



**Monday, January 14, 2019**  
21 Lodge Street, 11:00 a.m.

**CAPITALIZE ALBANY**  
CORPORATION

**Capitalize Albany Corporation**  
**Finance and Investment Committee Meeting**  
**Agenda**

1. Review of the minutes from the Finance & Investment Committee meeting of December 10, 2018
2. Quarterly Financial Report
3. Quarterly Investment Update
4. Loan Allowances 2018
5. Annual Review of Corporate Policies
  - a) Review Draft Annual Real Property Report
  - b) Review Finance Committee Charter
  - c) Review Investment Policy
  - d) Review Procurement Policy
6. Other Business

**Capitalize Albany Corporation Finance & Investment Committee Meeting -  
MINUTES  
December 10, 2018**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 11:00 a.m., December 10, 2018 at 21 Lodge Street.

The following were in attendance:

*Committee Members:* Anders Tomson, Jeff Sperry, Bob Curley, John Harris, and John Vero

*Other:* Thomas M. Owens, Esq.

*Staff:* Sarah Reginelli, Mark Opalka, and Genevieve Zurowski.

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 11:06 a.m.

**Review of the minutes from the Finance & Investment Committee meeting of October 15, 2018**

The Committee reviewed the minutes of the meeting. Jeff Sperry made a motion for approval, and John Harris seconded. The Committee agreed unanimously to approve the minutes from the Finance & Investment Committee meeting of October 15, 2018.

**Other Business**

The Committee chose to re-order the agenda. Staff provided the Committee with an update on a pending loan request. No action was taken.

**Executive Session**

A motion was made by Bob Curley and seconded by John Harris to enter into Executive Session to discuss terms and conditions related to the employment of certain individuals. The Committee voted unanimously to enter Executive Session at 11:10 a.m. Mark Opalka and Genevieve Zurowski left the room. No action was taken during executive session. The Committee exited Executive Session at 11:33 a.m. and staff re-entered the room.

**Banking RFP Discussion**

Bob Curley and Anders Tomson recused themselves from the Banking RFP Discussion due to a potential conflict of interest and left the room. Staff reviewed the goal of the RFP being to seek a financial institution that would provide Capitalize Albany with an account earning higher-than-current yield and its funds be fairly liquid. Nineteen RFPs were distributed to Albany-based financial institutions, and nine proposals for services were received back for review. Staff reviewed the consistent criteria used in scoring the financial institutions and the highest rated options based on this scoring.

The Committee discussed a potential general banking strategy in keeping with the Board's Investment Policy and needs of the Corporation. The Committee determined a preferred strategy and made a positive recommendation to discuss the general strategy with the full Board at the next Board meeting and to authorize Staff to select banking providers based on the to-be-agreed-upon strategy and the institution's scores as a result of the RFP.

**Adjournment**

Anders Tomson re-entered the room. There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 12:10 p.m.

Capitalize Albany Corporation  
21 Lodge Street  
Albany, New York 12207

MEMORANDUM

TO: Capitalize Albany Finance & Investment Committee  
FROM: Mark Opalka  
RE: Capitalize Albany Corporation 4th Quarter Financial Reports  
DATE: January 14, 2019

**BUDGET PERFORMANCE**

On a pre-audit basis, through December 31, 2018, the Capitalize Albany Corporation had a net loss of \$46,907. This position compares favorably to the year-to-date (YTD) budgeted net loss of \$197,310. Capitalize Albany Corporation had net income of \$130,607 at December 31, 2017.

My comments below address those categories that deviate in excess of 5% and greater than \$5,000 from the YTD budget.

- ***YTD 2018 revenue is \$1,998,314, which is \$234,333 (13%) above the 2018 budget.***
  - ***Real Estate Income.*** Real estate income is \$424,208 which is \$121,245 (40%) over budget. This variance is a direct result of the sale of the 526 Central Avenue property.
  - ***Loan Interest Income.*** Loan interest income is \$75,712 which is \$29,112 (28%) under budget. This variance is a direct result of loan that was budgeted to close in late 2017 in the amount of \$500,000 that did not close as well as an approved loan in the amount of \$100,000 that did not close until the late 4<sup>th</sup> quarter.
  - ***Investment & Interest Income.*** Interest and Investment Income is \$67,033 which is \$8,844 (12%) under budget. This variance is a direct result of a negative FMV adjustment that occurred the in the Corporation equity portfolio in 2018.
  - ***Project & Program Revenue.*** Project and Program revenue is projected to be \$580,526. This revenue is from grant revenue realized from the Amplify Albany and Downtown Retail grant programs. These revenues have offsetting project and program expenses. Also this revenue anticipates that Corporation will submit for a grant reimbursement in the amount of \$375,000 from New York Parks for work performed for the Skyway Project during 2018.
  
