
4. Disclose or use confidential information that is not generally available to the public for their own or another person’s financial benefit.

1.7. Review, Amendments, Updates and Revisions

The Assistant Treasurer and the Chief Financial Officer will review the Guidelines on an annual basis, or as required, to ensure continued effectiveness of the Investment Guidelines. The Guidelines shall be submitted to the Board annually for review and approval. Modifications to the Investment Guidelines may be required as business needs and requirements change. Any amendments must be reviewed and approved by the Chief

Financial Officer and submitted to the Board for final approval. Subsequent to any modifications to the Investment Guidelines, revised Guidelines must be distributed to Authority personnel on the approved distribution list as well as any external investment advisor/manager and Financial Institutions.

1.8 Diversity – MBE/WBE Participation

It is the Authority's standard practice to reach out to these MBE/WBE brokers/dealers to provide them opportunities to trade for Investment Securities. The Authority required that thirty percentage (30%) of annual costs under the 2015 service agreement for investment advisory services be allocated to a certified MBE/WBE firm.

1.9 Oversight – Investment Committee

An Investment Committee was established to formalize oversight of the Authority's investment portfolio with the charter below. In the event that the Board is not fully constituted, the entire Board may meet in lieu of the Investment Committee.

BATTERY PARK CITY AUTHORITY INVESTMENT COMMITTEE CHARTER

PURPOSE

Pursuant to Article IV, Section 3 of the Authority's bylaws, the purpose of the Investment Committee is to assist the Board in fulfilling its oversight responsibilities by establishing the Authority's investment policies and overseeing its investments.

DUTIES OF THE INVESTMENT COMMITTEE

The Investment Committee's responsibilities and powers as delegated by the Board are set forth in this Charter. Whenever the Investment Committee takes action, it exercises its independent judgment on an informed basis that the action is in the best interests of BPCA. In doing so, the Investment Committee may rely to a significant extent on information and advice provided by management and independent advisors.

The Investment Committee has the authority, including, but not limited, to:

- Approve the investment and risk limits for the investment portfolio.
- Review the investment policies for BPCA, including, where applicable, asset classes, liquidity, the use of debt, and risk management.
- Approve the annual investment program.
- Authorize investments and ratify investments made pursuant to delegated authorities.
- Review the investment performance of BPCA's accounts and funds, including benchmarks and attribution.
- Review the organization and staffing of the investment management advisory function.
- Review the quality of the investment services provided to BPCA, such as
 - Oversee the business and investment strategy;
 - Evaluate investment performance, performance benchmarks and attribution; and
 - Review costs, pricing and profitability.

COMPOSITION

The Investment Committee shall be as set forth in Article IV, Section 4 of the Authority's bylaws. The Investment Committee shall consist of at least three (3) Members who shall be appointed by the Chairperson, one of whom the Chairperson shall appoint as Chair of the Investment Committee. The Chairperson shall be an additional non-voting member of the Investment Committee, provided that if there shall be any vacancy or vacancies in the whole number of the Members of the Board as prescribed by law, the Chairperson may serve as a voting member of the Investment Committee. Each member of the Investment Committee shall be an "independent member," as defined in Public Authorities Law § 2825 (2). Members of the Investment Committee shall possess the necessary skills to understand the duties and functions of the Investment Committee and shall be familiar with general investment policies and best practices.

MEETINGS

The Investment Committee shall meet four (4) times a year or more frequently, as may be necessary and appropriate to carry out its responsibilities. The Investment Committee may ask members of management or others to attend the meetings and provide pertinent information as appropriate. Meetings may be in person or by video conference, if necessary.

In addition, the Investment Committee:

- Shall act only on the affirmative vote of a majority of the members present at a meeting.
- Is expected to maintain free and open communication with management and the Board.
- Shall have authority to retain independent legal, accounting or other advisors if determined appropriate, in its sole judgment, provided such consultants are approved by the full Board.
- Submit the minutes of all Investment Committee meetings to the Board and regularly report to the Board on Investment Committee matters, actions taken and issues discussed at its meetings.
- Review and reassess the adequacy of this Charter annually and propose to the Board any changes to the Charter.
- The Investment Committee shall evaluate its performance annually and report its conclusions to the Board.

2. INVESTMENT MANAGEMENT OBJECTIVES

2.1. Investment Objectives

The Authority's Investment Funds shall be managed to accomplish the following hierarchy of objectives:

1. **Legality** - The Authority shall comply with all investment guidelines required for public authorities in the State with regards to general investment practices and the management of public funds.
2. **Safety** - Next to legality, safety of principal is the foremost objective of the investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
3. **Liquidity** - The portfolio shall be managed in such a manner that assures that funds are available as needed to meet those immediate and/or future operating requirements of the Authority, including but not limited to payroll, accounts payable, capital projects, debt service and any other payments.

4. **Return** - The Authority's portfolio shall be managed in such a fashion as to maximize the return on all investments (up to the "arbitrage allowance" in bond funds) within the context and parameters set forth by the investment objectives stated above.

2.2. Authorized Investment Securities

The investment of Authority funds is limited by the law creating the Authority to "obligations of the State or of the United States of America or obligations the principal of and interest on which are guaranteed by the State or the United States of America" or any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to section ninety-eight of the State finance law. On October 21, 2003, the Act was amended regarding investments to allow any monies of the Authority, including the proceeds of bonds or notes, not required for immediate use, at the discretion of the Authority to be invested in obligations of the State, U.S. Government and its agencies, or in any other obligations in which the State Comptroller is authorized to invest pursuant to Section 98 of the State Finance Law. The 2003, 2009 and 2013 bond resolutions allow all investments alternatives included in the Act, as follows:

1. Bonds and notes of the United States.
2. Bonds and notes of this State.
 - 2-a. General obligation bonds and notes of any state other than this State, provided that such bonds and notes receive the highest rating of at least one independent rating agency designated by the State Comptroller.
3. Obligations for the payment of which the faith and credit of the United States or of this State are pledged.
 - 3-a. Notes, bonds, debentures, mortgages and other evidences of indebtedness of the United States Postal Service; the federal national mortgage association; federal home loan mortgage corporation; student loan marketing association; federal farm credit system or any other United States government sponsored agency, provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, the highest rating of all independent rating agencies that rate such agency or its obligations, provided, however, that no more than two hundred fifty million dollars may be invested in the obligations of any one agency.
4. Judgments or awards of the court of claims of this state.
5. Stocks, bonds, or notes of any county, town, city, village, fire district or school district of this state issued pursuant to law.
6. Mortgage bonds or any obligations for the payment of money, no matter how designated, secured by another instrument representing a lien on specific real property or a leasehold thereof, heretofore or hereafter and at the time of the assignment thereof to the comptroller insured by the federal housing administrator or any of his successors in office and guaranteed by the United States under the provisions of the national housing act, as amended or supplemented. Any such mortgage bonds or obligations as aforesaid in which the State Comptroller has invested or shall have invested pursuant to this subdivision shall be serviced by the State Comptroller or in his discretion, by mortgages, as such are defined by the national housing act, as amended or supplemented, duly appointed by him and subject to the inspection and supervision of some governmental agency. The State Comptroller may receive and hold such debentures and certificates or other obligations as are pursuant to law.
7. Bonds and notes of the Savings and Loan Bank of the state of New York.
8. Bonds or notes of any housing authority of this state duly issued pursuant to law.

9. Bonds or notes of any regulating district of this state duly issued pursuant to law.
10. Bonds or notes of any drainage improvement district of this state duly issued pursuant to law.
11. Bonds or notes of the authorities or commissions set forth below when issued pursuant to law:
 - a. Port of New York Authority.
 - b. Niagara Frontier Authority.
 - c. Triborough bridge and tunnel authority.
 - d. Thousand Islands Bridge Authority.
 - e. New York State Bridge Authority.
 - f. New York City Tunnel Authority.
 - g. Lake Champlain Bridge Commission.
 - h. Lower Hudson Regional Market Authority.
 - i. Albany Regional Market Authority.
 - [j. *Repealed.*]
 - k. American Museum of Natural History Planetarium Authority.
 - l. Industrial Exhibit Authority.
 - m. Buffalo Sewer Authority.
 - n. Whiteface Mountain Authority.
 - o. Pelham-Portchester Parkway Authority.
 - p. Jones Beach State Parkway Authority.
 - q. Bethpage Park Authority.
 - r. Dormitory Authority.
 - s. Central New York Regional Market Authority.
 - t. Erie County Water Authority.
 - u. Suffolk County Water Authority.
 - v. New York State Thruway Authority.
 - w. Genesee Valley Regional Market Authority.
 - x. Onondaga county water authority.
 - y. Power Authority of the state of New York.
 - z. Ogdensburg Bridge and Port Authority.
 - aa. [See, also, par. aa below] East Hudson Parkway Authority. aa. [See, also, par. aa above] Niagara Frontier Port Authority.
 - bb. Northwestern New York Water Authority.
 - cc. Metropolitan Commuter Transportation Authority.
 - dd. [See, also, par. dd below] Niagara Frontier Transportation Authority. dd. [See, also, par. dd above] New York State Pure Waters Authority.
 - ee. Rochester-Genesee Regional Transportation Authority.
 - ff. [See, also, par. ff below] Capital District Transportation Authority.
 - ff. [See, also, par. ff above] Central New York Regional Transportation Authority.
12. Obligations of the International Bank for Reconstruction and Development duly issued pursuant to law.
13. Obligations of the inter-American development bank duly issued pursuant to law.
 - 13-a. Obligations of the Asian Development Bank duly issued pursuant to law.
 - 13-b. Obligations of the African Development Bank duly issued pursuant to law.
 - 13-c. Obligations of the International Finance Corporation duly issued pursuant to law.
14. [See, also, subd. 14 below] Collateral trust notes issued by a trust company, all of the capital stock of which is owned by not less than twenty savings banks of the state of New York.

14. [See, also, subd. 14 above] Bonds and notes issued for any of the corporate purposes of the New York state housing finance agency.
15. Bonds and notes issued for any of the corporate purposes of the New York state medical care facilities finance agency.
16. Bonds and notes issued for any of the corporate purposes of the New York state project finance agency.
17. Bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for New York City.
18. Obligations of any corporation organized under the laws of any state in the United States maturing within two hundred seventy days provided that such obligations receive the highest rating of two independent rating services designated by the State Comptroller and that the issuer of such obligations has maintained such ratings on similar obligations during the preceding six months provided, however, that the issuer of such obligations need not have received such rating during the prior six month period if such issuer has received the highest rating of two independent rating services designated by the State Comptroller and is the successor or wholly owned subsidiary of an issuer that has maintained such ratings on similar obligations during the preceding six month period or if the issuer is the product of a merger of two or more issuers, one of which has maintained such ratings on similar obligations during the preceding six month period, provided, however, that no more than two hundred fifty million dollars may be invested in such obligations of any one corporation.
19. Bankers' acceptances maturing within ninety days which are eligible for purchase in the open market by federal reserve banks and which have been accepted by a bank or trust company, which is organized under the laws of the United States or of any state thereof and which is a member of the federal reserve system and whose short-term obligations meet the criteria outlined in subdivision eighteen of this section. Provided, however, that no more than two hundred fifty million dollars may be invested in such bankers' acceptance of any one bank or trust company.
20. No-load money market mutual funds registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, provided that such funds are limited to investments in obligations issued or guaranteed by the United States of America or in obligations of agencies or instrumentalities of the United States of America where the payment of principal and interest are guaranteed by the United States of America (including contracts for the sale and repurchase of any such obligations), and are rated in the highest rating category by at least one nationally recognized statistical rating organization, provided, however, that no more than two hundred fifty million dollars may be invested in such funds.

The State Comptroller, whenever he deems it for the best interest of any of such funds, may dispose of any of the securities therein or investments therefore, in making other investments authorized by law, and he may exchange any such securities for those held in any other of such funds, and the comptroller may take such action as may be necessary to obtain the benefits of the insurance provided for in the national housing act, and may draw his warrant upon the treasurer for the amount required for such investments and exchanges.

Notwithstanding the provisions of any other general or special law, the comptroller shall not invest the moneys of any fund in any security or securities except as above described, provided, however, that:

- a) the comptroller may, in order to maximize the rate of return on investments, invest the moneys belonging to the New York interest on lawyer account fund in notes, securities and deposits of banking institutions which accept IOLA accounts, and

- b) the provisions of this section shall not limit the types of investments that may be made with moneys belonging to the volunteer ambulance service award fund established by section two hundred nineteen-h of the general municipal law.

2.3. Portfolio Diversification

The Authority’s Investment Funds shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The maximum percentage of the aggregate portfolio of Investment Funds, based on book value at the time of purchase, permitted in each eligible security is as follows:

US Treasuries	100%
Federal Agencies	100% (\$250 million max per issuer)
Commercial Paper	Lesser of 5% or \$250 million per issuer
Bankers’ Acceptances	Lesser of 5% or \$250 million per issuer
Money Market Funds	Lesser of 25% or \$250 million
Municipal Bonds	20%

- a) Require a minimum “A” category rating for all municipal securities permitted by the Policy (NY State, other states, and issues of local NY governments).
- b) Establish a maximum allocation of no greater than 10% per issuer.

2.4. Investment Maturity

Maintenance of adequate liquidity to meet the cash flow needs of the Authority is essential. Accordingly, the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of the Authority in order to avoid the forced sale of securities prior to maturity.

Investments shall have a stated maturity or weighted average life of not more than ten (10) years unless specifically approved by the Investment Committee.

3. OPERATING PARAMETERS & CONTROLS

3.1. Authorized Officers and Employees

Investment decisions on behalf of the Authority shall be made by the Chief Financial Officer, or by the Assistant Treasurer or the external investment manager, under the supervision of the Chief Financial Officer. Investment transactions shall be implemented by the Chief Financial Officer, or by the Assistant Treasurer, or the professional investment and advisory management firm on the Investment Committee, under the supervision of the Chief Financial Officer.

3.2. Competitive Selection

For each transaction, a minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted.

