

**RESOLUTION OF THE BUFFALO WATER BOARD FOR
COMPLIANCE WITH THE NEW YORK PUBLIC AUTHORITIES
ACCOUNTABILITY ACT**

WHEREAS, the Buffalo Water Board (the "Water Board") was created by New York Public Authorities Law (the "Public Authorities Law") Section 1049 (the "Water Board Act") and is authorized and empowered by the Buffalo Municipal Water Finance Authority Act, Public Authorities Law Article 2-B (the "Water Authority Act") to enter into contracts with the City of Buffalo (the "City") and the Buffalo Municipal Water Finance Authority (the "Authority") to provide for the acquisition, financing, improvement, operation, maintenance and repair of the water treatment system and water distribution system constituting the City of Buffalo's water system (the "Water System"); and

WHEREAS, pursuant to the provisions of the Act, the Water Board acquired the System from the City as of September 24, 1992; and

WHEREAS, in 1997 the City and the Water Board determined that it is appropriate and in the public interest that the Water Board manage, operate, maintain, repair and improve the Water System in accordance with the powers granted by Sections 1048-g and Section 1048-j of the Act; and

WHEREAS, the City and the Water Board amended that certain Operation Agreement by and between the City and the Water Board, dated as of September 24, 1992, by an Amendment dated as of August 1, 1997 (collectively the "Operation Agreement") to provide that the Water Board shall manage, operate, maintain, repair and improve the Water System and that the Water Board may use the services of employees and officers of the City, as provided for by the Act, in the provision of such services, but that the Water Board shall not have any employees; and

WHEREAS, the City, the Water Board and the Authority amended that certain Financing Agreement by and among the City, the Water Board and the Authority, dated as of September 24, 1992, by an Amendment dated as of August 1, 1997 (collectively the "Financing Agreement") providing, among other things, for the use by the Water Board of revenues from the operation of the System to pay for the cost of managing, operating, maintaining, improving and repairing the Water System by the Water Board; and

WHEREAS, the New York State Public Authorities Accountability Act of 2005 (the "Authorities Accountability Act") requires the Water Board to establish certain policies and procedures with respect to the operations of the Water Board, in accordance with the Authorities Accountability Act; and

WHEREAS, the Water Board has considered its operations and various policies and procedures applicable to the operations of the Water Board and the requirements of the Authorities Accountability Act.

NOW, THEREFORE, BE IT RESOLVED:

- (1) The Water Board does hereby adopt as its Code of Ethics the Code of Ethics of the City of Buffalo as set forth in Chapter 12 of the Code of the City of Buffalo and as such Code may be amended from time to time.
- (2) The Water Board does hereby adopt the compensation policies currently in effect in the City of Buffalo with respect to the payment of salaries, compensation, reimbursements, time and attendance of the Chief Executive Officer and Senior Management of the Water System.
- (3) The Water Board does hereby adopt the personnel policies and procedures established by the City of Buffalo with respect to all personnel serving the Water Board pursuant to the Operation Agreement, including but not limited to as provided in New York Civil Service Law, Code of the City of Buffalo and current collective bargaining agreements, and as they may be amended from time to time.
- (4) The Water Board does hereby adopt the investment policy and guidelines established by the Comptroller of the City of Buffalo, a current copy of which is attached hereto and made a part hereof.
- (5) The Water Board does hereby acknowledge that it is obligated to comply with the requirements of the Water Board Act, the Water Authority Act, the Financing Agreement and the Operation Agreement with respect to property acquisition and disposal policies and procedures, and such acts and agreements collectively constitute the property acquisition and disposal policies and procedures of the Water Board.
- (6) The Water Board does hereby acknowledge that it has adopted By-Laws which include provisions for defense and indemnification of its Board members and that such provisions in the Board's By-Laws constitute the policy of the Board.

At a meeting of the Buffalo Water Board, convened in public session at 502 City Hall, Buffalo, New York on July 11, 2007 at 9:00 a.m., the foregoing resolution was offered by _____, and seconded by _____, and with a quorum present throughout such resolution was duly adopted by the Buffalo Water Board.

CERTIFICATION

I, _____, Secretary of the Buffalo Water Board in the County of Erie, State of New York, HEREBY CERTIFY that the foregoing resolution, entitled "Resolution of the Buffalo Water Board for compliance with the New York Public Authorities Accountability Act" was duly adopted by the Buffalo Water Board and the Members thereof at a meeting thereof duly called and held on July 11, 2007 at which a quorum was present and acting throughout, and that the foregoing resolution has been compared by me with the original thereof as amended as officially recorded in my office in the records of said Buffalo Water Board and is a true, complete and correct copy therefrom and of the whole of said original, and that said resolution has not otherwise been amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of July, 2007.

_____, Secretary

**INVESTMENT POLICY OF THE
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
AND THE BUFFALO WATER BOARD**

The Comptroller, as Chief Fiscal Officer for the City of Buffalo, is empowered by City Charter Section 7-13 with the responsibility of the investment of funds not immediately required on behalf of the City. The investment of such idle funds is governed/regulated by the General Municipal and Local Finance Laws of New York State. This investment policy is adopted as required by Section 2925 of the New York Public Authorities Law. For purposes of this policy, funds of the Buffalo Municipal Water Finance Authority (“BMWFA”) and the Buffalo Water Board (“BWB”) shall be considered “City Funds” and the City of Buffalo’s interests shall represent the interests of the BMWFA and the BWB.