- ***YTD 2018 expenses are \$2,045,221 which is \$83,930 (4%) above the 2018 budget.***

- **Salary & Fringe Expense.** Salary and Fringe expense are \$754,325 which is \$114,938 (13%) under budget under budget. This variance is attributable to Corporation budgeting for an increase in staff.
- **Professional Fee Expense.** Professional fee expenses are \$219,704 which is \$16,086 (7%) under budget. The variance is attributable to lower legal, accounting, and IT expenses.
- **Administrative Expense.** Administrative expenses are \$57,581 which is \$10,405 (15%) under budget. This variance attributable to lower office, insurance, and travel expenses.
- **Interest Expense.** Interest expenses are \$22,554 which is \$6,812 (43%) over budget. This variance attributable to the interest on the Coming Preserve Bond rising more than anticipated in 2018. The interest on these bonds are calculated daily.
- **Occupancy Expense.** Occupancy expenses are \$35,284 which is \$9,553 (21%) under budget. This variance is attributable to lowered maintenance costs incurred by the Corporation during 2018.
- **Project & Program Expense.** Project and Program Expenses are estimated to be \$721,501. These expenses were for the disbursement of Amplify Albany, Retail Program and Facade grants awarded as well as due diligence expenses related to possible acquisition of the Liberty Park properties from the ACCA. Also this expense anticipates receiving the final billing from the consultants that preformed work on the Skyway Project during 2018. This expense along with the grant receivable from NYS Park represent the \$100,000 that was budgeted for Impact Downtown expenditures in 2018.

## **LOANS**

- 99 Pine Street of Albany repaid their loan in the amount of \$400,000 in the 3<sup>rd</sup> Quarter.
- Ruby Windom repaid their loan in the amount of \$11,107. This loan was previous written off to loan allowances due to non-payment.

## **BALANCE SHEET**

- At December 31, 2018, compared to December 31, 2017, unrestricted cash has increased by \$994,071. This was attributed to loan payoffs as well as the sale of 526 Central Avenue.
- Restricted cash has increased \$105,800 due to the closeout of the 200 HJB Bonds being paid out of escrowed funds.
- Mortgage notes receivable has decreased by \$441,074. This is a result of a loan payoffs as well as scheduled loan payment activity.
- Net investment in direct financing leases has been reduced by \$188,248. This is due to the closeout of the 200 Henry Johnson Boulevard bonds.

- Liabilities have increased by \$30,013. This is due to increased payables as a result of the Skyway project offset by payments applied against Capitalize Albany's bond indebtedness.
- **CASH FLOW STATEMENT**
- Capitalize Albany's December 31, 2018 cash and cash equivalents increased 995,071 to \$5.91 million. This increase is primarily due to loan repayments and proceeds from the sale of 526 Central Avenue which occurred during 2018.
- 2018 cash flow provided by operational activities reflect scheduled project grants activity, receipt of payment under the CAIDA Professional Service Agreement, scheduled lease and rental receipts, and payment of various administrative expenses
- Cash flow from in capital and financing activities reflects scheduled debt service payments during 2018 as well as proceeds from the sale of 526 Central Avenue.
- Cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