3.3. Compliance Audit

An annual independent audit of all investments will be performed by the external auditors. The Authority's financial statements with respect to investments, which are required to be prepared in conformance with generally accepted accounting principles for governments ("GAAP"), shall contain all of the note disclosures on deposits with financial institutions and investments required by the Governmental Accounting Standards Board Statements No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", dated April 1986. The Annual Investment Audit:

- Shall determine whether: the Authority complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Authority's assets; and a system of adequate internal controls is maintained.
- Shall determine whether the Authority has complied with applicable laws, regulations and these Investment Guidelines.
- Shall be designed to the extent practical to satisfy both the common interest of the Authority and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report (the "Annual Investment Audit Report") which shall include, without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A statement of negative assurance on items tested;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with the Authority's own investment policies as well as applicable laws;
- Regulations and the State Comptroller's Investment Guidelines;
- A statement on any other material deficiency or reportable condition as defined by *Governmental Auditing Standards* identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of these Guidelines

Investment practices and controls will be subject to review and testing by internal auditors on a surprise basis at the discretion of the VP of Administration (who is also the Internal Controls Officer), President, CEO and/or the Board.

3.4. Written Contracts and Confirmations

A written confirmation shall be required for each investment transaction. However, the Authority shall not be required to enter into a formal written contract provided that the Authority's oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing at the earliest practicable moment.

3.5. Safekeeping and Custody

All investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a counterparty to the investment transaction.

All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs.-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian's account, which shall be segregated for the Authority's sole use. The custodian shall issue a safekeeping receipt to the Authority listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodian will also provide reports that list all securities held for the Authority, the book value of holdings and the market value as of month-end.

The custodian may act on oral instructions from the CFO, Assistant Treasurer or investment advisor under the direction of the CFO. Such instructions are to be confirmed in writing immediately by an authorized signatory of the Authority.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect the Authority from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

3.6. Internal Controls

An operating procedures manual will be developed to control all Authority investment activity. The manual will be consistent with these Guidelines, shall be approved by the Chief Financial Officer, and shall include the following:

- the establishment and maintenance of a system of internal controls;
- methods for adding, changing or deleting information contained in the investment record, including a description of the document to be created and verification tests to be conducted;
- a data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and
- requirements for periodic reporting and a satisfactory level of accountability.

3.7. Notification Concerning Violations of Investment Guidelines

In the event that these Investment Guidelines are violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

4. QUALIFIED FINANCIAL INSTITUTIONS

4.1. Qualifications for Brokers, Dealers and Agents

The Authority's investment manager's Director of Treasury Operations and/or the Authority's Investment Manager shall maintain a list of broker/dealers that are approved for investment purposes ("Qualified Institutions"). Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- "primary" dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- registered as a dealer under the Securities Exchange Act of 1934;
- member in good standing of the Financial Industry Regulatory Authority (FINRA);
- registered to sell securities in the State; and
- the firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.

When selecting trading partners, the Authority will also consider the firm's quality, size, and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transactions.

4.2. Qualifications for Investment Advisors/Managers

For the purpose of rendering investment management/advisory services to the Authority, the Authority may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the Securities & Exchange Commission under the Investment Advisor Act of 1940 or exempt from registration.

The Authority shall also consider the firm's capitalization, quality, size and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated engagement.

4.3. Qualifications for Custodial Banks

To be eligible to hold Investment Securities purchased by the Authority or collateral securing its investments, a custodial bank shall be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer must affirmatively find that the proposed custodial bank is financially sound. This shall be determined by review of the financial statements and credit ratings of the proposed custodial bank.

4.4. Ongoing Disclosure

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority's Investment Guidelines. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

4.5. Affirmative Action

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to the Authority's investment activities. The Authority shall seek to utilize minority and women-owned financial firms in the conduct of the Authority's investment activities. Management reporting is required by the Authority in order to track compliance with policy guidelines, assess the performance of the portfolio and to inform appropriate management personnel.

5. REPORTING

5.1. Management Reporting

In order to manage the Investment Funds effectively and to provide Authority management with useful information, it is necessary for the Treasury Department to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared and presented to the CFO and the Authority's Board. The Quarterly Management Report shall include:

- An indication of all new investments;
- A portfolio inventory;
- Credit quality of each holding;
- Duration (or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral; and
- A breakdown of the portfolio by counterparty.

An Annual Investment Report shall be submitted to the Authority's Board and filed with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and State Assembly Ways and Means Committee. The Annual Investment Report shall include the following:

- The investment guidelines in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the investment guidelines and amendments;
- The results of the Annual Independent Audit (described in Section 3.3.);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to the Authority since the date of the last investment report.

The attached report is being presented to you in accordance with this requirement. After approval of the report, it will be submitted or posted to:

- State Division of the Budget,
- State Department of Audit and Control,
- State Comptroller,
- State Public Authorities Information Reporting System (PARIS),
- Authority website, and
- The Chairmen and Ranking Minority Members of the Senate Finance Committee and Assembly Ways and Means Committee.

5.2. Performance Reporting

In order to ensure the effectiveness of the Authority's investment strategy, it is important to measure the performance of the portfolio. The performance measurement process can be broken into four categories:

- Investment benchmark – The Authority will continuously measure its performance against a benchmark having an average maturity comparable to the portfolios.
- Performance measurement – Each quarter the Authority must measure the performance of its investment portfolio versus its benchmark. By continuously measuring results against this standard benchmark, the Authority can determine a pattern of over/under performance.
- Identify sources of over/under performance – The Performance Reports distributed to the CFO must include information on the source of over/under performance.
- Disseminate results – Results shall be distributed to the CFO and the Board in a timely manner.

APPENDIX A – OPERATING CONTROLS

Distribution of the Investment Guidelines

The guidelines and all subsequent amendments, revisions and updates shall be distributed to Authority personnel per the approval of the Chief Financial Officer.

During the period in which the Authority retains an investment manager, the investment manager must also receive the investment guidelines and all amendments, updates, or revisions to insure compliance with the most current guidelines.

Exhibit –Investment Guidelines Distribution Matrix

Distribution List	Frequency
Board of Members	As Necessary
Chief Financial Officer	As Necessary
Controller	As Necessary
Assistant Treasurer	As Necessary

Roles and Responsibilities in Executing the Investment Guidelines

The roles and responsibilities for investment management at the Authority rest primarily with the Finance Department although other departments have important roles. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Guidelines.

Exhibit –Policy Roles & Responsibility Matrix

Roles	Responsibility	Frequency
Board	<ul style="list-style-type: none"> • Final Approval of the guidelines • Approval of exceptions to the guidelines (e.g. new investment types) • Approval of revisions to the guidelines 	<ul style="list-style-type: none"> • Annual • As necessary • As necessary
Chief Financial Officer (“CFO”)	<ul style="list-style-type: none"> • Approval of the guidelines • Approval of investment strategy • Approval of performance measurements • Approval of minor exceptions to the guidelines (i.e. amounts, maturities) 	<ul style="list-style-type: none"> • Annual • Annual • Ongoing • As necessary
Assistant Treasurer	<ul style="list-style-type: none"> • Serve as custodian of the guidelines • Develop investment strategy • Review investment strategy • Establish performance measurements • Distribution of guidelines and amendments • Annual review of guidelines • Oversight of investment activity • Invest funds as provided for in the guidelines • Keep abreast of developments in the markets • Review performance information • Management reporting 	<ul style="list-style-type: none"> • Ongoing • Annual • Ongoing • Ongoing • As necessary • Annual • Ongoing • Ongoing • Ongoing • Ongoing • Monthly • Daily, Weekly • Monthly

Assistant	<ul style="list-style-type: none"> • Collect performance information • Distribute performance information • Keep abreast of developments in the markets and notify the Assistant Treasurer 	<ul style="list-style-type: none"> • Weekly • Weekly • Ongoing
Investment Manager	<ul style="list-style-type: none"> • Develop investment strategy • Review investment strategy • Invest funds as provided for in the guidelines • Reporting investment portfolio 	<ul style="list-style-type: none"> • Annual • Ongoing • Ongoing • Daily, Monthly, Quarterly

Segregation of Duties

The Authority requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e. executing transactions).

Exhibit – Segregation of Duties Matrix

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement – Disbursing and Receiving Funds	Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets (including transfers in excess of \$25,000).
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.

Management Reporting

Exhibit – Summary of Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown	Chief Financial Officer, Board	Quarterly

Annual Investment Report	Investment Guidelines, explanation of Investment Guidelines & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board (File with Division of the Budget, State Comptroller, State Finance Committee, Assembly Ways and Means Committee)	Annually
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Exhibit – Summary of Treasury Performance Reporting

Report	Contents	Audience	Frequency
Performance Report	Investment performance vs. benchmark variance analysis	CFO, Board	Quarterly

Operating Procedures

Operating procedures for the administration of the Authority’s investment program should include the following:

- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be written or telegraphic confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed in writing to the Authority. Delivery of obligations sold shall only be made upon receipt of funds;
- Custodial banks shall be required to report whenever activity has occurred in the Authority’s custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority’s records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- The establishment and maintenance of a system of internal controls;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A database of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio; and
- Requirements for periodic reporting and a satisfactory level of accountability.

The procedures below describe in more detail the methods employed by the investment officers (Treasurer and Assistant Treasurer) to formulate and initiate investment transactions and include the records and

documentation used in processing an investment from the time of its initiation to the recording and reconciliation on the Authority's accounting records.

1. The Treasurer or Assistant Treasurer maintains a schedule of all current investments and updates schedule on a timely (daily) basis as securities mature and/or new investments are initiated. A Calendar of investment maturities is maintained and updated as chronological reminder (tickler file) or maturities.
2. All investments are initiated via:
 - a. specific written investment instruction sent to the Trustee or
 - b. verbal investment instructions followed up by written confirmation
3. The Treasurer will initiate the investments by reviewing the investment schedule and calendar on a daily basis to determine investments to be made over the following week based on Investment Committee strategies agreed to by the Investment Committee and weekly phone meetings working group. All investments are available online real time (next day) basis.

The Treasurer considers many factors in forming investment decisions, such as:

- a. existing bond resolution requirements and conditions;
 - b. other existing agreements affecting investments/cash flow (i.e. Settlement Agreement; Agreement and Consent dated September 22, 1988, Agreement for Certain Payments, Lease Agreements etc.);
 - c. HLC BPCA Cash Flow Requirements and Internal Investment Policies;
 - d. current and future market conditions (i.e. interest rates);
 - e. New York State Comptroller's Guidelines; and
 - f. published market surveys, consultant reports, etc., relating to securities available, interest rates and investment strategies.
4. Copies of the bank confirmation letters sent to the Trustee Bank are filed in the Treasurer's chronological file and in a monthly folder for that particular Bank account.
 5. All investments are available to the President and others for review and discussed at Investment Committee Meetings. A copy of the Investment Instructions Memo is retained in the Treasurer's file and a copy is maintained in the bank reconciliation files.

Documentation for securities purchased including the information as to brokers solicited for quotes shall be retained and filed by the Authority, the Trustee, or Investment Advisor. Corporate funds which are not invested are collateralized or insured by FDIC and balances receive compensating interest at the 90 day T-bill rate to mitigate banking fees. Reconciliation of monthly Trustee statements are performed. This includes reconciliation of investment transactions, investment income, and portfolio holdings. Corresponding journal entries are subsequently posted to the Authority's general ledger. The Controller or Senior Accounting Manager initials and dates these reconciliations when reviewed to signify timely approval and completion.

6. Quarterly investment schedules are reviewed by the Investment Committee and made available to the Board. Investment schedules are audited by the Authority's public accountants at year end. The auditors request and receive confirmation of our cash and security holdings as of fiscal year end. In addition, the Authority's Internal Audit department periodically audits investments.

The procedures will be subjected to regular audits by internal and external auditors as required.

Procedures are to be revised and updated on an annual basis and referenced in the Investment Policy and Procedure Statement, approved by the Members, in accordance with Section 2925(6) of the Public Authorities Law.

APPENDIX B – INVESTMENT REPORT FYE OCTOBER 31, 2015

The Organization carries all investments at fair value based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Deposit and inherent risks that could affect the Organization’s ability to provide services and meet its obligations as they become due are reported in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The Authority’s investments in securities are held by the Authority’s financial institutions in the Authority’s name. The Authority’s investments in U.S. Treasury Securities are backed by the full faith and credit of the U.S. government; investments in commercial paper maintain a credit rating no lower than ‘A-1’ grade; investments in federal agency and mortgage backed securities have the highest credit rating of ‘AAA’ and are supported by the U.S. government or its agencies; investments in municipal bonds are issued by the State of New York or a county, town or city of the State. General obligations of other states are rated in the highest category by at least one independent rating agency. All other deposits or investments are fully collateralized or backed by the Federal Deposit Insurance Corporation (“FDIC”) or letters of credit. All investments held in funds and accounts established in accordance with bond resolutions are held as trust assets by the trustee banks in the Authority’s name.

Total investments and deposits held by the Organization at October 31, 2015 and 2014 included within the balance sheet accounts: investments, corporate designated, escrowed and OPEB funds, bond resolution funds and residential lease required funds are as follows:

	October 31, 2015			October 31, 2014		
	Cost	Fair value	Weighted average maturity (years) (a)	Cost	Fair value	Weighted average maturity (years) (a)
U.S. Treasury securities:						
Treasury Bills	\$ 37,268,232	37,271,691	0.04	\$ 173,087,193	173,171,043	0.17
Treasury Bonds	151,291,697	150,739,197	1.87	132,835,500	132,359,025	2.17
Treasury Strips	1,922,553	1,924,997	0.79	—	—	—
Total U.S. Treasury securities	<u>190,482,482</u>	<u>189,935,885</u>		<u>305,922,693</u>	<u>305,530,068</u>	
Commercial paper	134,597,671	134,695,588	0.03	130,270,577	130,345,053	0.03
Federal agency securities	25,650,572	25,633,851	0.75	9,181,890	9,539,319	2.34
Federal agency mortgage backed securities	10,510,365	10,726,389	2.98	10,300,421	10,774,646	3.43
Municipal bonds	28,094,684	28,564,699	2.09	25,394,684	26,160,656	2.86
Small Business Administration	2,930,503	2,949,636	6.94	514,342	513,532	6.49
Supra National Agency	17,902,119	18,045,270	2.34	12,556,495	12,648,695	3.33
Total investments	<u>410,168,396</u>	<u>410,551,318</u>	1.13	<u>494,141,102</u>	<u>495,511,969</u>	1.01
Cash and cash equivalents	<u>510,860</u>	<u>510,860</u>		<u>361,780</u>	<u>361,780</u>	
Total investments and deposits	<u>\$ 410,679,256</u>	<u>411,062,178</u>		<u>\$ 494,502,882</u>	<u>495,873,749</u>	

As of October 31, 2015, there was \$65,632,000 of bond resolution funds in transit. These bond resolution funds have been excluded from the investment table above and are shown separately in the bond resolution fund receivables on the balance sheet.

