

**HANNIBAL HOUSING AUTHORITY
INVESTMENT OF FUNDS POLICY**

**SECTION 1
PURPOSE**

The purpose of this policy is to provide a method for the Housing Authority to govern cash management and investments according to applicable regulatory requirements.

**SECTION 2
GENERAL DEPOSITORY AGREEMENT**

The Authority shall deposit and invest all program funds for projects under Annual Contributions Contracts or other agreements in accordance with the terms of said Agreements. The General Depository Agreement (Form HUD-51999) must be in a form approved by HUD and executed between the Authority and the depository agency. The Authority will also invest General Fund (program) monies only in HUD approved investments. The depository must be a financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF). An original HUD-51999 should be maintained by the Authority and the financial institution. A copy of the HUD-51999 will be submitted to the HUD area office along with the SF-1199A.

**SECTION 3
SELECTION OF BANKING SERVICES**

To ensure that the Authority receives the banking services provided at the lowest cost, banking services shall be arranged by selecting a bank through competitive solicitation. Banking services will be periodically solicited through competitive negotiation. The solicitation will be in the form of a Request for Proposal and shall allow the Authority to evaluate the quality and price for services.

The Authority will designate a single bank account for deposit of all payments that are received from HUD through Direct Deposit Electronic Transfer (DD-DFT). A Standard form 1199A, Direct Deposit Sign-Up Form must be submitted to HUD to designate the account. A copy of the General Depository Agreement with the financial institution shall be attached with the SF-1199A. Once the funds are received they may be transferred to separate accounts according to the applicable program and Authority policies and procedures.

**SECTION 4
DESIGNATION**

The Executive Director is hereby designated the administrator of the Housing Authority of the City of Hannibal's funds and will be responsible for their timely and appropriate investment.

**SECTION 5
COLLATERALIZATION OF DEPOSITS**

All deposits will be required to continuously and fully (100%) secure all deposits regardless of type (i.e. regular, savings, etc.) that are in excess of the \$100,000 insured amount. This may be accomplished by pledging or setting aside collateral of identifiable U.S. government securities prescribed by HUD.

**SECTION 6
FUNDS AVAILABLE FOR INVESTMENT**

1. Funds on deposit in the General Funds are comprised of four components:
 - a. Funds for current transactions purposes;
 - b. Development and/or modernization funds;
 - c. Funds exceeding those necessary for the daily operation of the PHA which are considered available for investment; and
 - d. Any operating reserved funds.

As a general rule, the average amount on deposit in the General Fund cash accounts (the targeted maximum cash balance) should be the amount needed on hand for transaction purposes or as a safeguard against cash shortages.

2. Under the Modernization and Development Programs, the term “cash management” also means minimizing the time elapsing between the draw down and disbursement of funds by the Authority. HUD has established the maximum time to be generally three working days. (Excess funds also means the amount of modernization or development funds drawn down, but not needed for immediate disbursement) (Ref 24 CFR part 85.21).
3. Interest income on modernization funds is included as operating income. Interest income earned on development funds is to be credited to the development program to reduce the development cost of the project.

**SECTION 7
APPROVED INVESTMENT SECURITIES**

1. Purchases of securities shall have maturities, which coincide with expected disbursements by the Authority. For the purposes of investing operating reserves, uses shall be limited to maturities of three years or less.
2. HUD Approved Investments – A list of investments approved by HUD for investment of Authority funds is attached to this policy. The choice of investments from the approved list should be made using the criteria in this policy.

3. Determination of Investment Type – The determination of the best type and mixtures of investments is dependant on several factors. The primary objective is safety. Once that objective is attained, the optimum return on the investment should be consistent with the goals of the cash management program of the Authority. The factors that should be taken into account include the following:
 - a. Safety – Safety is achieved through the authority’s adherence to the list of permitted investments, which are backed by the full faith and credit of, or a guarantee of principal and interest by, the U.S. Government, a Government agency, or issued by a government agency, coupled with an appropriate maturity date.
 - b. Yield – The Housing Authority should strive to achieve the highest yield consistent with the other factors of the investment policy. Tax-exempt securities are not appropriate for investment by the Housing Authority, because it would not benefit from the tax advantages.
 - c. Liquidity – All investments must be capable of being liquidated on one day’s notice. Therefore, no investments may be made which would impose a longer notice period or redemption or which are not readily marketable.
 - d. Maturity – Investments should be scheduled to mature when the funds are needed. Sale of securities prior to maturity should be avoided due to the inherent risk. (If the market interest rate increases above the yield on the investment, the market value of the securities will decline.) Investments shall be limited to securities maturing in periods of one year, or such lesser period that coincides with expected disbursements by the Housing Authority, but not beyond the current financing cycle. The Authority may invest in securities up to three years for the investment or operating reserves.
 - e. Amount – The best type of investment depends, to some degree on the amount available for investment because certain investments require a large initial amount.
 - f. Administrative Cost – In choosing an investment, the Authority must consider the administrative work involved, particularly with regard to investments of short duration. Substantial amounts can be invested for periods as short as one or two days. However, the administrative costs with small amounts may be greater than the return on the investment, thus would not be justified. Administrative costs will be higher with a more frequent turnover of investments and must be taken into account together with the yield and term in determining the optimum investments strategy.

**SECTION 8
INVESTMENT REGISTER**

An investment register shall be maintained by the Authority Finance department. The register shall record the amount of investment securities purchased from each fund and provide a description of the investment, date of purchase, purchase price, interest rate, and applicable date of sale or maturity and will identify the initial source of funds (i.e. modernization or development funds, security deposit funds, and operating funds).

**SECTION 9
INTERNAL CONTROLS**

The Authority shall utilize the following internal controls to assist in management of its investments and preventing losses.

1. Investment transactions shall be authorized by the Board of Commissioners and documented in Board minutes.
2. Investment documents shall be kept in a fire-resistant, locked file cabinet, safe deposit box, or other similarly secured location.
3. Individuals responsible for custody of securities shall be someone other than the individual maintaining the accounting records. The Board of Commissioners by approval of this policy designated the Executive Director for custody of securities.
4. Investments shall be maintained in a custodian or trust account.
5. Investments shall be in the name of the Authority.
6. Investments shall be recorded in detail in the investment ledger by the Finance Department.
7. The Finance Department shall insure that all interest earned is collected and credited to appropriate Authority records, on no less that a semi-annual basis.
8. Investments shall be reconciled periodically to the detailed record (investment ledger) on no less than a semi annual basis.

**SECTION 10
CASH MANAGEMENT BY THE HOSUING AUTHORITY**

The Authority should compare the return from in-house cash management program with a program managed by an agent. If the Authority finds that administrative costs of an in-house program are such that the net yield on investments is less than that obtainable through an alternative, the general rule is that the authority should use that alternative.

SECTION 11
CASH MANAGEMENT BY AN AGENT

As an alternative to in-house cash management program the Authority may enter into a contract with an approved governmental unit such as a State agency established for this purpose or another Housing Authority, of a financial institution (excluding investment bankers and brokerage houses) to administer its cash management program. Such a program may include any of the functions of cash management, i.e. receipts, disbursements, and investments. All designations of agents will be completed by Board action and recorded into the Authority minutes.

SECTION 12
TEMPORARY FUNDS AVAILABLE FOR INVESTMENT

Upon the accumulation of up to or over \$20,000, the Authority shall invest such finds in HUD approved investment securities. For average cash balances of less than \$20,000 the Authority shall also invest such funds in HUD approved investment securities. The Authority shall make a reasonable estimate of investment income for the requested budget year. These income estimates are not subject to the mandatory year-end adjustment.