	January 1, 2018 - December 31, 2018					2018 YE Adjustment Forecast	2018 Projection	Original Budget	Projected Variance from Budget
	Q3	YTD Actual	YTD Budget	Variance - \$	Variance - %				
<b>REVENUE</b>									
General Economic & Community Development Support Income	\$ 192,400	\$ 497,443	\$ 497,443	\$ -	0%	\$ -	\$ 497,443	\$ 497,443	\$ -
Real Estate Income	317,146	424,208	302,963	121,245	40%	(54,331)	369,877	302,963	66,914
Professional Service Agreement Income	87,146	348,582	348,582	-	0%	-	348,582	348,582	-
Loan Interest Income	16,217	75,712	104,824	(29,112)	-28%	-	75,712	104,824	(29,112)
Fee Income	6,359	19,576	24,030	(4,454)	-19%	-	19,576	24,030	(4,454)
Direct Finance Lease Income	-	1,762	1,762	0	0%	-	1,762	1,762	0
Investment & Interest Income	30,082	96,562	75,877	20,685	27%	-	96,562	75,877	20,685
FMV Adj on Fidelity Inv	(57,396)	(86,869)	-	(86,869)	100%	-	(86,869)	-	(86,869)
G/L on Sale/Redemption	2,749	57,340	-	57,340	100%	-	57,340	-	57,340
Membership & Event Support	4,751	37,802	33,500	4,302	13%	-	37,802	33,500	4,302
<b>TOTAL REVENUE</b>	<b>\$ 599,454</b>	<b>\$ 1,472,119</b>	<b>\$ 1,388,981</b>	<b>\$ 83,138</b>	<b>6%</b>	<b>\$ (54,331)</b>	<b>\$ 1,417,788</b>	<b>\$ 1,388,981</b>	<b>\$ 28,807</b>
<b>EXPENSE</b>									
Salaries & Fringe Expense	\$ 225,506	\$ 754,325	\$ 869,263	\$ (114,938)	-13%	\$ -	\$ 754,325	\$ 869,263	\$ (114,938)
Professional Fees	34,170	219,704	235,790	(16,086)	-7%	-	219,704	235,790	(16,086)
Administrative Expenses	6,377	57,581	67,986	(10,405)	-15%	-	57,581	67,986	(10,405)
Interest Expense	21,021	22,554	15,742	6,812	43%	-	22,554	15,742	6,812
Real Estate Expenses	9,758	36,759	38,924	(2,165)	-6%	-	36,759	38,924	(2,165)
Occupancy Expense	12,702	35,284	44,837	(9,553)	-21%	-	35,284	44,837	(9,553)
Bad Debt Expense (recovery)	-	-	-	-	0%	-	-	-	-
Membership & Event Expense	7,227	7,727	12,450	(4,723)	-38%	-	7,727	12,450	(4,723)
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>\$ 316,761</b>	<b>\$ 1,133,934</b>	<b>\$ 1,284,992</b>	<b>\$ (151,058)</b>	<b>-12%</b>	<b>\$ -</b>	<b>\$ 1,133,934</b>	<b>\$ 1,284,992</b>	<b>\$ (151,058)</b>
<b>NET INCOME BEFORE DEPRECIATION &amp; PROGRAM ACTIVITY</b>	<b>\$ 282,693</b>	<b>\$ 338,185</b>	<b>\$ 103,989</b>	<b>\$ 234,196</b>	<b>225%</b>	<b>\$ (54,331)</b>	<b>\$ 283,854</b>	<b>\$ 103,989</b>	<b>\$ 179,865</b>
<b>DEPRECIATION</b>	<b>\$ 189,786</b>	<b>\$ 189,786</b>	<b>\$ 201,299</b>	<b>\$ (11,513)</b>	<b>-6%</b>	<b>\$ -</b>	<b>\$ 189,786</b>	<b>\$ 201,299</b>	<b>\$ (11,513)</b>
<b>NET INCOME (LOSS) AFTER DEPRECIATION</b>	<b>\$ 92,907</b>	<b>\$ 148,399</b>	<b>\$ (97,310)</b>	<b>\$ 245,709</b>	<b>253%</b>	<b>\$ (54,331)</b>	<b>\$ 94,068</b>	<b>\$ (97,310)</b>	<b>\$ 191,378</b>
<b>PROJECT &amp; PROGRAM REVENUE</b>									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	0%	\$ -	-	\$ -	\$ -
CACRC Grant	12,255	194,419	-	194,419	100%	-	194,419	-	194,419
New York Parks (Skyway Project)	11,107	11,107	375,000	(363,893)	100%	375,000	386,107	375,000	11,107
<b>Total Program Income</b>	<b>\$ 23,362</b>	<b>\$ 205,526</b>	<b>\$ 375,000</b>	<b>\$ (169,474)</b>	<b>100%</b>	<b>\$ 375,000</b>	<b>\$ 580,526</b>	<b>\$ 375,000</b>	<b>\$ 205,526</b>
<b>PROJECT &amp; PROGRAM EXPENSE</b>									
Liberty Park Expenses	\$ 6,846	\$ 51,812	\$ -	\$ 51,812	100%	\$ -	51,812	\$ -	\$ 51,812
Capitalize Albany Amplify and Retail Grants	11,985	194,419	-	194,419	100%	-	194,419	-	194,419
Impact Downtown Albany (Skyway Project)	172,111	172,111	475,000	(302,889)	-100%	303,159	475,270	475,000	270
<b>Total Program Expense</b>	<b>\$ 190,943</b>	<b>\$ 418,343</b>	<b>\$ 475,000</b>	<b>\$ (56,657)</b>	<b>-12%</b>	<b>\$ 303,159</b>	<b>\$ 721,501</b>	<b>\$ 475,000</b>	<b>\$ 246,501</b>
<b>NET INCOME (LOSS) FROM PROGRAM ACTIVITY</b>	<b>\$ (167,580)</b>	<b>\$ (212,817)</b>	<b>\$ (100,000)</b>	<b>\$ (112,817)</b>	<b>-113%</b>	<b>\$ 71,841</b>	<b>\$ (140,975)</b>	<b>\$ (100,000)</b>	<b>\$ (40,975)</b>
<b>NET INCOME (LOSS) AFTER DEPRECIATION &amp; PROGRAM ACTIVITY</b>	<b>\$ (74,672)</b>	<b>\$ (64,416)</b>	<b>\$ (197,310)</b>	<b>\$ 132,894</b>	<b>67%</b>	<b>\$ 17,510</b>	<b>\$ (46,907)</b>	<b>\$ (197,310)</b>	<b>\$ 150,403</b>