As of October 31, 2015 and 2014, restricted assets included cash and cash equivalents and investments with less than 91-day maturities amounting to \$46,306,826 and \$60,071,617, respectively.

The Organization's investment objectives for the portfolio are to generate a rate of return in excess of selected benchmarks, provide diversification to the total portfolio, and provide an appropriate level of liquidity for the Authority's operations.

The Organization's permitted investments include: (i) 100% U.S. government guaranteed securities (U.S. Treasury notes, bonds, strips, T-bills, Ginnie Mae securities); (ii) notes, bonds, debentures, and mortgages of U.S. government-sponsored agencies provided that its obligations receive the highest credit rating from all rating agencies that rate the obligation; (iii) obligations of any corporation organized under the laws of any state in the United States maturing within 270 days provided that such obligations receive the highest rating of two independent rating services (commercial paper) which as of October 31, 2015 were A1+/P1/F1+; (iv) municipal bonds issued by the State of New York, its counties, towns and cities and New York authorities. The general obligations of any state provided that it currently receives the highest rating by at least one rating agency (AAA/AAA long term or VMIG/A1+ short-term).

Interest rate risk is the probability of loss on investments from future changes in interest rates, which can adversely affect their fair value. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration takes into account the change in cash flow expectations of securities with embedded options such as callable bonds and mortgage-backed securities. The interest rate risk of the Organization's portfolio is measured according to effective duration.

Investments of amounts in funds and accounts established under the various 2003, 2009 and 2013 Revenue Bond Resolutions are presently restricted to obligations of the State, U.S. government and its agencies, or in any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to Section 98 of the State Finance Law.

Corporate-designated, escrowed, and OPEB funds represent funds designated by the Authority's board of directors for specific purposes such as budget reserves, the Special Fund, project contingency reserves, restoration reserves, insurance reserves, and arbitrage reserves and funds designated for the payment of medical benefits to the Organization's retirees.

Residential lease required funds represent funds held by the Authority in accordance with its residential leases. These funds are largely comprised of security and escrow deposits held by the Authority for the residential buildings.

The Organization maintains its cash in bank deposits which are guaranteed by the FDIC up to \$250,000. Additionally, collateral has been set aside by the custodian bank for balances in excess of \$250,000. All cash balances are placed into overnight interest bearing accounts.

Fees

There were no fees, commissions or other charges paid to investment bankers, brokers, agents, or dealers for rendering investment related services to the Authority during the fiscal year and all investments are competitively bid. Consultant fees in the amounts of approximately \$342,204 to PFM Asset Management LLC were incurred the current year contract amount for professional money management advice to the Authority's Investment Committee.

APPENDIX C – BPCA FY2015 A Year in Review

Summary of Bond Market and Authority Portfolio Strategy

First Quarter: November 1, 2015 – January 31, 2015

Market Summary

Markets experienced heightened volatility, a continued strengthening of the U.S. dollar, and robust U.S. equity markets. Fourth-quarter gross domestic product (GDP) grew by 2.1%, after a strong third-quarter GDP figure of 4.3%, reflecting increases in personal consumption expenditures, exports, and federal, state, and local government spending, among other factors. The U.S. labor market continued to maintain its strength as the unemployment rate was steady at 5.7% in January. Additionally, 201,000 net new jobs were added to the U.S. economy in January. The Core Consumer Price Index, which measures inflation, increased 1.6% in January, but continues to undershoot the Fed's target of 2%.

The yield curve flattened over the quarter, as short and intermediate rates rose, while longer maturities saw downward pressure. The two-year Treasury reached 0.50% in late January, and the 10-year Treasury ended the month at 1.68%, down from 2.35% at the end of October 2015.

Portfolio Strategy Recap

- A large December net outflow in the 2003 Pledged Revenue Fund totaling approximately \$82 million had a significant impact on duration management as well as overall strategy during the quarter.
- As funds were deposited investments were made to match liquidity needs of the portfolio. When possible, investments were made to maximize the benefits of the steepness of the yield curve.
- The commercial paper market offered value compared to Treasury securities, and the Authority continued to utilize commercial paper in short-term portfolios. For example, the 2003 Project Operating Fund remained 100% allocated to high quality commercial paper during the quarter.
- The Authority's longer-term portfolios underperformed benchmarks during the quarter, which can be attributed to a short duration position relative to the benchmark as longer-term yields fell during the quarter.

Second Quarter: February 1, 2015 – April 30, 2015

Market Summary

Accommodative global central bank policies were a major driver of financial markets. The European Central Bank (ECB) initiated an asset purchase program similar to the Federal Reserve's (Fed's) quantitative easing (QE) policies that concluded the previous year, and the FOMC seemed to relax its stance on tightening monetary policy in the near future. At its March meeting, the FOMC removed the word "patient" from its previous statement, indicating that the current target range for the federal funds rate will be appropriate until the FOMC is "reasonably confident" that inflation is moving toward its 2% objective. The statement also implied that economic growth has been somewhat weaker than it was earlier in the year.

U.S. Treasury rates rose across the yield curve, with longer maturities increasing more than shorter maturities. The 10-year climbed 37 basis points to 2.10%, up from 1.73% at the start of the quarter. Additionally, after a brief period of recovery, oil prices headed toward the lower end of recent ranges.

For the fourth quarter ended December 31, 2015, GDP grew at a pace of 2.1%. The components of the GDP report showed that household spending rose to a nine-year high and that an increase in exports was offset by growth in inventories, which were weaker than previously expected.

The U.S. labor market continued to improve, as the unemployment rate fell from 5.7% in February to 5.4% in April. Additionally, consumer confidence for the first quarter reached its highest level since the second quarter

of 2007, as lower gasoline prices and an increase in personal income helped generate higher amounts of disposable income.

Portfolio Strategy Recap

- The short-term portfolios were structured to meet the unique liquidity needs of each. Liquidity considerations were the primary determinants of portfolio positioning. Where liquidity constraints permitted, portfolios were structured to take advantage of the steepness of the yield curve and maximize duration exposure.
- Commercial paper was utilized to take advantage of attractive yields compared to the Treasury sector.
- The Authority's Longer-Term portfolios outperformed their benchmarks due to a defensive duration position as rates rose during the quarter, favorable yield curve positioning, and sector diversification achieved through active management.

Third Quarter: May 1, 2015 – July 31, 2015

Market Summary

Throughout the third quarter, improving U.S. economic conditions contrasted with global economic uncertainty, particularly the deteriorating negotiations between Greece and its international creditors, which came to a vital impasse at the end of the quarter. Market participants continued to weigh the impact that adverse global economic conditions would have on the interest rate setting policies of the FOMC.

For the second quarter ended June 30, 2015, GDP increased by 3.9%, which was a favorable increase from the 0.6% growth for the first quarter ended March 31, 2015. The U.S. labor market continued to improve, as the unemployment rate fell from 5.4% in April to 5.3% in July. While robust headline job creation continued, some of the underlying metrics related to employment—particularly wage growth—were weak.

Greek-related tensions grew as the troubled nation missed a payment of 1.6 billion euros to the International Monetary Fund (IMF), and Greek voters overwhelmingly rejected austerity measures demanded by creditors as a condition for further financial assistance. These actions left open the possibility that Greece would abandon the euro and even leave the European Union.

The FOMC kept the federal funds target rate unchanged for the quarter. The timing for a potential interest rate hike became more uncertain due to the potential for the Greek debt crisis to affect the overall global economy.

Treasury yields rose slightly across the curve. For the quarter ended July 31, 2015, two- and three-year Treasuries both ended the quarter up 0.09%, and five- and 10-year Treasuries ended the quarter higher by 0.10% and 0.12%, respectively.

Portfolio Strategy Recap

- Credit securities remained our preferred vehicle for generating incremental income in a market environment constrained by low yields and narrow trading ranges.
- In the 2003 Pledged Revenue fund, net cash inflows of \$86 million, along with proceeds from maturing Treasuries of \$34 million, were invested in A-1+/A-1 commercial paper maturing in November 2015.
- Portfolio returns were slightly muted by modest increases in interest rates during the quarter. The portfolios outperformed benchmarks due to a defensive duration position, favorable yield curve positioning and sector diversification achieved through active management.

Fourth Quarter: August 1, 2015 – October 31, 2015

Market Summary

Weakness in emerging-markets economies changed market psychology, triggering heightened volatility and significant downward pressure on equity markets worldwide. The FOMC chose not to raise the federal funds target rate at either of its two meetings during the quarter, citing concern about “recent global economic and financial developments.”

Concern over Greece’s financial state in the previous quarter was quickly resolved, only to be superseded by growth concerns emanating from emerging-markets economies, especially China, Russia and Brazil. A slowdown in emerging markets also negatively impacted commodity, oil, and export-driven economies, such as Australia, Canada, and the oil states.

For the third quarter ended September 30, 2015 GDP grew at a 2.1% annualized pace, a decrease from the second quarter’s robust growth. The positive GDP growth reflected increases in PCE, government spending, and fixed investment. Job growth picked up in October 2015 with an addition of 298,000 jobs— a strong rebound from a third-quarter slump. The unemployment rate fell further to 5.0%, but the labor force participation rate remained at its lowest level since 1977.

Long-term Treasury yields remained flat throughout the quarter ended October 31, 2015. The yield on the 10-year U.S. Treasury lost 2 basis points (0.02%), ending the quarter just above 2.2%. Short-term Treasury yields ended higher for the quarter ended October 31, 2015. The 1-year climbed 11 basis points to 0.42%, and the 2-year climbed 8 basis points to 0.79%.

Portfolio Strategy Recap

- The Pledged Revenue portfolio was positioned to facilitate the movement of funds after the end of the fiscal year to other Authority portfolios. Most of the Authority’s exposure to commercial paper was concentrated in the Pledged Revenue fund to benefit from the attractive yield difference compared to Treasuries and Agencies.
- Short-term investment strategy was influenced by FOMC rate hike expectations.
- The majority of the Authority’s Longer-Term portfolios performed in line with or slightly underperformed their benchmarks during the quarter.
- Portfolio durations were generally shorter than benchmarks during most of the quarter, with portfolios generally positioned between 91-95% of the benchmark. The Insurance portfolios deviated from the strategy somewhat to ensure proper liquidity for potential insurance costs.

Portfolio Performance Update

FY 2015 total returns were strong for the Authority’s Short-Term investment strategies, outperforming the benchmark BAML 3-month US Treasury Bill Index return by an average of 16 basis points. The Authority’s Longer-Term investment strategies were mixed, with the majority of the funds underperforming by an average of 6 basis points. The Operating Reserve Contingency outperformed by 2 basis points, and the Insurance Fund underperformed by 18 basis points due to liquidity requirements, particularly in the fourth quarter. Over 3 years and since inception, the majority of the funds have outperformed their benchmarks. The Investment Committee was able to produce strong returns while maintaining a commitment to safety, liquidity, and long-term portfolio objectives.

	1 Year Ending October 31, 2015	3 Years Ending October 31, 2015	Since Inception
Short-Term Strategy:			
2003 Pledged Revenue	0.18%	0.13%	1.32%
2003 Project Operating Fund	0.16%	0.12%	1.31%
<i>BM: Merrill Lynch 3 Month US Treasury Bill Index</i>	0.01%	0.05%	1.24%
Long-Term Strategy:			
2003 Reserve Fund	1.37%	0.64%	3.90%
<i>BM: Merrill Lynch 1-5 Year US Treasury Note Index</i>	1.41%	0.52%	3.76%
BPCPC Operating Reserve Contingency Insurance Fund	2.09%	1.23%	4.32%
Operating Budget Reserve	2.01%	1.28%	4.46%
<i>BM: Merrill Lynch 1-10 Year US Treasury Note Index</i>	2.07%	1.04%	3.92%
BPCA Other Post Employment Benefits	2.00%	1.11%	3.33%
<i>BM: Merrill Lynch 1-10 Year US Treasury Note Index</i>	2.07%	1.04%	3.04%
BPCPC Other Post Employment Benefits	2.00%	1.13%	2.55%
<i>BM: Merrill Lynch 1-10 Year US Treasury Note Index</i>	2.07%	1.04%	2.65%

Notes:

1. Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
3. The total returns shown for periods longer than a year are the annualized returns for the stated period.
4. Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present.
 - Since inception performance for the BPCA Other Post Employment Benefits performance is calculated from January 31, 2008 to present.
 - Since inception performance for the BPCPC Other Post Employment Benefits performance is calculated from February 12, 2010 to present.

