

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING**

**HELD ON MAY 24, 2017**

*The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 8:01 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on May 19, 2017 and electronic notice posted on the Authority's website annually.*

*The following Trustees of the Authority were present:*

**Shelly L. Cohen, Committee Chair**

**Mark Fischl**

**Representing the Authority were Thomas Falcone, Chief Executive Officer; Joseph Branca, Chief Financial Officer; Jon Mostel, General Counsel & Secretary to the Board of Trustees; Bobbi O'Connor, Deputy General Counsel & Assistant Secretary to the Board of Trustees; Kenneth Kane, Vice President of Financial Oversight; Rick Shansky Vice President of Operations Oversight; Corey Horowitz, Director of Risk Management; and Kathleen Mitterway, Director of Audit.**

**Representing PSEG LI were David Lyons, Vice President of Business Services and Markus Ramlall, Director of Finance.**

*Chair Cohen welcomed everyone to the Finance and Audit Committee meeting of the Long Island Power Authority Board of Trustees.*

*Chair Cohen stated that the first item on the agenda is the adoption of the minutes from the March 29, 2017 Committee meeting.*

*Trustee Fischl made a motion to accept the minutes of the March 29, 2017 meeting. Upon motion duly made and seconded, the minutes were approved unanimously.*

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*Trustee Cohen stated that next item on the agenda is the Overview of Financial Results & Hedge Report.*

*Mr. Branca presented LIPA's February financial results. Mr. Lyons and Mr. Ramlall of PSEG LI reported on the PSEG LI Operating Results. Mr. Horowitz presented the Hedge Report.*

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*Chair Cohen stated that next item on the Review of Various Quarterly Reports which would be presented by Joseph Branca.*

*Mr. Branca gave a presentation regarding Various Quarterly Reports and then took questions from Trustees.*

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*Chair Cohen stated that next item on the agenda is Internal Audit Activities which would be presented by Kathleen Mitterway.*

*Ms. Mitterway gave a presentation regarding the Authority's Internal Audit Activities and then took questions from Trustees.*

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*Chair Cohen stated that the last item on the agenda is the Consideration of Recommendation to Approve Revised Investment Policy, which would be presented by Joseph Branca.*

*Mr. Branca presented the following action item and took questions from the Trustees:*

#### **Requested Action**

The Finance and Audit Committee (the "Committee") of the Board of Trustees (the "Board") of the Long Island Power Authority (the "Authority") is requested to adopt a resolution recommending approval by the Board of a revised Investment Policy, as further described below.

#### **Investment Policy**

The Board is required by Section 2925(6) of the Public Authorities Law (“PAL”) to annually review and approve investment guidelines (herein referred to as the “Investment Policy”) that detail the Authority’s operative instructions to officers and staff regarding the investing, monitoring and reporting of funds of the Authority. The Authority’s Investment Policy was last reviewed and approved on May 18, 2016. The proposed revisions to the Investment Policy seek to clarify, simplify and ensure continued compliance with the various contractual and regulatory requirements. The Policy defines the investment objectives, permitted investments, provide parameters and controls, and enumerate the reporting requirements, while also making the Policy easier to use.

Based on staff’s review, which was performed in consultation with the Authority’s investment advisor, bond counsel and disclosure counsel, the proposed Investment Policy is intended to replace the prior policy and incorporates the following material modifications:

- (i) In section 1.31, modify standards of judgment and care in making investments using prudent investor language;
- (ii) In section 2.2, addition and modification of how investments are presented by listing permitted investments and defining them and now including collateralized investment agreements and supranationals. While, supranationals, not specifically excluded in the previous guidelines, are now separately delineated; provide clarity to floating rate notes and repurchase agreements;
- (iii) Provide in section 2.3 in tabular form the investments by sector and the attendant maximum percentage investment by sector and issuer, and the credit rating requirements in section 2.4, the maximum percentage of the portfolio in money market mutual funds has been increased from 75% to 100% and the maximum percentage of certificates of deposit has been increased from 40% to 50%. Furthermore, the single-issuer limit has been clarified to apply to underlying securities and not to a money market fund;
- (iv) Modify actions required when investments are downgraded;
- (v) In section 3.5 require written custodial agreement and require collateralization of all bank deposits;
- (vi) In section 4.3 better define qualifications for custodial banks;
- (vii) In various sections change Managing Director of Finance to Chief Financial Officer;
- (viii) In Appendix B, NDTF modify asset weightings from 35% equities to 50% equities to reflect the long term nature of the fund (license expires in 2046).

### **Recommendation**

Based upon the foregoing, I recommend the approval of the above requested action by adoption of a resolution in the form attached hereto as Exhibit A.

*A motion was made and seconded, and the Trustees unanimously adopted the following resolution:*

**RECOMMENDATION FOR APPROVAL OF INVESTMENT POLICY**

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**RESOLVED**, that the Finance and Audit Committee of the Long Island Power Authority Board of Trustees hereby approves and adopts a resolution recommending that the full Board approve the Revised Investment Policy in the form presented at this meeting to be effective immediately.

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*At approximately 8:50 a.m. Chair Cohen stated that the Committee would adjourn to Executive Session to discuss personnel matters with LIPA's Director of Audit. Chair Cohen stated that no votes would be taken and that the Committee would not be returning to public session.*