**CAPITALIZE ALBANY CORPORATION**  
**Comparative Balance Sheets**  
**Pre-Audited Draft**

	Projected December 31, 2018	December 31, 2017	
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 5,912,122	\$ 4,917,051	\$ 995,071
Investments	3,645,357	3,626,381	
Restricted cash	621,265	727,065	(105,800)
Mortgage notes receivable, net	1,453,301	1,894,375	(441,074)
Net investment in direct financing leases	-	188,248	
Accrued interest receivable	23,727	26,603	
Grants receivable	-	-	
Receivables from the City of Albany and City agencies	100,000	100,280	
Other receivables, net	482,866	95,876	
Property held for investment and lease, net	1,880,718	2,045,243	
Property and equipment, net	336,241	330,301	
Other assets	140,066	661,133	
<b>Total assets</b>	<b>\$ 14,595,663</b>	<b>\$ 14,612,556</b>	
<b>Deferred Outflows of Resources</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 415,024	\$ 98,072	
Due to the City of Albany	72,892	72,892	
Unearned grant and other income	944,200	883,112	
Bonds payable	1,350,000	1,700,000	
Revolving loan fund liability	672,917	670,944	
Unearned program support	20,384	20,384	
<b>Total liabilities</b>	<b>\$ 3,475,417</b>	<b>\$ 3,445,404</b>	\$ 30,013
<b>Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Net Position</b>			
Net invested in capital assets	\$ 835,543	\$ 835,543	
Restricted for:			
Debt service	171,466	171,466	
CDBG eligible activities	114,287	114,287	
Other program specific activities	6,761	6,761	
Impact Downtown Albany	-	-	
Unrestricted	9,992,190	10,039,095	
<b>Total net position</b>	<b>\$ 11,120,246</b>	<b>\$ 11,167,153</b>	



**Capitalize Albany Corporation**

**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**

Pre Audited Draft

	Year Ended		Future Periods		
	Projected December 31, 2018	December 31, 2017	Projected 2019	Projected 2020	Projected 2021
Revenues					
Grant income and Contribution Income	\$ 1,077,969	\$ 548,417	\$ 650,654	\$ 497,443	\$ 497,443
Rental income	300,421	300,844	302,022	303,847	305,712
Other interest and investment income	68,695	161,236	91,573	94,373	91,627
Interest income on mortgage notes	75,712	82,002	106,228	122,809	149,010
Gain on sale of properties	69,555	-	-	-	-
Fees and other income	405,960	425,369	400,552	396,900	393,041
Total revenues	1,998,312	1,517,868	1,551,029	1,415,372	1,436,833
Expenses					
Salaries and fringe benefits	754,325	704,341	938,966	957,745	976,900
Program and project costs	934,243	317,891	512,971	319,379	319,747
Interest expense	22,554	25,255	20,493	10,759	8,499
Bad debt expenses (recovery)	-	1,017	-	-	-
Administrative Expenses	334,096	338,757	387,290	382,896	385,293
Total expenses	2,045,218	1,387,261	1,859,720	1,670,779	1,690,439
Excess of (expenses over revenues) revenues over expenses	(46,907)	130,607	(308,691)	(255,407)	(253,606)
Net Position, Beginning of Year	11,167,153	11,036,546	11,120,246	10,811,555	10,556,148
Net Position, End of Month	\$ 11,120,246	\$ 11,167,153	\$ 10,811,555	\$ 10,556,148	\$ 10,302,542



## **CAC FINANCE & INVESTMENT COMMITTEE CHARTER**

The Finance & Investment Committee Charter was adopted by the Board of Directors of the Capitalize Albany Corporation (“CAC”) on March 31, 2009 and amended on January 26, 2016.