**APPENDIX D – SEE ATTACHED “REVIEW OF INVESTMENT PERFORMANCE
QUARTER ENDED OCTOBER 31, 2015 REPORT”**



HUGH L. CAREY
BATTERY PARK
CITY AUTHORITY

Hugh L. Carey Battery Park City Authority

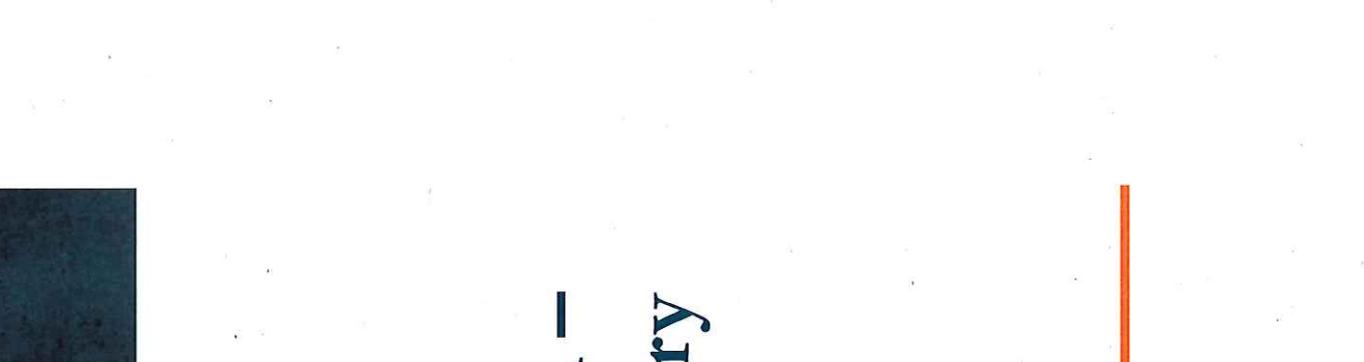
Review of Investment Performance
Quarter Ended October 31, 2015



PFM Asset Management LLC

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- C. Performance Attributes
- D. Market Commentary



**Section A –
Executive Summary**

Performance Overview

	Past Quarter	Past 12 Months	Past 3-Years	Since Inception
Short-Term Strategy:				
2003 Pledged Revenue	0.06%	0.18%	0.13%	1.32%
2003 Project Operating Fund	0.05%	0.16%	0.12%	1.31%
BM: Merrill Lynch 3 Month US Treasury Bill Index	0.01%	0.01%	0.05%	1.24%
Long-Term Strategy:				
2003 Reserve Fund	0.28%	1.37%	0.64%	3.90%
BM: Merrill Lynch 1-5 Year US Treasury Note Index	0.29%	1.41%	0.52%	3.76%
BPCPC Operating Reserve Contingency Insurance Fund	0.54%	2.09%	1.23%	4.32%
Operating Budget Reserve	0.38%	1.88%	0.99%	4.30%
BM: Merrill Lynch 1-10 Year US Treasury Note Index	0.42%	2.01%	1.28%	4.46%
BPCA Other Post Employment Benefits	0.49%	2.07%	1.04%	3.92%
BM: Merrill Lynch 1-10 Year US Treasury Note Index	0.46%	2.00%	1.11%	3.33%
BPCPC Other Post Employment Benefits	0.49%	2.07%	1.04%	3.04%
BM: Merrill Lynch 1-10 Year US Treasury Note Index	0.48%	2.00%	1.13%	2.55%
BM: Merrill Lynch 1-10 Year US Treasury Note Index	0.49%	2.07%	1.04%	2.65%

Notes:

1. Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
2. Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present.
3. For the 'Reserve Fund,' the inception of the BAML 1-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BAML 1-10 Year Treasury Index was utilized.
4. Since inception performance for the 'BPCA Other Post Employment Benefits' is calculated from January 31, 2008 to present.
5. Since inception performance for the 'BPCPC Other Post Employment Benefits' is calculated from February 12, 2010 to present.

Portfolio Summary

Portfolios are in compliance with the Authority's investment policy, diversified by sector and issuer, and are of high credit quality.

Short-Term Funds

- The Authority's Short-Term portfolios outperformed the benchmark return for the quarter.
 - The short-term portfolios are structured to meet the unique liquidity needs of each. Liquidity considerations are the primary determinant of portfolio positioning.
 - During the quarter the Pledged Revenue portfolio was positioned to facilitate the movement of funds after the end of the fiscal year to other Authority portfolios. Most of the Authority's exposure to commercial paper was concentrated in the Pledged Revenue fund to benefit from the attractive yield difference compared to Treasuries and Agencies.
 - Short-term investment strategy has been and will continue to be influenced by expectations that the FOMC may raise rates in the near future. The shape of the short-end of the yield curve will likely fluctuate as FOMC expectations change.
 - Since inception, the Short-Term portfolios have outperformed the benchmark by an average of 7 basis points per year.

Longer-Term Funds

- The majority of the Authority's Longer-Term portfolios performed in line with or slightly underperformed their benchmarks during the quarter.
- Interest rates were volatile during the quarter, but were little changed. For example the yield of the 5-year Treasury was unchanged and 10-year Treasury yields decreased by 2 basis points.
- Portfolio durations were generally shorter than benchmarks during most of the quarter, with portfolios generally positioned between 91-95% of the benchmark. The Insurance portfolios deviated from the strategy somewhat to ensure proper liquidity for potential insurance costs.

Portfolio Value – Strategy Level

	October 31, 2015		July 31, 2015		Change in Strategy Value Summary					
	Market Value	Effective Duration	% of Total Portfolio	Market Value	Effective Duration	% of Total Portfolio	Net Cash Flows	Market Value Change	Change in Cash Balance	(+/-)
Total Return Accounts										
Longer Term Investment Strategy	\$133,767,493	2.95	32.5%	\$139,150,711	3.01	30.1%	(\$6,040,609)	(\$5,383,218)	(\$113,811)	\$543,580
Short Term Investment Strategy	\$169,374,426	0.03	41.2%	\$142,702,837	0.28	30.9%	\$26,546,134	\$26,671,589	(\$30,507)	\$94,948
Subtotal of Total Return	\$303,141,918	1.32	73.7%	\$281,853,547	1.63	60.9%	\$20,505,525	\$21,288,371	(\$144,318)	\$638,528
Other BPCA Accounts										
Subtotal of Other BPCA Accounts	\$108,132,707	0.60	26.3%	\$180,612,867	0.53	39.1%	(\$6,933,163)	(\$72,480,160)	\$65,623,197	\$76,200
Grand Total BPCA Portfolio	\$411,274,625	1.13	100.0%	\$462,466,414	1.20	100.0%	\$13,572,362	(\$51,191,789)	\$65,478,879	\$714,728

Notes:
 1. "Market Value" includes accrued interest, but does not include cash balances held at the bank.

Portfolio Value - Account Level

Longer Term Investment Strategy	October 31, 2015		July 31, 2015		Change in Account Value Summary		
	Market Value	Effective Duration	Market Value	Effective Duration	Net Cash Flows	Market Value Change	Change in Cash Balance
Total Return Accounts							
2003 Reserve Fund	\$70,662,672	2.44	\$71,717,864	2.51	(\$1,310,000)	(\$51,115)	\$204,193
BPCPC Operating Reserve Contingency	\$15,432,436	3.56	\$20,000,000	3.56	(\$5,567,564)	(\$20,452)	\$122,543
Insurance Fund	\$5,535,021	2.83	\$9,319,862	3.53	\$1,000,000	(\$10,120)	\$20,879
Operating Budget Reserve	\$9,372,462	3.55	\$20,790,459	3.55	\$0	(\$18,719)	\$31,976
BPCA Other Post Employment Benefits	\$21,694,286	3.62	\$12,802,953	3.53	\$1,000,000	(\$1,141)	\$31,976
BPCPC Other Post Employment Benefits	\$12,873,614	3.58	\$12,802,953	3.53	\$0	(\$7,661)	\$62,115
Short Term Investment Strategy							
2003 Pledged Revenue	\$161,762,990	0.03	\$135,644,910	0.28	\$26,002,013	(\$23,677)	\$92,990
2003 Project Operating Fund	\$7,611,435	0.05	\$7,057,926	0.13	\$544,121	(\$6,830)	\$2,558
Subtotal of Total Return Accounts	\$303,141,918	1.32	\$281,853,647	1.63	\$20,505,525	(\$144,318)	\$638,528
Other BPCA Accounts							
Liberty Ten Manners Cove-K	\$286,042	0.79	\$286,042	0.64	\$0	(\$300)	\$16
Liberty House Manners J	\$234,427	0.67	\$234,427	0.67	\$0	(\$216)	\$24
Reclor Park L	\$31,884	0.79	\$31,884	1.04	\$0	\$22	\$22
Hudson View W Towers G	\$164,810	0.41	\$164,810	0.79	\$0	(\$334)	(\$51)
Hudson Towers E/F	\$200,361	0.79	\$200,764	0.42	\$0	(\$403)	\$343
Hudson View Towers C	\$176,437	0.79	\$176,788	0.42	\$0	(\$351)	(\$52)
Liberty Ct Manners Cove B	\$684,027	0.79	\$683,539	0.68	\$0	(\$489)	\$70
Millenium	\$3,522,771	0.79	\$3,523,910	0.42	\$0	(\$1,139)	\$62
Liberty Battery Place Assoc 4	\$421,647	0.79	\$422,450	0.44	\$0	(\$803)	\$693
South Cove Assoc 11	\$382,780	0.79	\$383,556	0.42	\$0	(\$776)	\$559
Soundings Reclor Park A	\$204,349	0.79	\$204,764	0.41	\$0	(\$415)	(\$63)
The Regatta Site 10	\$455,513	0.79	\$457,439	0.42	\$0	(\$894)	(\$143)
Corporate Funds	\$2,647,996	0.49	\$1,956,995	0.34	\$949,761	\$603	\$163
2000 Arbitrage Rebate	\$59,896	0.03	\$59,896	0.28	\$0	\$0	\$0
1983 Unpledged Revenue	\$69,896	0.03	\$79,841	0.28	\$314,355	\$486	\$24
2003 Residual Fund	\$117,000	0.03	\$116,975	0.28	\$0	\$24	\$24
Joint Purpose Fund	\$9,000	0.03	\$8,998	0.28	\$0	\$2	\$2
Debt Service Junior Payments	\$1,037,874	0.22	\$1,320,984	0.48	(\$282,696)	\$1,098	\$684
2003 Debt Service Senior Payments	\$372,125	0.01	\$29,705,758	0.25	(\$1,018,127)	\$28,530,271	\$10,638
BPCPC Operating Reserve	\$979,583	1.28	\$33,442,395	0.27	\$0	(\$33,070,270)	\$13,222
BPCA Millennium Tower Security Fund	\$2,941,623	0.79	\$977,168	1.43	\$0	\$2,415	\$1,375
BPCA S 16/17 Riverhouse Security Fund	\$6,246,471	0.79	\$2,942,681	0.42	\$0	(\$958)	(\$898)
BPCA Goldman Sachs Liberty Contribution Fund	\$0	0.00	\$6,247,385	0.55	\$0	(\$915)	(\$526)
BPCA Visionaire Security Fund	\$3,808,601	0.79	\$3,808,752	0.51	\$0	\$0	\$0
BPCA Series 2009A Project Costs	\$10,603,790	0.33	\$11,468,213	0.34	(\$631,630)	(\$151)	(\$565)
BPCA Series 2009B Project Costs	\$1,519,971	0.08	\$1,548,593	0.33	(\$23,622)	(\$240,080)	\$7,286
BPCA Plar A Security Deposit Account	\$400,599	0.79	\$400,658	0.85	\$0	(\$60)	\$378
BPCA One Reclor Park Security Fund	\$932,936	0.79	\$932,279	0.55	\$0	\$215	\$155
BPCA Reclor Square Security Fund Site D	\$215,314	0.79	\$215,754	0.41	\$0	(\$343)	\$260
BPCA Insurance Advance	\$0	0.00	\$0	0.00	\$0	(\$440)	(\$67)
BPCA WFC TOWER C RETAIL RENT ESCROW	\$243,116	0.79	\$242,945	1.04	\$0	\$0	\$171
BPCA2013ACDE COI SUB AC	\$0	0.00	\$0	0.00	\$0	\$0	\$0
BPCA2013B COI SUB AC	\$0	0.00	\$0	0.00	\$0	\$0	\$0
BPCA2013ACDE PROJ COST SUB AC	\$61,697,427	0.59	\$71,510,434	0.76	(\$6,087,194)	\$3,767,592	\$41,779
BPCA2013B PROJ COSTS SUB AC	\$334,990	0.41	\$52,842	0.36	(\$198,471)	(\$490)	\$129
BPCA RIVER & WARREN SEC FUND - SITE 18A	\$5,750,080	0.79	\$5,746,040	1.04	\$0	\$4,040	\$4,040
BPCA NORTH COVE MARINA SECURITY FUND	\$49,819	0.79	\$0	0.00	\$50,000	\$205	\$23
Subtotal of Other BPCA Accounts	\$108,132,707	0.60	\$180,612,867	0.53	(\$5,933,163)	(\$72,460,160)	\$65,623,197

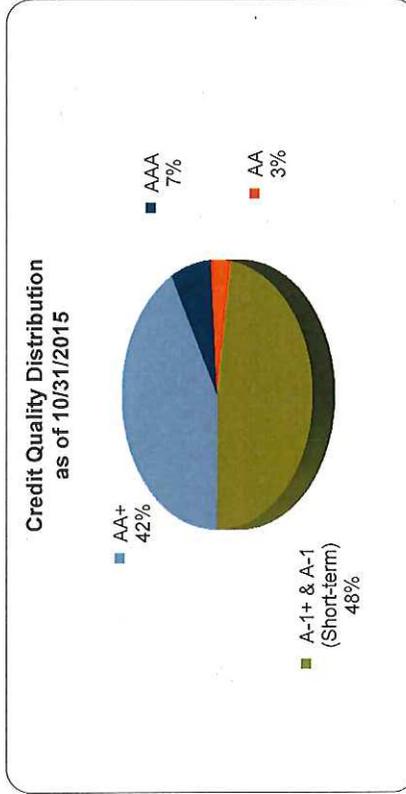
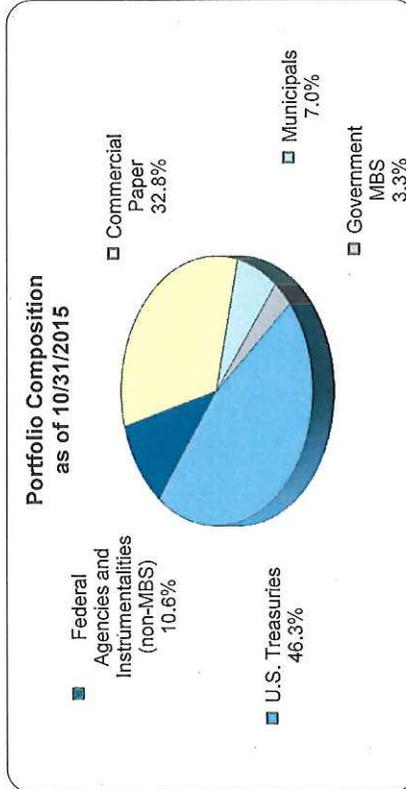
Notes:
 1. "Market Value" includes accrued interest, but does not include cash balances held at the bank.
 2. During the quarter, large weekend maturities in Debt Service Senior Payments, and 2013 ACDE Project accounts caused large decreases in shown market value with offsetting increases in cash balances.



