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**Lansing Housing Commission
Policy No. 2010-8
Investment Policy**

1.0 Policy:

The Lansing Housing Commission (“Commission”) shall invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Commission and while conforming to all Housing and Urban Development deferral, state and local statutes, rules, and regulations governing the investments of public funds.

2.0 Scope

This investment policy describes the processes the Commission will utilize to insure implementation of a sound investment strategy. The policy applies to the management of all financial assets of the Commission. These funds are reported in the Commission’s Annual Audit and include:

2.1 All Program’s Operating Reserves

2.2 All monies in all funds

2.3 Any newly acquired special funds as they are received

3.0 Objective

The primary objective, in priority order of the Commission investment activities shall be:

3.1 Safety

Safety of the principal is the foremost objective of the Commission investment program. Commission investments shall be made in a manner that seeks to ensure the preservation of capital in the overall portfolio.

3.2 Liquidity

The Commission investment portfolio will remain sufficiently liquid to enable the Commission to meet all operating requirements that might be reasonably anticipated.

3.3 Return on Investments

The objective of the Commission investment portfolio is to attain a rate of return (throughout budgetary and economic cycles), commensurate with the Commission's investment risk constraints.

3.4 Leverage

The Commission will use its funds to leverage additional funding opportunities whenever possible.

3.5 Legal Limitations

The Commission shall operate within the legal limitations specified by the U.S. Department of Housing and Urban Development and other applicable laws rules and regulations.

3.6 Administrative Cost

In choosing an investment, the Commission shall consider the administrative work involved, particularly with regards to investments of short duration. More frequent turnover of investments may lead to higher administrative costs and therefore a lower yield. The objective is to achieve the highest earnings and to yield the lowest administrative costs possible.

3.7 Minimize Risk Factors

The Commission seeks to minimize custodial, credit and interest risks in the investment portfolio.

Prudence

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived."

The Executive Director and those delegated with investment authority under this policy, when acting in accordance with the written procedures and this policy in accordance with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio, provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

4.0 Delegation of Authority

Authority to manage the Commission's investment program is derived from a Board of Commissioners Resolution. Management responsibility of the Commission's investment program is delegated to the Executive Director or his/her designee. The Executive Director or his/her designee shall establish written procedures for the operation of the investment program consistent with this investment policy.

5.0 Ethics and Conflicts of Interest

Officers and employees involved with the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board of Commissioners any material financial interest in financial institutions that conduct business with the Commission. Employees and investment officials shall further disclose any large personal financial investment positions that could be related to the performance of the commission, particularly with regard to the time of purchases and sales of investments. All Federal, State of Michigan, Local Governments and Commission Ethics Policies shall be strictly followed.

6.0 Authorized Financial Dealers and Institutions

6.1 All institutions, including foundations and broker/dealers who desire to become qualified bidders for investments transactions must supply the Executive Director with financial statements and certification in writing that the financial institution or the broker/dealer has read and will follow all Federal, State of Michigan laws and regulation regarding investments made by the Commission.

6.2 The Executive Director or his/her designee will complete an annual review of the statements of institutions, foundations and brokers/dealers involved with the Commission Investments.

6.3 A current audited financial statement is required to be on file for each institution, foundation and broker/dealer in which the Commission invests.

6.4 All depositories of the Commission investments must have one of the three highest financial stability ratings given by a nationally recognized rating agency.

7.0 Authorized and Suitable Investments

The Commission is empowered by the U.S Department of Housing and Urban Development to invest only in approved and fully collateralized investments. No investment shall be purchased for the Commission on a margin basis or through the use of any similar leveraging technique.

8.0 Safekeeping and Custody

To protect against potential fraud and embezzlement, Investment assets shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. The Executive Director and other employees of the Commission who are authorized to invest Commission funds shall be bonded in an amount as necessary to cover any possible loss of the investment. Collateralized securities such as repurchase agreements shall be purchased using the delivery versus payment procedure.

Money market mutual funds used for investments must provide for independent custodians of their portfolios and delivery versus payment on their portfolio securities. The safekeeping procedures utilized in the Authority's investments program shall be reviewed annually by the independent auditor.

9.0 Collateralization

Collateralization is required for all Commission investments. The collateral may be Federal Government insured or other acceptable government backed investments.

10.0 Diversification

The Commission shall diversify investments such that no one investment contains more than a majority of the total Commission funds. There is an exception for investments that are fully collateralized by Federal Government insurance.

11.0 Maturities

To the extent possible, the Housing Commission will attempt to match its long-term investments with anticipated cash flow requirements.

12.0 Internal Control

The Executive Director or his/her designee shall establish an annual review of all Commission investment transactions. The review will provide internal control by assuring compliance with this policy and investment procedures.

13.0 Performance Standards and Reporting

The Executive Director or his/her designee shall provide an annual report to the Commissioners on the investment status of all Housing Commission funds. The report shall list the financial institution, broker/dealer, investment amount, maturity date, stated interest rate, yield and market value and comments regarding the years' transactions and any planned changes in investments for the coming year.

14.0 Investment Policy Adoption

The Commission's investment policy shall be adopted by Resolution of the Board of Commissioners. The policy shall be reviewed on a continual basis and will be revised by the Executive Director as necessary. If any changes in federal or State of

Michigan laws affect this policy, the new law or change will automatically become effective.

15.0 Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements herein, except for the reporting requirement. At maturity or liquidation, such funds shall be reinvested only as provided for in this policy.