### **Purpose**

The purpose of the Finance & Investment Committee shall be to (1) ensure the financial health of CAC (2) ensure that CAC assets are protected and resources are used appropriately and (3) assist the Board in understanding CAC’s financial condition.

### **Scope of Responsibilities**

The CAC Finance & Investment Committee shall be responsible for the following:

- Project review
  - Review projects and recommend action for Board approval.
  - Review proposals for the issuance of debt.
- Involvement with CAC finance department management.
  - Work with management to ensure timely and accurate financial data is presented to the Board.
  - Review and recommend new or revised financial policies to the Board for approval.
- Budget Oversight
  - Provide guidelines for the development of the annual operating budget.
  - Review and recommend an annual operating budget for Board approval.
  - Review the financial performance of CAC against budget projections for the period to-date.
- Investment Oversight
  - Develop the investment policy for CAC and review this policy annually.
  - As necessary, recommend investment policy changes to the Board for approval.
  - Meet with the investment manager (if any) at least annually to review the performance. As appropriate, conduct a search for and select a new investment manager.
  - Coordinate with Audit Committee to deliver annual investment report to CAC Board of Directors.
- Meet with CAC staff or outside counsel, as necessary.
- Retaining, at the CAC’s expense, such outside counsel, experts and other advisors as the Finance & Investment Committee may deem appropriate, upon approval of said expenditure(s) by the CAC Board of Directors.

- Recommend any recommend changes to its Committee Charter to the Board.

The CAC Board will ensure that the Finance & Investment Committee has sufficient resources to carry out its duties.

### **Composition of Committee and Selection of Members**

The membership of the Committee shall be as set forth in accordance with and pursuant to Article IV, Section 9 of the Corporation's bylaws. The Finance and Investment Committee shall be comprised of not less than three (3) independent members. The members shall serve until their resignation, retirement, removal by the Board or until their successors shall be appointed and qualified. When feasible, the immediate past Finance and Investment Committee Chair will continue serving as a member of the Committee for at least one year to ensure an orderly transition.

Finance & Investment Committee members shall possess or obtain a basic understanding of financial reporting, accounting, and auditing.

### **Meetings**

The Committee will meet a minimum of four times per year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter. Meeting agendas will be prepared for every meeting and provided to Committee members in advance of the scheduled meeting, along with the appropriate materials needed to make informed decisions. The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings are to be recorded.

Members of the Committee, as well as the appropriate senior staff are expected to attend each committee meeting, in person or via telephone or videoconference.

The Committee may invite other individuals to attend meetings and provide pertinent information, as necessary.

## **GUIDELINES FOR INVESTMENTS CAPITALIZE ALBANY CORPORATION**

These guidelines detail the operative policy regarding the investing, monitoring and reporting of funds of the Capitalize Albany Corporation (“CAC”).

### 1) Purpose.

These investment guidelines (“Guidelines”) are intended to:

- a) Establish a system whereby current funds on hand, in excess of immediate and near-term needs, are invested to assure that such investment assets are adequately safeguarded and collateralized.
- b) Assure that such investments are adequately liquid to meet the operational needs of the CAC;
- c) Assure that an adequate system of internal control is maintained; and
- d) Assure that such investments produce a reasonable rate of return.

The primary objectives of this portfolio are: (1) preservation of capital, (2) liquidity, and (3) prudent growth of principal.

### 2) Authorization and Management.

The Board Members of the CAC have delegated the authorization to make day-to-day investment decisions to the President and/or Controller (“Authorized Persons”), subject to the direction from the Board and/or Finance and Investment Committee. Detailed reports of the corporation’s investments will be provided to the Finance and Investment Committee and the Committee will provide a summary of such report/required actions to the Board at the next scheduled meeting.

These Authorized Persons are to make certain that all CAC investment decisions/actions conform to:

- a. section 2925 of the Public Authorities Law; and
- b. these Guidelines.

The Authorized Persons are authorized to deposit all funds received by the CAC (in excess of those needed for on-going operations) consistent with these guidelines. Additionally, subject to Board/Finance and Investment Committee Approval, a professional investment advisor (“Advisor”) may be retained to assist the CAC’s implementation of these Guidelines and the CAC may grant the advisor discretion to execute transactions within the context of these Guidelines. The advisor will be expected to act as a fiduciary at all times in the best interest of the CAC.