Section B – Summary of Aggregate Portfolio

Aggregate Portfolio Composition and Credit Quality

Security Type ¹	October 31, 2015		July 31, 2015		Effective	
	Amount	% of Portfolio	Amount	% of Portfolio	Duration	Duration
U.S. Treasuries	\$190,380,070	46.3%	\$269,895,570	58.4%	1.50	1.24
Federal Agencies and Instrumentalities (non-MBS)	\$43,729,452	10.6%	\$22,728,632	4.9%	1.41	2.61
Commercial Paper	\$134,695,588	32.8%	\$126,509,286	27.4%	0.03	0.28
Municipals	\$28,733,836	7.0%	\$28,966,896	6.3%	2.09	2.32
Government MBS	\$13,735,679	3.3%	\$14,366,030	3.1%	3.83	3.95
Totals	\$411,274,625	100.0%	\$462,466,414	100.0%	1.13	1.20



Notes:
 1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
 2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

Aggregate Portfolio Issuer Breakdown

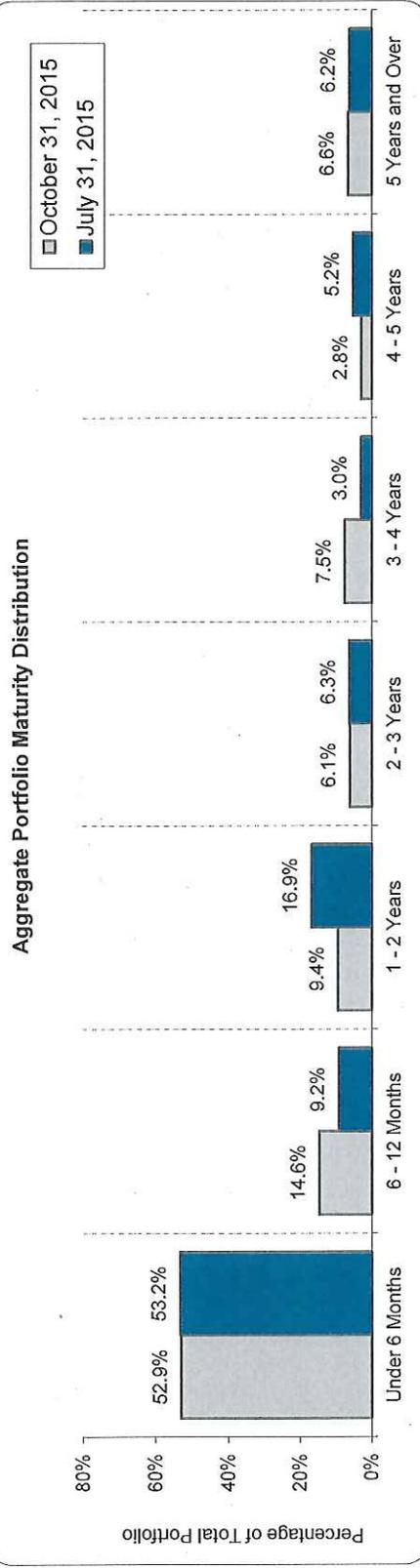
Security Type	October 31, 2015	% of Portfolio	July 31, 2015	% of Portfolio	QoQ % Change
United States Treasury²					
U.S. Treasury	\$190,380,070	46.3%	\$269,895,570	58.4%	(12.1%)
Ginnie Mae	\$7,873,681	1.9%	\$8,206,070	1.8%	0.1%
Small Business Administration	\$2,973,835	0.7%	\$2,950,599	0.6%	0.1%
Federal Agencies and Instrumentalities (Includes Mortgaged-Backed Securities)²					
Freddie Mac	\$3,502,250	0.9%	\$6,862,608	1.5%	(0.6%)
Fannie Mae	\$17,228,905	4.2%	\$1,926,316	0.4%	3.8%
Federal Home Loan Bank	\$7,803,743	1.9%	\$0	0.0%	1.9%
International Bank of Recon and Development	\$11,667,931	2.8%	\$10,741,735	2.3%	0.5%
Asian Development Bank	\$3,001,922	0.7%	\$2,990,821	0.6%	0.1%
African Development Bank	\$3,412,864	0.8%	\$3,416,514	0.7%	0.1%
Commercial Paper²					
Canadian Imperial Bank of Commerce	\$21,949,815	5.3%	\$21,934,317	4.7%	0.6%
Exxon Mobil Corporation	\$21,999,054	5.3%	\$21,985,194	4.8%	0.6%
General Electric Capital Corporation	\$19,033,182	4.6%	\$20,020,745	4.3%	0.3%
General Electric Company	\$1,569,932	0.4%	\$0	0.0%	0.4%
HSBC USA Inc.	\$19,998,780	4.9%	\$19,983,820	4.3%	0.5%
Prudential Funding LLC	\$8,068,378	2.0%	\$4,498,545	1.0%	1.0%
Toyota Motor Credit Corporation	\$19,442,420	4.7%	\$16,245,374	3.5%	1.2%
US Bank NA	\$22,634,027	5.5%	\$21,841,291	4.7%	0.8%
Municipal Issuers²					
Georgia State	\$3,239,803	0.8%	\$3,251,123	0.7%	0.1%
Nassau County, New York	\$3,035,698	0.7%	\$3,041,758	0.7%	0.1%
New York City	\$13,916,032	3.4%	\$14,036,685	3.0%	0.3%
New York City Transitional Finance Authority	\$4,326,871	1.1%	\$4,371,571	0.9%	0.1%
New York State	\$4,215,433	1.0%	\$4,265,759	0.9%	0.1%
TOTAL	\$411,274,625	100.0%	\$462,466,414	100.0%	

Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Pursuant to the Authority's Investment Policy, investments in obligations other than those backed by the full faith and credit of the U.S. Government are limited to the following: (1) Federal Agencies - \$250 million per issuer, (2) Commercial Paper - the lesser of 5% or \$250 million per issuer, (3) Bankers' Acceptances - the lesser of 5% or \$250 million per issuer and (4) Municipal Bonds - 10%.
- All Commercial Paper issuers remain within the 5% per issuer limit when including BPCA's \$65 million cash balance in total assets.

Aggregate Portfolio Maturity Structure

Security Type ¹	October 31, 2015	% of Portfolio	July 31, 2015	% of Portfolio	QoQ % Change
Under 6 Months	\$217,417,327	52.9%	\$245,951,451	53.2%	(0.3%)
6 - 12 Months	\$60,221,904	14.6%	\$42,612,604	9.2%	5.4%
1 - 2 Years	\$38,787,086	9.4%	\$78,002,099	16.9%	(7.4%)
2 - 3 Years	\$25,256,174	6.1%	\$28,941,525	6.3%	(0.1%)
3 - 4 Years	\$30,870,864	7.5%	\$13,891,208	3.0%	4.5%
4 - 5 Years	\$11,705,801	2.8%	\$24,170,270	5.2%	(2.4%)
5 Years and Over	\$27,015,470	6.6%	\$28,897,257	6.2%	0.3%
Totals	\$411,274,625	100.0%	\$462,466,414	100.0%	



Notes:
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Statement of Broker Trades

Direct Issuers	Quarterly Trades	Quarterly Par Amount	Cumulative Trades	Cumulative Par Amount
Exxon Mobil Corp	-	-	4	58,705,000
General Electric Corp	1	1,570,000	8	69,338,000
Toyota Motor Credit Corp.	3	4,187,000	13	62,693,000
US Bank	3	779,000	18	90,737,000
Total	7	6,536,000	43	281,473,000

Broker/Dealers	Quarterly Trades	Quarterly Par Amount	Cumulative Trades	Cumulative Par Amount
Bank of New York	-	-	10	472,595
Barclays Capital, Inc.	32	19,818,000	71	60,614,000
BMO Capital Markets	2	2,250,000	3	2,650,000
BNP Paribas Securities Corp.	3	2,300,000	13	46,590,000
CIBC World Markets Corp.	-	-	8	63,506,000
Citigroup Global Markets, Inc.	25	31,093,000	187	240,153,437
Credit Suisse Securities (USA) LLC	-	-	4	500,000
Daiwa Securities Group	2	21,780,000	2	21,780,000
FTN Financial	-	-	11	32,396,684
Goldman, Sachs & Co.	-	-	27	2,202,882
HSBC Securities (USA) Inc.	5	6,575,000	10	38,660,000
J. P. Morgan Securities LLC	7	12,492,000	47	57,978,806
Jefferies & Company, Inc.	13	14,434,000	18	14,774,000
Merrill Lynch, Pierce, Fenner & Smith Inc.	8	7,722,000	97	174,084,000
Mizuho Securities USA, Inc.	1	900,000	1	900,000
Morgan Stanley & Co., Inc.	43	26,549,000	154	90,878,000
Nomura Securities USA, Inc.	5	1,954,000	12	3,458,638
Prudential Funding Corp.	29	45,654,000	123	208,173,000
RBC Capital Markets, LLC.	5	23,073,000	99	154,695,000
RBS Securities, Inc.	10	7,070,000	36	157,486,000
UBS Securities, LLC	1	145,000	2	19,304,000
Wells Fargo Securities, LLC	1	191,000	49	82,408,000
Total	192	224,000,000	984	1,473,664,042

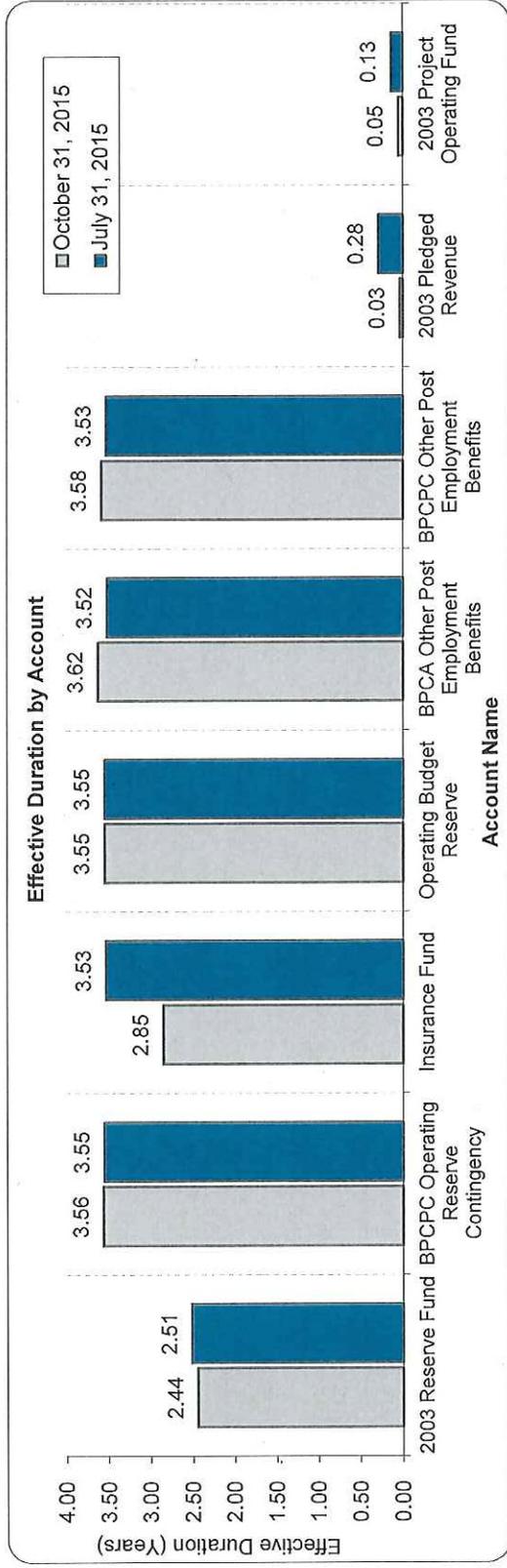
Quarterly Trades	Quarterly Par Amount	Cumulative Trades	Cumulative Par Amount
199	230,536,000	1027	1,755,137,042



Section C – Performance Attributes

Total Return Portfolio Attributes

Yields	Effective Duration (in years)		Yield To Maturity - At Market		Yield To Maturity - On Cost	
	October 31, 2015	July 31, 2015	October 31, 2015	July 31, 2015	October 31, 2015	July 31, 2015
Longer Term Investment Strategy						
2003 Reserve Fund	2.44	2.51	1.13%	1.10%	1.63%	1.64%
BPCPC Operating Reserve Contingency	3.56	3.55	1.53%	1.40%	2.22%	1.95%
Insurance Fund	2.85	3.53	1.11%	1.32%	1.44%	1.71%
Operating Budget Reserve	3.55	3.55	1.42%	1.40%	2.05%	2.07%
BPCA Other Post Employment Benefits	3.62	3.52	1.38%	1.34%	1.89%	1.85%
BPCPC Other Post Employment Benefits	3.58	3.53	1.36%	1.32%	1.77%	1.72%
Short Term Investment Strategy						
2003 Pledged Revenue	0.03	0.28	0.11%	0.23%	0.20%	0.21%
2003 Project Operating Fund	0.05	0.13	0.13%	0.14%	0.13%	0.18%





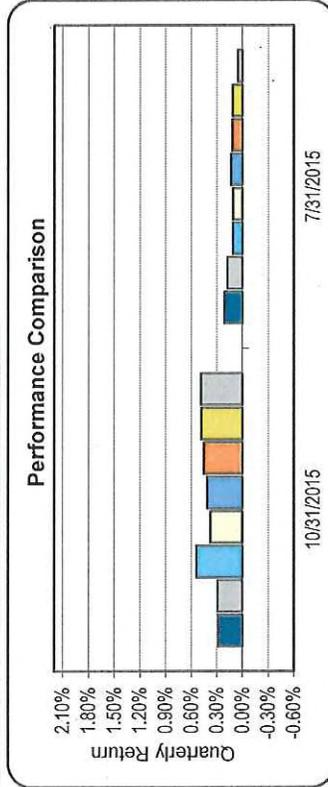
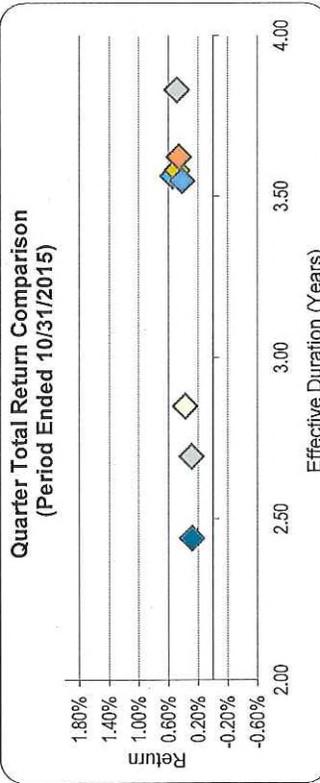
Portfolios Managed with a Longer-Term Investment Strategy