The Comptroller is hereby authorized to invest all City Funds including proceeds of obligations and reserve funds in:

- Certificates of Deposit (CD) issued by a bank or trust company authorized to do business in New York State;
- Time Deposit Accounts (TDA) and Negotiable Order of Withdrawal Accounts (NOW) in a bank or trust company authorized to do business in New York State;
- Obligations of New York State;
- Repurchase Agreements involving the purchase and sale of direct obligations of the United States;
- Obligations of agencies of the federal government if principal and interest is guaranteed by the United States;
- With the approval of the New York State Comptroller, in Revenue Anticipation Notes or Tax Anticipation Notes of other local governments.

Funds designated for a specific purpose will be invested as required by the specific bequest, trust or grant.

All investments made pursuant to this investment policy shall comply with the following conditions:

1. COLLATERAL

- a. Certificates of Deposit (CD), Time Deposit Accounts (TDA), and Negotiable Order of Withdrawal Accounts (NOW) shall be fully secured by insurance of the Federal Deposit Insurance Corporation, obligations of New York State, obligations of the United States, obligations of federal agencies the principal and interest of which are guaranteed by the United States, or obligations of New York State local governments. Collateral shall be

delivered to the City or a Custodial Bank with which the City has entered into a Security/Custodial Agreement, in accordance with General Municipal Law Section 10.

- b. The market value of collateral shall at all times equal or exceed the principal amount of the certificate of deposit, time deposits or NOW accounts. Market value shall mean the bid or closing price as quoted in the *Wall Street Journal* or as quoted by another recognized pricing service. The Investment and Debt Management Officer of the City of Buffalo shall monitor the collateral no less frequently than monthly.
- c. Securities purchased through a Repurchase Agreement shall be valued to market once during the tenure of the agreement and no less than once a month.
- d. Collateral shall not be required with respect to the direct purchase of obligations of New York State, obligations of the United States, and obligations of federal agencies the principal and interest of which are guaranteed by the United States Government.

2. DESIGNATION OF CUSTODIAL BANK

- a. Custodial Bank. The Bank or Trust Company designated to act as Custodial Bank of the City of Buffalo's investments will be required to sign a written agreement. Securities may not be purchased through a Repurchase Agreement with the Custodial Bank.

3. DELIVERY OF SECURITIES

- a. Repurchase Agreements. No specific Repurchase Agreement shall be entered into unless a Master Repurchase Agreement has been executed between the City of Buffalo and the trading partners. Every Repurchase Agreement shall provide for payment to the seller only upon the seller's delivery of obligations of the United States to the Custodial Bank designated by the Comptroller, or in the case of a book-entry transaction, when the obligations of the United States are credited to the Custodial Bank's Federal Reserve System account. The Custodial Bank shall confirm all transactions in writing to insure that the City of Buffalo's ownership of the securities is properly reflected on the records of the Custodial Bank.
- b. Payment shall be made by or on behalf of the City of Buffalo for obligations of New York State, obligations the principal and interest of which are guaranteed by the United States, United States Obligations, certificates of deposit, and other purchased securities upon the delivery thereof to the custodial bank, or in the case of a book-entry transaction, when the purchased securities are credited to the Custodial Bank's Federal Reserve System account. All transactions shall be confirmed in writing.

4. WRITTEN AGREEMENTS

Written agreements are required for Repurchase Agreements, Certificates of Deposit, and custodial undertakings. With respect to the purchase of obligations of United States, New

York State, or other governmental entities in which monies may be invested, the interests of the City of Buffalo will be adequately protected by conditioning payment on the physical delivery of purchased securities to the City of Buffalo or the Custodial Bank, or in the case of book-entry transactions, on the crediting of purchased securities to the Custodial Bank's Federal Reserve System account. All purchases will be confirmed in writing to the City of Buffalo.

5. FINANCIAL STRENGTH OF INSTITUTIONS

Investments of the City of Buffalo shall be made with recognized financial institutions and investment firms. The Comptroller, on an annual basis, will review the credit worthiness of the institutions utilized by the City of Buffalo.

6. OPERATIONS AND AUDIT

- The Comptroller or his appropriate designee shall authorize the purchase and sale of all securities and execute contracts for Repurchase Agreements and certificates of deposit on behalf of the City of Buffalo. All directions concerning the purchase or sale of securities shall be confirmed in writing. The City of Buffalo shall pay for purchased securities upon the delivery or book-entry thereof.
- The City of Buffalo will purchase investments through a competitive or negotiated process. A minimum of at least three bids will be required for each transaction.
- At the time independent auditors conduct the annual audit of the accounts and financial affairs of the City of Buffalo, the independent auditors shall audit the investments of the City of Buffalo for compliance with the provisions of this Investment Policy.