### 3) Investment Strategy

CAC's investment objectives will be achieved primarily with fixed-income investments and, to a lesser extent, with quality equity investments. However, there is no requirement that the portfolio contain equities.

Fixed-income securities in the combined portfolios will include cash equivalents, short- and intermediate-term fixed-income securities. The portfolio will be allocated to these categories based upon cash flow needs as determined by CAC.

Equity investments will be well diversified, high grade and readily marketable.

The investment return on the short-term fixed-income portion of the portfolio will be measured against short-term U.S. Treasury Bills. The investment return on the intermediate-term fixed-income portion of the portfolio will be measured against the Barclays Intermediate Government Credit Index. The investment return on the equity portion of the portfolio, when appropriate, will be measured against the S&P 500.

#### **Asset Allocation\***

<i>Asset Class</i>	<i>Min. Wt.</i>	<i>Max. Wt.</i>	<i>Representative Index</i>
Equities	0%	15%	S&P 500 and MSCI EAFE
<i>Domestic</i>	85%	100%	S&P 500
<i>International**</i>	0%	15%	MSCI EAFE
Fixed Income	80%	95%	BCS Int. Govt./Credit***
Cash or Equivalents	3%	25%	Treasury Bill

\* The Asset Allocation requirements contained above are only intended to apply to those funds directed by the Finance and Investment Committee to be placed with the Advisor. All other funds of the Corporation are to be placed in the "Cash or Equivalents" category.

\*\* Only broadly diversified Exchange Traded Funds will be used for investing in international equities.

\*\*\* Or other broad-based bond market benchmark agreed upon by CAC.

### 4) Types of Investments.

a. Cash and Fixed-Income. Subject to the conditions and restrictions contained in 3(A)(8) below, the following types of cash or fixed income investments are approved:

1. Deposits in Savings, Checking and/or Money Market Type accounts of banks doing business in New York that are collateralized or fully insured by the FDIC as to principal and expected interest.

2. Obligation of the U.S. Treasury, AAA-rated U.S. Government Agencies and obligations guaranteed by the U.S. Treasury or AAA-rated U.S. Government agencies. There is no limit on these investments, except that no more than 15% of the fixed-income segment can be invested in Government guaranteed mortgage pass through securities.

3. Certificates of Deposit collateralized or fully insured by the Federal Deposit Insurance Corporation as to principal and expected interest.
4. Corporate debt obligations as follows:
  - a. Commercial Paper; and
  - b. Short-Term Notes or Corporate Bonds

Commercial paper must be rated at least A1/P1 with a maximum maturity of nine months. Corporate notes and bonds must be rated at least A1 by Moody's or A+ by Standard and Poor's.

5. Money market funds managed by nationally recognized investment management companies in funds with net assets of \$1 billion or more.
6. Tax-Exempt or Taxable Municipal Securities as follows:
  - a. Municipal notes and bonds;
  - b. Adjustable rate municipals; and
  - c. Tax-Exempt commercial paper.

Municipal obligations must be rated at least "A" (or the equivalent) by a nationally recognized credit rating agency. Insured obligations must have an underlying rating of at least "A".

7. Any obligation that is not guaranteed by the U.S. Government or one of its agencies is limited to 10% of the portfolio.
8. The Following Conditions and Restrictions Apply to Fixed-Income Investments:
  - a. No less than 25% of the portfolio will possess a final maturity of one year or less.
  - b. The maximum weighted average maturity of the fixed-income securities (exclusive of the portion of the portfolio that matures within one year) may not exceed four years.
  - c. No less than 50% of the fixed-income securities must be obligations of the U.S. Treasury or Government Agency.
  - d. Fixed income securities with a maturity, expected average maturity, or reset period greater than 10 years are prohibited.
  - e. Fixed income or interest rate futures are prohibited
  - f. Risky or volatile derivative securities as commonly defined by the financial industry are prohibited.
  - g. Zero coupon Treasury bonds are permitted.
  - h. CMO securities of any type are not permitted.
  - i. Cash reserves should be invested in interest bearing securities or in an appropriate money market fund or saving/checking account.

Since it is not a regular business practice for a written contract with respect to these types of investments, no written contract is required. The operating practices herein shall govern.