Longer-Term Investment Strategy

	October 31, 2015	Annualized Quarter	Annualized Since Inception
Total Return ^{1,2,4,5}			
2003 Reserve Fund	0.28%	1.12%	3.90%
BM: Merrill Lynch 1-5 Year US Treasury Note Index	0.29%	1.16%	3.76%
BPCPC Operating Reserve Contingency	0.54%	2.18%	4.32%
Insurance Fund	0.38%	1.51%	4.30%
Operating Budget Reserve	0.42%	1.66%	4.46%
BM: Merrill Lynch 1-10 Year US Treasury Note Index	0.49%	1.95%	3.92%
BPCA Other Post Employment Benefits	0.46%	1.83%	3.33%
BM: Merrill Lynch 1-10 Year US Treasury Note Index	0.49%	1.95%	3.04%
BPCPC Other Post Employment Benefits	0.48%	1.94%	2.55%
BM: Merrill Lynch 1-10 Year US Treasury Note Index	0.49%	1.95%	2.65%

Effective Duration (in years)³

	October 31, 2015	July 31, 2015
2003 Reserve Fund	2.44	2.51
BM: Merrill Lynch 1-5 Year US Treasury Note Index	2.69	2.62
BPCPC Operating Reserve Contingency	3.56	3.55
Insurance Fund	2.85	3.53
Operating Budget Reserve	3.55	3.55
BPCA Other Post Employment Benefits	3.62	3.52
BPCPC Other Post Employment Benefits	3.58	3.53
BM: Merrill Lynch 1-10 Year US Treasury Note Index	3.83	3.77



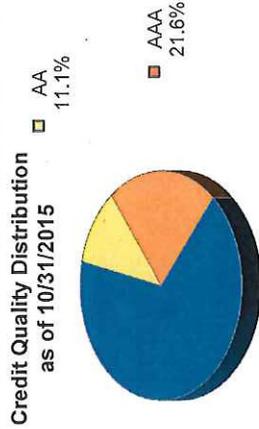
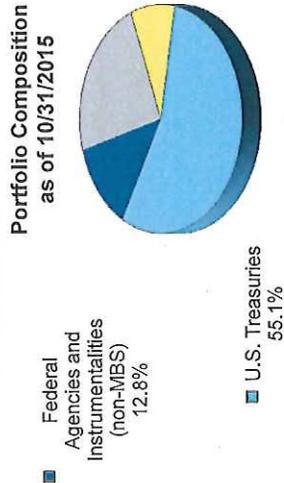
Notes:

- Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
- Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
- Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
- Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
- Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present. For the 'Reserve Fund', the inception of the BAML 4-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BAML 1-10 Year Treasury Index was utilized. Since inception performance for the 'BPCA Other Post Employment Benefits' is calculated from January 31, 2008 to present. Since inception performance for the 'BPCPC Other Post Employment Benefits' is calculated from February 12, 2010 to present.

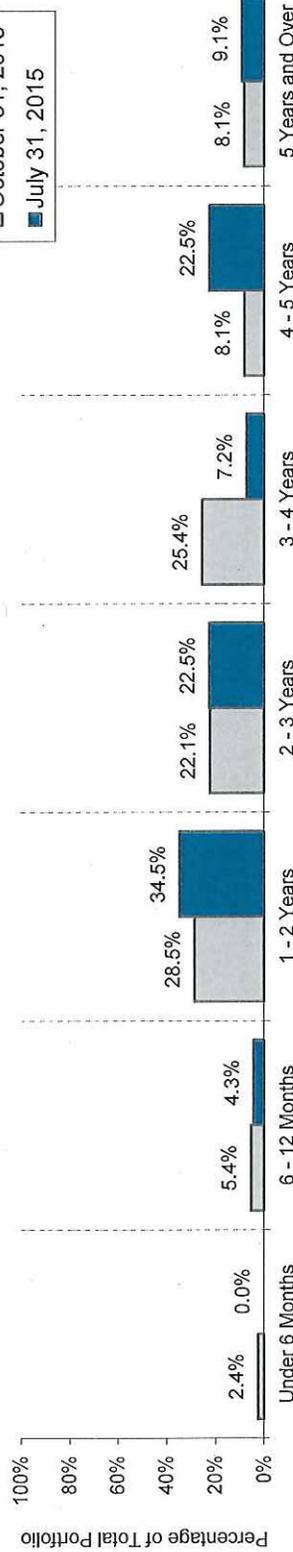
2003 Reserve Fund Portfolio

Security Type ¹	October 31, 2015	July 31, 2015	% of Portfolio	GoQ % Change
U.S. Treasuries	\$38,919,306	\$37,327,933	55.1%	(1.7%)
Federal Agencies and Instrumentalities (non-MBS)	\$9,010,451	\$11,207,784	12.8%	(4.3%)
Commercial Paper	\$0	\$0	0.0%	0.0%
Municipal Obligations	\$16,541,421	\$16,674,933	23.4%	(2.0%)
Government MBS	\$6,191,494	\$481,396	8.8%	8.0%

Totals \$70,662,672 100.0% \$65,692,047 100.0%



2003 Reserve Fund Portfolio Maturity Distribution

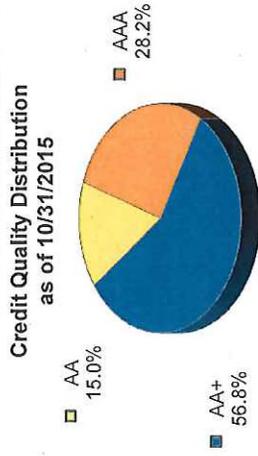
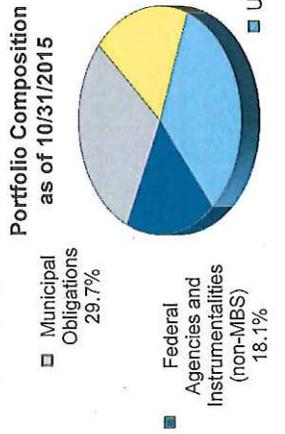


Notes:

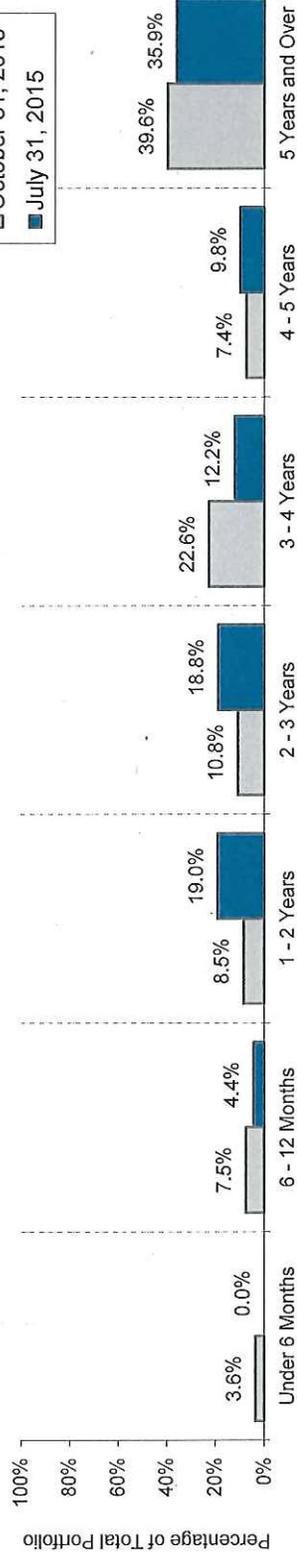
- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

BPCPC Operating Reserve Contingency Portfolio

Security Type ¹	October 31, 2015	% of Portfolio	July 31, 2015	% of Portfolio	QoQ % Change
U.S. Treasuries	\$4,446,031	33.1%	\$10,002,632	55.2%	(22.1%)
Federal Agencies and Instrumentalities (non-MBS)	\$2,428,383	18.1%	\$3,309,387	18.3%	(0.2%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$3,994,762	29.7%	\$4,027,372	22.2%	7.5%
Government MBS	\$2,563,262	19.1%	\$788,422	4.3%	14.7%
Totals	\$13,432,438	100.0%	\$18,127,813	100.0%	



BPCPC Operating Reserve Contingency Portfolio Maturity Distribution

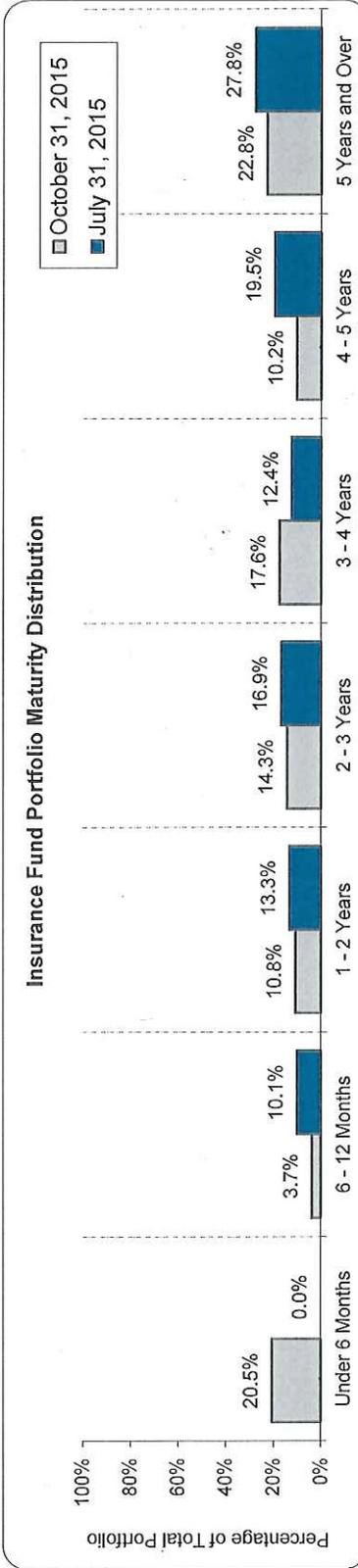
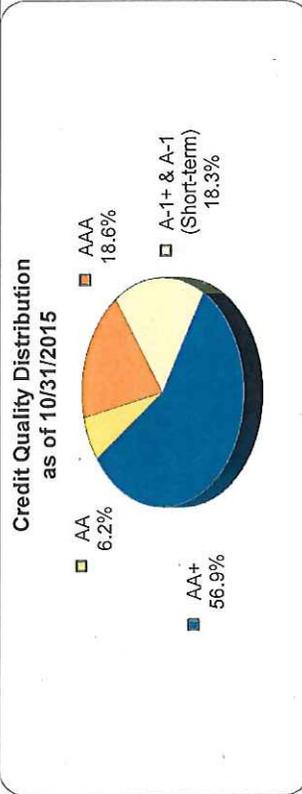
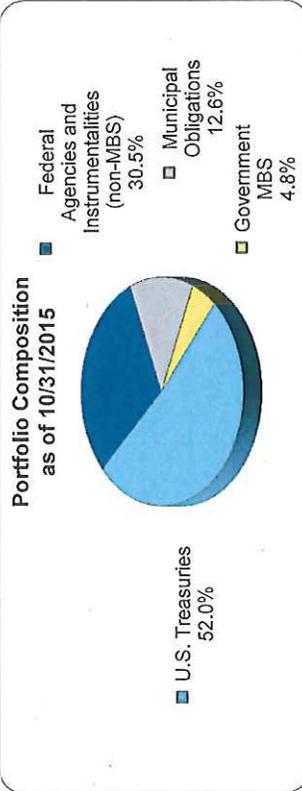


Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

Insurance Fund Portfolio

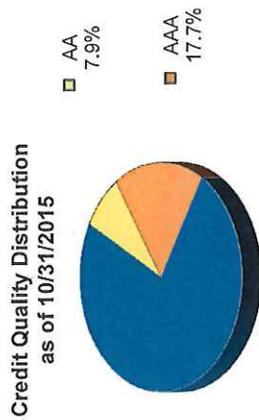
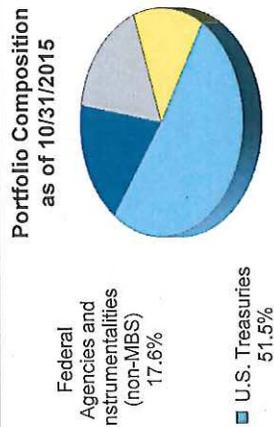
Security Type ¹	October 31, 2015	July 31, 2015	% of Portfolio	QoQ % Change
U.S. Treasuries	\$2,881,061	\$2,836,103	52.0%	67.2%
Federal Agencies and Instrumentalities (non-MBS)	\$1,688,878	\$677,610	30.5%	16.1%
Commercial Paper	\$0	\$0	0.0%	0.0%
Municipal Obligations	\$699,149	\$705,685	12.6%	16.7%
Government MBS	\$266,933	\$0	4.8%	0.0%
Totals	\$5,536,021	\$4,219,398	100.0%	100.0%



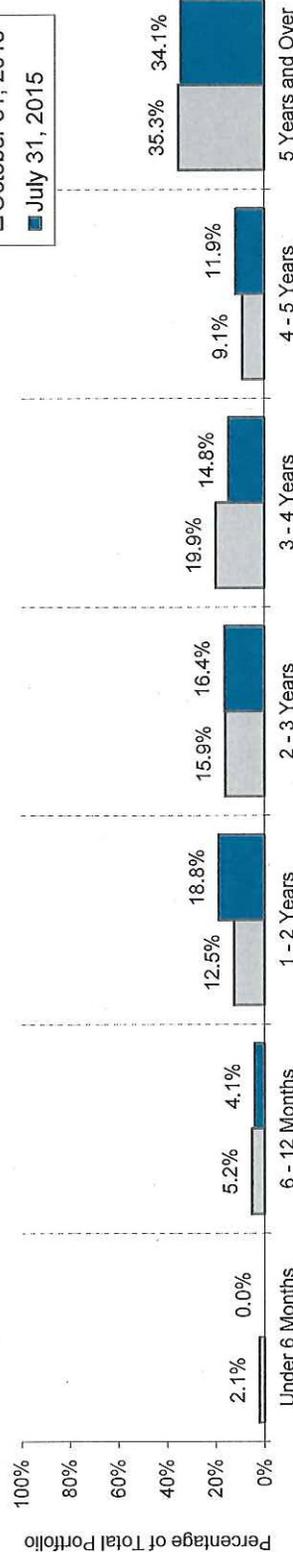
Notes:
 1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
 2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

