

Investment Policy

Purpose

It is the policy of the Indianapolis Housing Agency (“Agency”) to invest its funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Agency, and comply with all Federal, State and local statutes or ordinances governing the investment of public funds. Moreover, this Policy shall provide guidelines for the prudent investment of the Agency’s funds and outline the policies for maximizing the efficiency of the Agency’s cash management system. The ultimate goal is to enhance the economic status of the Agency while protecting its funds.

Scope

This investment policy applies to all financial assets of the Agency. The assets are accounted for in the various funds of the Agency and include the general operating account, special revenue funds, debt service funds, capital project funds, enterprise funds, internal service funds, trust funds, general funds, HUD funds, State funds, CDBG funds, management funds and any new fund created by the City, State or Federal government unless specifically exempted. Employee deferred compensation, pension and/or any bond reserves are not managed by the Agency and are not subjected to the Agency's Investment Policy.

Objectives: Safety, Diversification, Liquidity, Return on Investment and Interest Rate Risk

The primary objectives, in priority order, of the Agency’s investment activities shall be:

Safety

The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. Safety of the Agency’s capital is the foremost objective of the investment program. Thus, selecting only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk is an imperative. Moreover, investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Diversification

The investments will be diversified by security type and institution in order that potential loss of individual securities does not exceed the income generated from the remainder of the portfolio.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. "Liquid" refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated within one hundred and eighty (180) days.

Return on Investment/Yield

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The objective is to attain a rate of return that equals or exceeds the yield for a three-month treasury bill.

Interest Rate Risk

The Agency will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds or similar investments and limiting the average maturity of the portfolio in accordance with the "Diversification" section of this policy.

Delegation of Agency to Make Investments

Authority to manage the investment program, as derived from Section 401(E) of the HUD/PHA Annual Contributions Contract, is hereby delegated to the Executive Director. The Executive Director shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures

should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts and provide for dual signatures for all expenditures, one of which must be a member of the Agency. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Agency. The Executive Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Internal Controls

- Internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the Agency. Controls deemed most important include: separation of duties, separation of transaction authority from accounting and recordkeeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, control over wire transfers such as dual authorization, minimizing the number of authorized investment officials, documentation of transactions and strategies, and a code of ethics standard.
- The Agency's Finance procedures Manual shall establish and maintain an internal control structure designed to ensure that the assets managed under the scope of the Policy are protected from loss, theft, or misuse. The internal control structure shall provide reasonable assurance that these objectives are met.
- As part of the Agency's annual audit, the Agency's external auditor shall review the Agency's investment activities to ensure compliance with the Investment Policy. In addition, the Agency's internal auditor shall periodically review the Agency's investment activities and report his/her findings to the Executive Director and the Board of Commissioners.

The Agency shall be limited to investments authorized by Federal and State statutes. Unless otherwise authorized by the Board of Commissioners, all investments will be authorized by formal board resolution. In addition, unless authorized by the Board of Commissioners, investments will be limited to authorized financial institutions, depositories or broker/dealers that have been properly procured, or to direct obligations of the U.S. Treasury.

Authorized Financial Institutions, Depositories and Broker/Dealers

A. Authorized Financial Institutions, Depositories and Broker/Dealer: The Executive Director shall have the Agency or a properly delegated investment

officer maintain a list of financial institutions, selected on the basis of proper procurement. Factors such as credit worthiness, financial strength, experience, cost, payment methods, and minimal capitalization should be evaluated during the procurement process. A list of approved security broker/dealers who are authorized to provide investment and financial advisory services in the State of Indiana will be maintained. No public deposit shall be made except in a qualified public depository as established by state laws. All financial institutions and broker/dealers who desire to become qualified bidders for the Indianapolis Housing Agency's investment transactions must supply the following as appropriate:

1. Audited Financial Statements demonstrating compliance with state and federal capital adequacy guidelines.
2. Proof of National Association of Security Dealers (NASD) certification
3. Proof of State of Indiana registration
4. Certification of having read and understood and agreeing to comply with the Indianapolis Housing Agency's investment policy
5. Evidence of adequate insurance coverage (i.e., *Collateralization*).
6. A listing of litigation pending against the broker/dealer within the last five (5) year period for each matter that has been evidenced by a judgment, either for or against the broker/dealer, concerning professional services rendered together with a listing of all pending actions involving professional service. This information shall be utilized in evaluating the prospective broker/dealer's fitness to represent the Commission.
An annual review of the financial condition and registrations of qualified bidders will be conducted by the investment officer.
7. All SEC findings.

B. Minority and Community Financial Institutions: From time to time, the Executive Director or the designated investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph A shown immediately above may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and will be consistent with state and local law. The Board of Commissioners shall approve these types of investment purchases in advance.

All federal funds of the Agency will be invested solely in securities of the type approved by the U.S. Department of Housing and Urban Development. Currently, these investments include:

- A. U.S. Treasury Bills
- B. U.S. Treasury Notes and Bonds

- C. Obligations of Federal Government Agencies
- D. Securities of Government Sponsored Agencies
- E. Insured Money Market Deposit Accounts
- F. Municipal Depository Fund
- G. Super NOW Accounts
- H. Certificates of Deposit
- I. Repurchase Agreements
- J. Sweep Accounts
- K. Separate Trading of Registered Interest and Principal of Securities (STRIPS)
- L. Mutual Funds that meet the HUD criteria

Safekeeping and Custody

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Agency shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the Executive Director and approved by the Board of Commissioners and evidenced by safekeeping receipts as determined by the Board.

An investment register shall be maintained to record the purchase and sale of investment securities. A separate record shall be maintained for each fund account. At a minimum, the record shall contain the following:

- A. A complete description of the securities purchased;
- B. The date of purchase;
- C. The purchase price;
- D. The interest rate;
- E. The amount of periodic increment of value of US Savings Bonds, if applicable;
- F. The date of sale; and

G. Source of funds invested.

Prudence

Investments shall be made with judgment and care under circumstances then prevailing. The standard should be based on the exercise of an ordinary person's prudence, discretion, and intelligence in the management of their own affairs, not for speculation, but for investment, and being mindful of the probable safety of the capital as well as the probable income to be derived.

Ethics and Conflicts of Interest

Employees, agents, officers and Board members involved in the investment process 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. Employees and investment officials shall disclose, in writing, to the Executive Director and the Board of Commissioners any material interests in financial institutions with which they conduct business and may present a conflict of interest. They shall further disclose any personal financial/investment positions that could be related to the performance of the Agency's investment portfolio. Employees, agents, officers and Board members shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Agency.

Acknowledgement of Receipt of Investment Policy and Agreement to Comply

I have read and fully understand the Investment Policy of the Indianapolis Housing Agency.

Any investment advice or recommendation given by _____, representing _____, to the Agency shall comply with the requirements of the Investment policy of the Agency. Any existing investment not conforming with the statute or the policy will be disclosed promptly.

By: _____

Title: _____

Date: _____