- b. Equity. Equity investments are to be chosen from the New York Stock Exchange, American Stock Exchange, the regional exchanges, or the national over-the-counter market. No more than 30% of the market value of the equity portion of the portfolio should be in any one industry and no more than 10% in any one security.
- c. Collateral and Securitization. Other than those investments identified in 4(a)(1) and 4(a)(3), no collateralization or securitization of the investments are required.
- d. Written Contracts. No written contracts are required for any of the approved CAC investments except for all normal and customary investment/account documents (e.g. account statements, etc.) which provide that CAC is the full and only owner of the respective investment.

5) Operating Procedures.

- a) Approvals: The Advisor will be consulted by the Authorized Persons prior to executing any investment transactions. Authorized Persons must approve all investment transactions before they are executed.
- b) Collateral: The custodian of all collateral involved in any investment transaction must be either the CAC or third party custodian acceptable to the CAC. If at any time the required collateral does not equal the value of the investment, the CAC shall inform the third party custodian of additional collateral required. If additional collateral is not added immediately by the third party custodian involved, the CAC shall demand the return of the amount invested. Any custodian or trustee of securities in any transaction of which the CAC is a principal may not relinquish control over such securities without written consent of the CAC and the bank. Whenever investments require collateralization, such investments must be collateralized by direct obligations of the United States or New York State Government or obligations the principal and interest of which are guaranteed by the United States, one of its agencies or New York State Government.
- c) Tracking and Accounting. CAC will account for investments in accordance with generally accepted accounting principles (GAAP) for all financial statements. CAC shall receive reports monthly from any custodian/bank holding CAC investments. The Controller will review such reports monthly and verify the principal amount and market values of all investments and collateral.



6) Guidelines Annual Review or Modifications.

- a) The CAC Finance and Investment Committee and Board will review these Guidelines at least annually and may by Board resolution modify these Guidelines at any time.

7) Reports and Audits.

a) Quarterly reports of investment activity and portfolio reporting will be provided to the CAC's Finance & Investment Committee and a summary of each such quarterly report will be provided by the Committee to the Board. At least annually, and additionally as determined by the CAC Finance & Investment Committee, a report on the investment portfolio and activity will be provided to the Board. The portfolio reporting will include an estimate of fair value (market value) as obtained from the Bloomberg, financial correspondents or nationally published sources. Also included will be the characteristics of each investment, the net change in fair value since the prior month-end, with summary information for the entire portfolio.

b) Any retained investment advisor will meet with the CAC Board at least annually to discuss the portfolio and any questions of the CAC Board.

c) Annual Investment Audit. Each year, the CAC shall cause its independent auditors to conduct an audit (the "Annual Investment Audit") regarding the CAC's investments. The Annual Investment Audit shall determine whether CAC has complied with:

1. its own investment policies; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the CAC's assets; and a system of adequate internal controls is maintained; and
2. applicable laws and regulations.

d) Annual Investment Report. The CAC Controller shall prepare and submit an annual investment report to the Board within 90 days after the close of each fiscal year of the CAC. Upon Board approval, the report shall be filed with the City of Albany and entered/certified into the Public Authority Reporting Information System ("PARIS"). Such report shall include the following:

1. The Guidelines required by Section 2925(3);
2. The results of the Annual Investment Audit described above;
3. The investment income results of the CAC; and
4. A list of the total fees, commissions or other charges paid for CAC investment associated services by the CAC since the date of the last investment report.

The Annual Investment Report shall be filed within ninety (90) days after the close of the CAC's fiscal year.

8) Criteria for Selection of Investment Banks or Firms and Brokers.

The following are criteria for the selection of Investment Banks or Firms and Brokers:

- a) Investment Banks or Firms and Brokers authorized to do business within New York State.
- b) Investment Banks or Firms and Brokers in business for over (5) five years.
- c) Investment Banks or Firms and Brokers that have demonstrated a proven record of returns, that meet or exceed the yield and total return generated from Treasury benchmarks.
- e) Investment Managers/Advisors must be registered with the Securities and Exchange Commission (SEC) while Investment Brokers/Dealers must be members in good standing with the Securities Investors Protection Corporation (SIPC) and the Financial Industry Regulatory Authority (FINRA).

## CAPITALIZE ALBANY CORPORATION

### PROCUREMENT POLICY (NON-REAL ESTATE PROCUREMENTS)

SECTION 1. PURPOSE AND AUTHORITY. The purpose of this procurement policy (the "Policy") is to outline the procurement policy of Capitalize Albany Corporation (the "Corporation") applicable to procurements of goods and services paid for by the Corporation for its own use and benefit.