Operating Budget Reserve Portfolio

Security Type ¹	October 31, 2015	% of Portfolio	July 31, 2015	% of Portfolio	QoQ % Change
Federal Agencies and Instrumentalities (non-MBS)	\$4,828,092	51.5%	\$4,542,266	54.7%	(3.2%)
Commercial Paper	\$1,648,868	17.6%	\$1,779,147	21.4%	(3.8%)
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$1,602,255	17.1%	\$1,614,441	19.4%	(2.4%)
	\$1,293,247	13.8%	\$366,073	4.4%	9.4%
Totals	\$9,372,462	100.0%	\$8,301,926	100.0%	



Operating Budget Reserve Portfolio Maturity Distribution



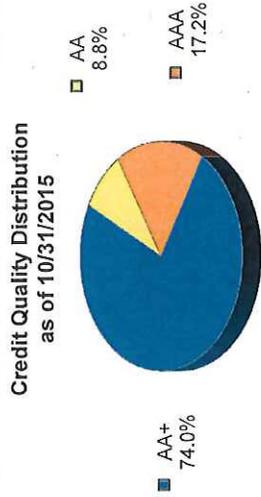
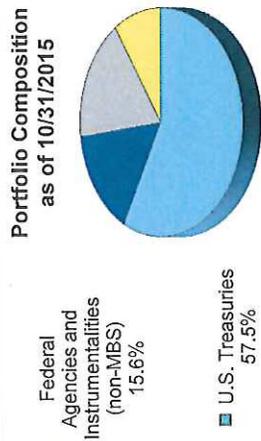
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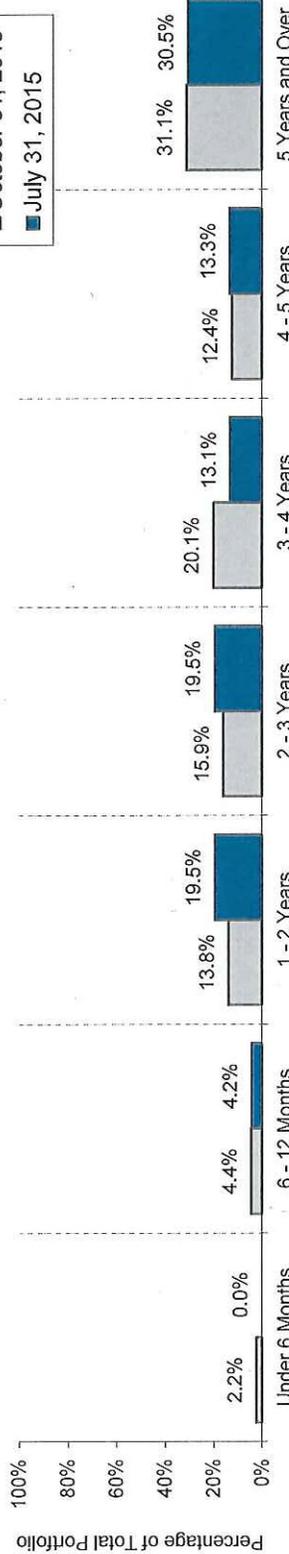
BPCA OPEB Portfolio

Security Type ¹	October 31, 2015	% of Portfolio	July 31, 2015	% of Portfolio	QoQ % Change
Federal Agencies and Instrumentalities (non-MBS)	\$12,575,399	57.5%	\$11,380,452	58.4%	(1.0%)
U.S. Treasuries	\$3,405,988	15.6%	\$3,419,340	17.6%	(2.0%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$3,837,643	17.5%	\$3,868,324	19.9%	(2.3%)
Government MBS	\$2,065,256	9.4%	\$812,252	4.2%	5.3%

Totals \$21,884,286 100.0% \$19,480,367 100.0%



BPCA Other Post Employment Benefits Portfolio Maturity Distribution

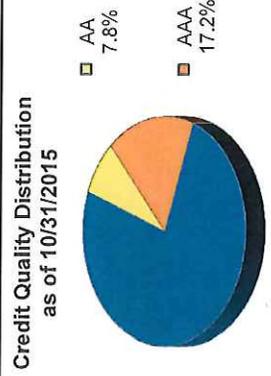
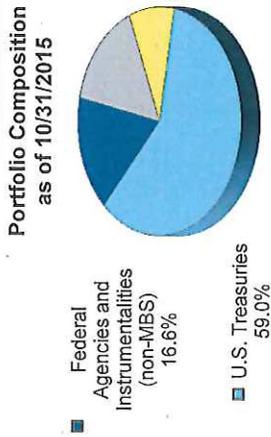


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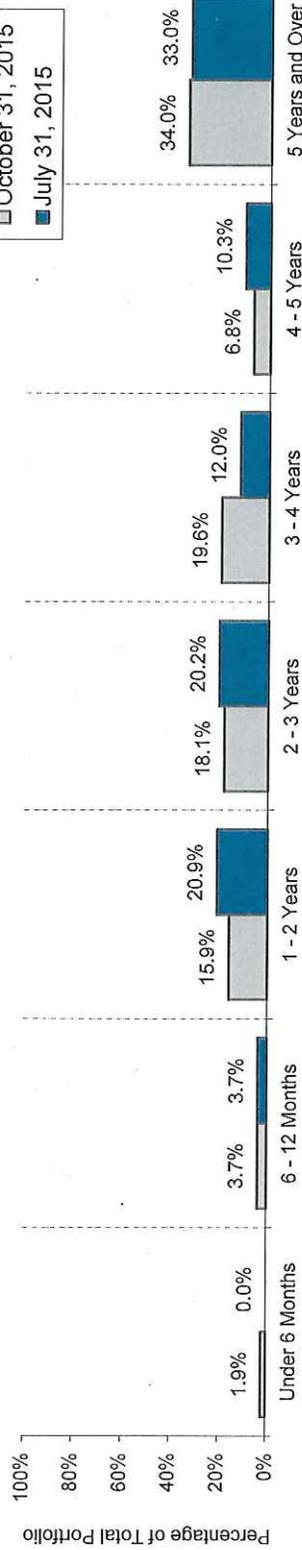
- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

BPCPC OPEB Portfolio

Security Type	October 31, 2015	July 31, 2015	% of Portfolio	QoQ % Change
Federal Agencies and Instrumentalities (non-MBS)	\$7,601,204	\$7,478,080	61.7%	(2.6%)
Commercial Paper	\$2,133,557	\$2,138,537	17.6%	(1.1%)
Municipal Obligations	\$0	\$0	0.0%	0.0%
Government MBS	\$1,993,553	\$2,010,092	16.6%	(1.1%)
	\$1,151,299	\$502,456	4.1%	4.8%
Totals	\$12,879,614	\$12,129,165	100.0%	100.0%



BPCPC Other Post Employment Benefits Portfolio Maturity Distribution



Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
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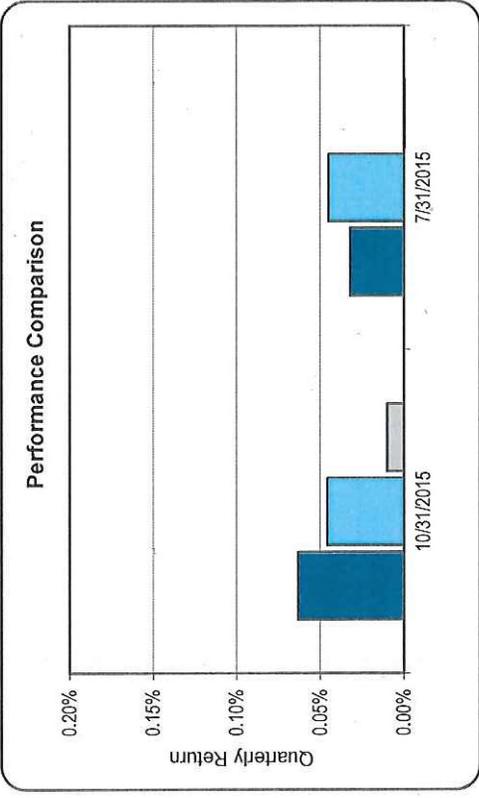
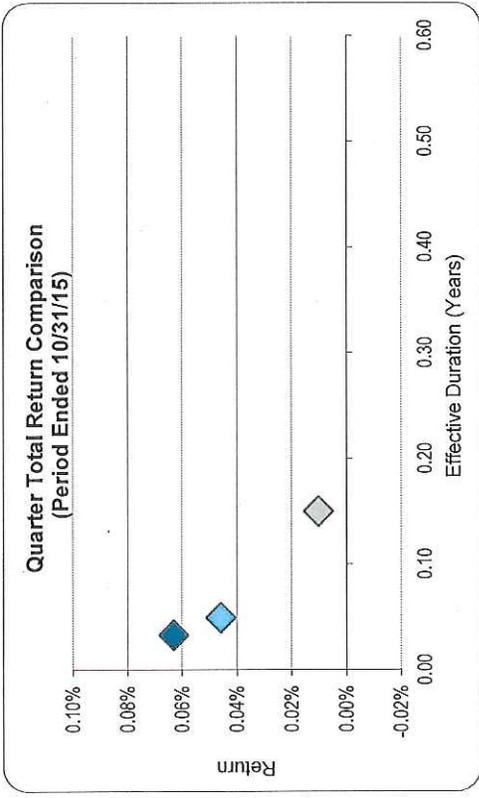


Portfolios Managed with a Shorter-Term Investment Strategy

Shorter-Term Investment Strategy

Total Return ^{1,2,4,5}	October 31, 2015	Annualized Quarter	Annualized Since Inception
■ 2003 Pledged Revenue	0.06%	0.25%	1.32%
■ 2003 Project Operating Fund	0.05%	0.18%	1.31%
■ BM: Merrill Lynch 3 Month US Treasury Bill Index	0.01%	0.04%	1.24%

Effective Duration (in years) ³	October 31, 2015	July 31, 2015
■ 2003 Pledged Revenue	0.03	0.28
■ 2003 Project Operating Fund	0.05	0.13
■ BM: Merrill Lynch 3-Month US Treasury Bill Index	0.15	0.15



Notes:

- Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
- Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
- Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
- Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only.
- The actual annual return will be the result of chaining the most recent four quarterly returns.
- Since inception performance is calculated from January 31, 2006 to present.

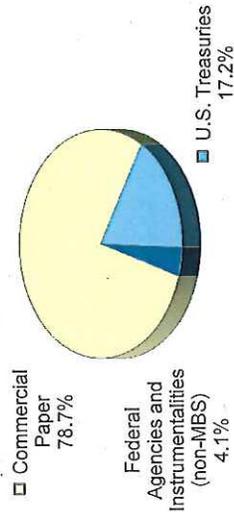
2003 Pledged Revenue Portfolio

Security Type ¹	October 31, 2015	% of Portfolio	July 31, 2015	% of Portfolio	QoQ % Change
Federal Agencies and Instrumentalities (non-MBS)	\$27,772,917	17.2%	\$15,633,716	11.5%	5.6%
U.S. Treasuries	\$6,641,930	4.1%	\$0	0.0%	4.1%
Commercial Paper	\$127,348,144	78.7%	\$120,011,194	88.5%	(9.7%)
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%

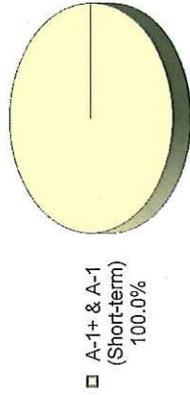
Totals

\$161,762,990 100.0% \$135,644,910 100.0%

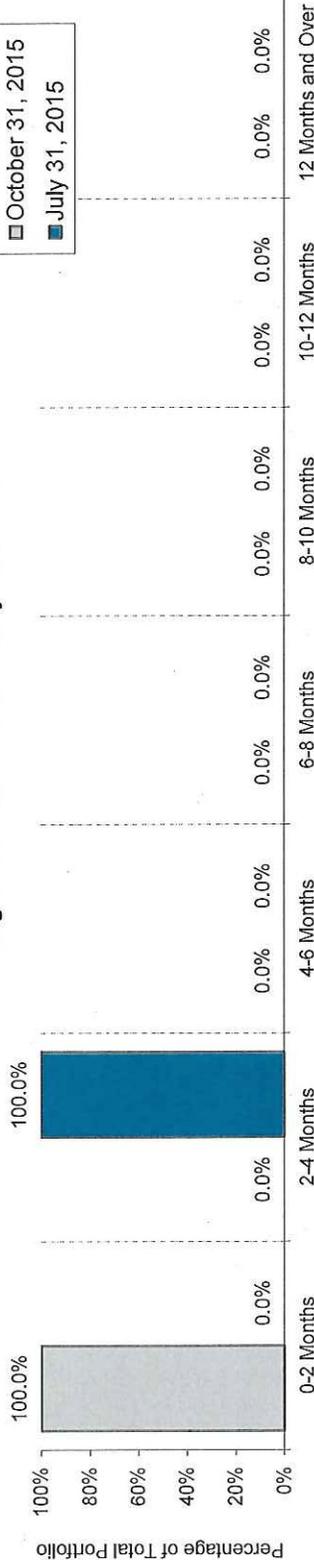
Portfolio Composition as of 10/31/2015



Credit Quality Distribution as of 10/31/2015



2003 Pledged Revenue Portfolio Maturity Distribution



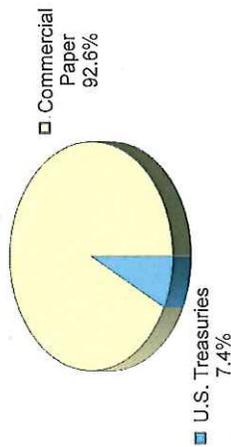
Notes:

