

INVESTMENT POLICY AND PROCEDURES

1.0 Policy Statement

It is an ongoing responsibility of the Executive Director to monitor these investments, perform the ongoing cash flow analysis, and make recommendation to the Board regarding investments. These excess funds if not covered by FDIC insurance must be invested in fully collateralized securities and at no time should be placed at risk through volatile or otherwise unsuitable investments.

The objective of the Wenham Housing Authority's Investment Policy and Procedures is to obtain the highest rate of return on its excess funds without use of investment instruments that are not fully secured in a manner consistent with state law for security of public funds.

It is also an aspect of the WHA Investment Policy to support local banking institutions which have proven to be well run and have a history of financial prudence. However, the Authority will as a matter of diversification avoid to the greatest extent possible consolidation of funds in one bank or investment house and will periodically make independent inquiry as to the financial health of the institutions which hold its investments.

Whenever possible the Authority will negotiate with the bank or investment house for services suitable to its needs. This includes not only full collateralization of all funds in excess of those covered by FDIC insurance, but also such services as "sweep accounts" which move funds from low or no interest checking accounts into interest bearing securities or accounts on an overnight and week-end basis. Other banking services provided at discounted fees such as direct debit programs or lock boxes for rent collection can be considered as "value added" to banking relationships.

The Board and the Executive Director will periodically review the quality of services provided by its current banks and investment houses to determine if the level of services being provided remain competitive with the current range of services offered by other banking and investment institutions.

Although the WHA has an accountant who will receive and reconcile all bank statements, all investments, investment renewals and transfers of funds will require at a minimum the signature of the Executive Director and either the Chairman or Treasurer of the Authority.

2.0 Acceptable Investment Instruments

Among the types of investments which are considered acceptable are:

- 1 Treasury Bills
- 1 Treasury Notes
- 1 Treasury Bonds
- 1 Super "NOW" Accounts (only if fully collateralized)
- 1 Certificates of Deposit (only if fully collateralized)
- 1 Money Market Accounts (only if fully collateralized)
- 1 Massachusetts Municipal Depository Trust (MMDT)

If the funds deposited are for federal programs, the Authority must execute a general depository agreement (form HUD 51999) with the bank or investment house. The Executive Office of Communities and Development does not require an equivalent form but has placed the requirement of full collateralization on the Authority.

In general, liquidity is a consideration. Investment maturity dates should be staggered throughout the year and over several years. Unless there is a compelling rate of return which is both high and secure, investments which tie-up funds for more than two years should be made only after careful consideration of the Authority's financial condition and its ability to meet its ninety (90) day cash needs without any concern that delays in receipt of subsidy or government recessions will impair its cash position.

All investments will be approved by the Board. To assist the Board in its ongoing fiduciary responsibilities the Accountant will maintain an Investment Register which will detail all investments by location, type of security, maturity date, and rate of return. A copy of the Investment Register will be provided to the Board each month. Accompanying the Register will be a listing of the most recent published federal funds rate from the financial pages.

3.0 Determining Cash Needs

Prior to the start of each fiscal quarter, the Executive Director will estimate the cash flow needs of the Authority. This calculation be based on a projection of all income in the form of rents and subsidy. Income from rents will be discounted based on historic TARs levels. For instance, if rents collected on time are usually only 95% of the rent roll, then the 95% of rent roll figure will be used. If there is any reason to believe that subsidy payments will not be available on a predictable basis because of state or federal budget issues, then the amount anticipated from subsidy will also be correspondingly discounted.

Disbursements for the period will be based on operating budget projections which have been adjusted for seasonal needs (e.g. snow removal for the winter quarter).

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If the Authority has funds which have been provided for modernization or development in a lump sum, then an identical analysis will be performed to determine how much of the funds will be required during the quarter.

These calculations will be monitored by Executive Director each month to be certain that the initial assumptions remain valid.