SECTION 2. SECURING GOODS AND SERVICES. All goods and services will be secured by use of written requests for proposals, written quotations, verbal quotations, or any other method that assures that goods/services will be purchased in a competitive manner except for in the following circumstances: purchases costing less than \$5,000; purchases under state contracts pursuant to Section 104 of the General Municipal Law; purchases under county contracts pursuant to Section 103(3) of the General Municipal Law; or purchases pursuant to Section 4 of this Policy. Regardless of the estimated cost of any purchase of goods and/or services, the Corporation will seek to obtain the best value for the Corporation while meeting all relevant purchase requirements.

SECTION 3. METHOD OF PURCHASE. The following method of purchase will be used when required by this Policy in order to achieve the highest savings:

<u>Estimated Amount of Purchase Contract</u>	<u>Method</u>
\$5,001-\$10,000	Price obtained by 2 verbal quotations with the approval of two CAC officers
\$10,001-\$50,000	Price obtained by 3 written/fax quotations with approval by two CAC officers
\$50,001 and above	Price obtained through issuance of Request For Proposals with award made by resolution of Board of Directors

(B) Number of Proposals or Quotations. A good faith effort shall be made to obtain the required number of proposals or quotations. If the purchaser is unable to obtain the required number of proposals or quotations, the purchaser will document the attempt made at obtaining the proposals. In no event shall the failure to obtain the proposals be a bar to the procurement.

(C) Documentation. Documentation is required of each action is taken in connection with each procurement. Documentation and an explanation is required whenever a contract is awarded to other than the lowest responsible offeror. This documentation will include an explanation of how the reward will achieve savings or how the offeror was not responsible. A determination that the offeror is not responsible shall be made by the purchaser and may not be challenged under any circumstances.

SECTION 4. CIRCUMSTANCES WHERE SOLICITATION OF ALTERNATIVE PROPOSALS AND QUOTATIONS NOT IN BEST INTEREST. This Policy may contain circumstances when, or types of procurements for which, in the sole discretion of the directors of the Corporation, the solicitation of alternative proposals or quotations will not be in the best interest of the Corporation. In the following

circumstances, it may not be in the best interests of the Corporation to solicit quotations or document the basis for not accepting the lowest bid:

(A) Professional Services. Professional services or services requiring special or technical skill, training or expertise. The individual, company or firm must be chosen based on accountability, reliability, responsibility, skill, conflict of interests, reputation, education and training, judgement, integrity, continuity of service and moral worth. Furthermore, certain professional services to be provided to the Corporation, e.g., legal and accounting services, impact liability issues of the Corporation and its directors, including securities liability in circumstances where the Corporation is issuing bonds. These qualifications and the concerns of the Corporation regarding its liability and the liability of its directors are not necessarily found or addressed in the individual, company or firm that offers the lowest price and the nature of these services are such that they do not readily lend themselves to competitive procurement procedures.

In determining whether a service fits into this category, the Corporation shall take into consideration the following guidelines: (a) whether the services are subject to state licensing or testing requirements; (b) whether substantial formal education or training is a necessary prerequisite to the performance of the services; and (c) whether the services require a personal relationship between the individual and the directors of the Corporation. Professional or technical services shall include but not be limited to the following: services of an attorney (including bond counsel); services of a physician; technical services of an engineer engaged to prepare plans, maps and estimates; securing insurance coverage and/or services of an insurance broker; services of a certified public accountant; investment management services; printing services involving extensive writing, editing or art work; management of Corporation-owned property; real estate brokerage services; appraisers; and computer software or programming services for customized programs, or services involved in substantial modification and customizing of pre-packaged software.

(B) Emergency Purchases. Due to the nature of this exception, these goods or services must be purchased immediately and a delay in order to seek alternate proposals may threaten the life, health, safety or welfare of the public. This section does not preclude alternate proposals if time permits.

(C) Purchases of Secondhand Goods. Purchases of surplus and second-hand goods from any source. It is difficult to try to compare prices of used goods and a lower price may indicate an older product.

(D) Goods or Services Under \$5,000.

(E) Special Findings. In the event the Corporation determines that the solicitation of alternative proposals or quotations is not in the best interests of the Corporation, the Corporation must make such determination by resolution duly adopted and entered into the minutes of the Corporation. Such resolution should include any findings described in this Section 4 supporting such determination.

SECTION 7. POLICY REVIEW. This policy will be reviewed annually.