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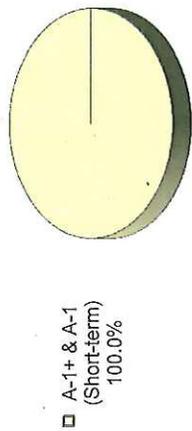
2003 Project Operating Fund Portfolio

Security Type ¹	October 31, 2015	July 31, 2015	% of Portfolio	QoQ % Change
Totals	\$7,611,435	\$7,057,926	100.0%	100.0%
U.S. Treasuries	\$559,984	\$559,834	7.4%	7.9%
Federal Agencies and Instrumentalities (non-MBS)	\$0	\$0	0.0%	0.0%
Commercial Paper	\$7,051,452	\$6,498,092	92.6%	92.1%
Municipal Obligations	\$0	\$0	0.0%	0.0%
Government MBS	\$0	\$0	0.0%	0.0%

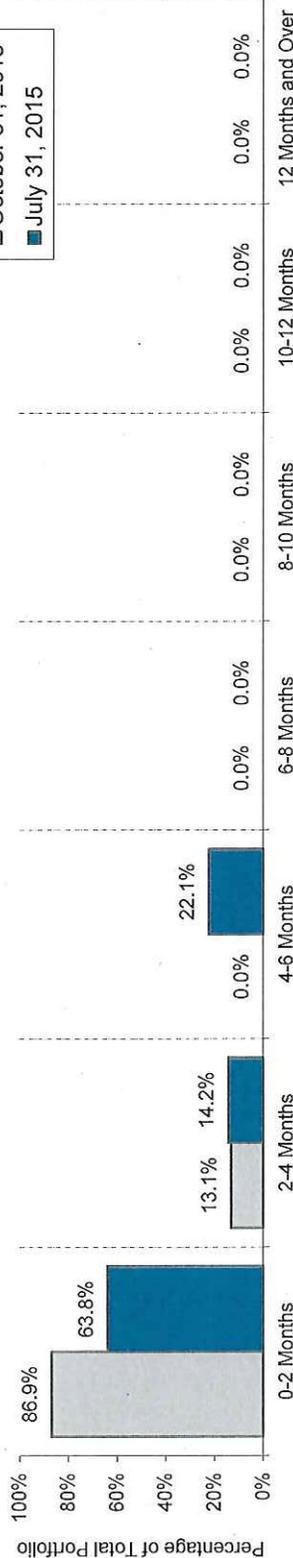
Portfolio Composition as of 10/31/2015



Credit Quality Distribution as of 10/31/2015

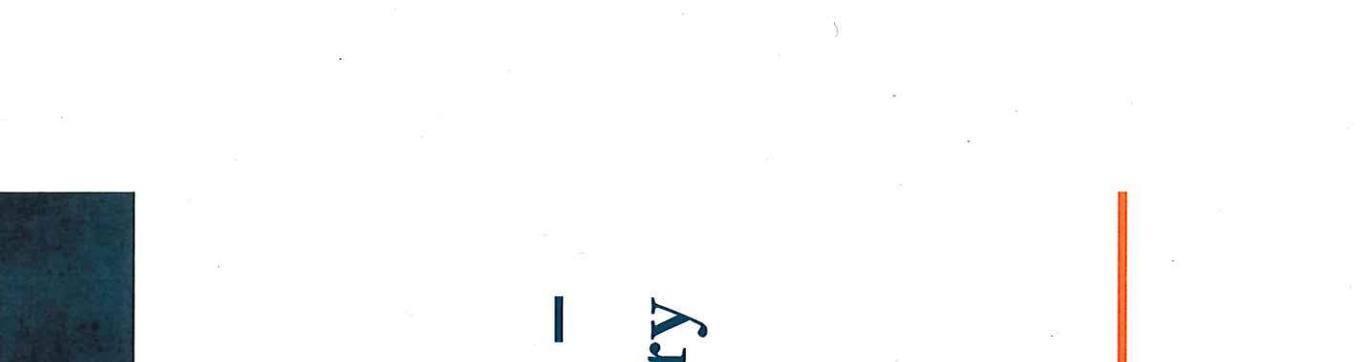


2003 Project Operating Fund Portfolio Maturity Distribution



Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



**Section D –
Market Commentary**

Summary of Economic and Market Conditions

Summary

- The U.S. economy continued its forward progress, but more recent economic data suggested it is slowing from the strong second-quarter pace.
- Weakness in emerging-markets economies, most notably China, changed market psychology, triggering heightened volatility and significant downward pressure on equity markets worldwide.
- The Federal Open Market Committee (FOMC) chose not to raise the federal funds target rate at either of its two meetings during the quarter ended September 30, 2015, citing concern about "recent global economic and financial developments." After another no-hike decision in the October meeting, FOMC officials continue to condition investors for a possible rate hike before year-end.

Economic Snapshot

- Concern over Greece's financial state last quarter was quickly resolved, only to be superseded by growth concerns emanating from emerging-markets economies, especially China, Russia and Brazil. A slowdown in emerging markets also negatively impacted commodity, oil, and export-driven economies, such as Australia, Canada, and the oil states.
- Third-quarter gross domestic product (GDP) grew at a 2.1% annualized pace, a decrease from the second quarter's robust growth. The positive GDP growth reflects increases in PCE, government spending, and fixed investment.
- Job growth picked up in October 2015 with an addition of 271,000 jobs—a strong rebound from a third-quarter slump. The unemployment rate fell further to 5.0%, but the labor force participation rate remained at its lowest level since 1977.

Interest Rates

- Long-term Treasury yields remained flat throughout the quarter ended October 31, 2015. The yield on the 10-year U.S. Treasury lost 2 basis points (0.02%), ending the quarter just above 2.2%.

- Short-term Treasury yields ended higher for the quarter ended October 31, 2015. The 1-year rose 11 basis points to 0.42%, and the 2-year rose 8 basis points to 0.79%.

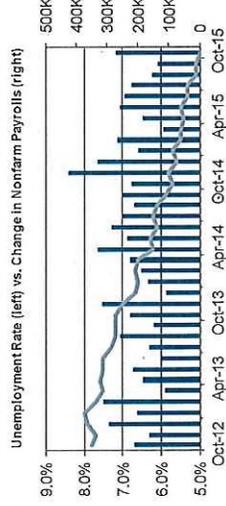
Sector Performance

- U.S. Treasury benchmark indices generated muted returns as short-term yields ended the quarter ended October 31, 2015 slightly higher in anticipation of the fed rate hike, and longer-term yields remained generally unchanged.
- Federal Agency securities outperformed comparable maturity Treasuries as yield spreads tightened modestly.
- Corporate yield spreads were volatile throughout the quarter ended October 31, 2015, widening in September and narrowing in October. Performance was still positive, relative to US Treasuries.
- Mortgage-backed securities (MBS) remain vulnerable to interest rate volatility. The Agency MBS sector generally outperformed comparable maturity US Treasuries as well.

Economic Snapshot

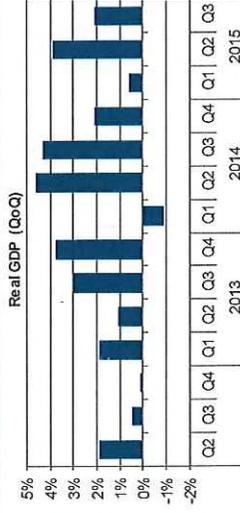
Labor Market

	Latest	Jul 2015	Oct 2014
Unemployment Rate	Oct 5.0%	5.3%	5.7%
Change in Non-Farm Payrolls	Oct 271,000	223,000	221,000
Average Hourly Earnings (YoY)	Oct 2.5%	2.2%	2.0%
Personal Income (YoY)	Oct 4.6%	4.8%	5.1%
Initial Jobless Claims	Nov 21 260,000	269,000	283,000



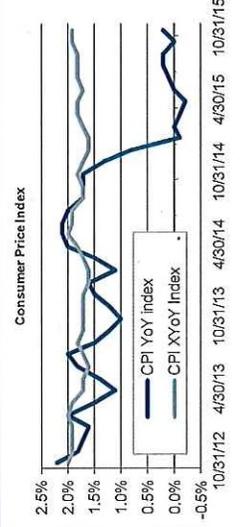
Growth

Real GDP (QoQ SAAR)	Q3 2.1%	3.9% ¹	4.3% ²
GDP Personal Consumption (QoQ SAAR)	Q3 3.0%	3.6% ¹	3.5% ²
Retail Sales (YoY)	Oct 1.7%	2.6%	4.7%
ISM Manufacturing Survey	Nov 48.6	52.7	57.9
Existing Home Sales (millions)	Oct 5.36	5.58	5.16



Inflation / Prices

Personal Consumption Expenditures (YoY)	Oct 15 0.2%	0.3%	1.4%
Consumer Price Index (YoY)	Oct 15 0.2%	0.2%	1.7%
Consumer Price Index Core (YoY)	Oct 15 -4.1%	-2.6%	1.8%
Crude Oil Futures (WTI, per barrel)	Oct 31 \$46.59	\$47.12	\$80.54
Gold Futures (oz)	Oct 31 \$1,141	\$1,095	\$1,172



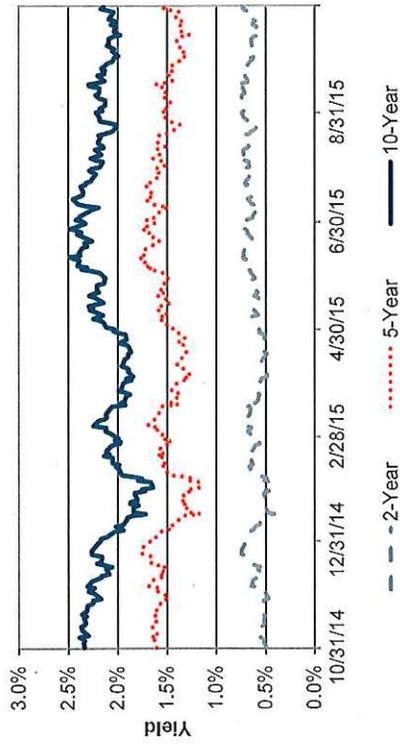
1. Data as of Second Quarter 2015 (June 2015) 2. Data as of Third Quarter 2014 (September 2014)

Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

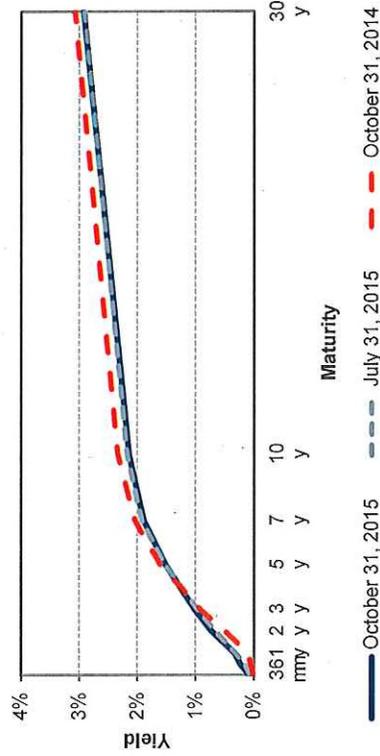
Source: Bloomberg

Interest Rate Overview

U.S. Treasury Note Yields



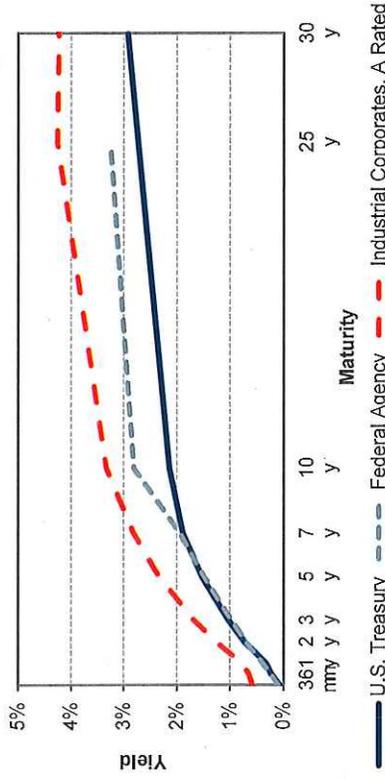
U.S. Treasury Note Yield Curve



U.S. Treasury Note Yields

Maturity	10/31/15	7/31/15	Change over Quarter	10/31/14	Change over Year
3-month	0.23%	0.17%	0.05%	0.06%	0.18%
1-year	0.42%	0.32%	0.11%	0.14%	0.28%
2-year	0.79%	0.70%	0.08%	0.54%	0.25%
5-year	1.57%	1.56%	0.00%	1.65%	(0.09%)
10-year	2.21%	2.22%	(0.02%)	2.40%	(0.20%)
30-year	2.95%	2.93%	0.02%	3.10%	(0.15%)

Yield Curves as of 10/31/15



Source: Bloomberg

Bank of America Merrill Lynch Index Returns

As of 10/31/2015

Periods Ended 10/31/2015

	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.85	0.73%	0.16%	0.78%	0.66%
Federal Agency	1.67	0.80%	0.24%	1.02%	0.76%
U.S. Corporates, A-AAA Rated	1.96	1.55%	0.40%	1.28%	1.35%
Agency MBS (0 to 3 years)	1.90	1.38%	1.08%	1.68%	1.12%
Municipals	1.85	0.72%	0.48%	0.93%	0.93%
1-5 Year Indices					
U.S. Treasury	2.69	0.99%	0.29%	1.41%	0.88%
Federal Agency	2.13	0.98%	0.33%	1.43%	0.96%
U.S. Corporates, A-AAA Rated	2.76	1.88%	0.50%	1.86%	1.76%
Agency MBS (0 to 5 years)	3.57	2.17%	0.68%	1.92%	1.73%
Municipals	2.55	0.96%	0.67%	1.24%	1.28%
Master Indices					
U.S. Treasury	6.19	1.54%	0.60%	2.62%	1.32%
Federal Agency	3.73	1.40%	0.49%	2.14%	1.30%
U.S. Corporates, A-AAA Rated	6.72	2.89%	0.85%	2.18%	2.05%
Agency MBS	4.35	2.43%	0.79%	2.48%	2.04%
Municipals	6.92	2.38%	1.33%	2.97%	2.98%

Returns for periods greater than one year are annualized

Source: Bloomberg

Important Disclosures

Important Disclosures

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