

Albuquerque Housing Authority Investment Policy



ALBUQUERQUE HOUSING AUTHORITY

"Empowering people in our community through affordable housing and self sufficiency opportunities."

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1 Policy

It is the policy of the Albuquerque Housing Authority to 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 Housing Authority while conforming to all federal, state and local statutes governing the investment of public funds.

2 Scope

This investment policy applies to all financial assets of the Housing Authority. These funds are accounted for in the Housing Authority Annual Audit Report and include:

- Operating Reserves of all programs
- Development Reserves
- Any newly acquired special funds

3 Objective

The primary objectives, in priority order, of the Housing Authority investment activities shall be:

3.1 Safety

Safety of principal is the foremost objective of the Housing Authority investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in order that potential losses on individual investments do not exceed the income generated from the remainder of the portfolio.

3.2 Liquidity

The Albuquerque Housing Authority investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated.

3.3 Return on Investment

The Albuquerque Housing Authority investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Authority's investment risk constraints and cash flow characteristics of the portfolio.

3.4 Legal Limitations

Direct specific investment parameters for the investment of public funds in New Mexico are found In the Public Funds Deposit and Investment of funds 2006 New Mexico Statutes – Section 6-1-10 and the U.S. Department of Housing and Urban Development Public and Indian Housing Notice 96-33 (HA) issued June 4, 1996 titled “Required HA Cash Management and Investment Policies and Procedures” with additional guidelines in the HUD Financial Management Handbook.

3.5 Administrative Cost

In choosing an investment, the Albuquerque Housing Authority shall consider the administrative work involved, particularly with regards to investments of short duration. The more frequent turnover of investments may lead to higher administrative costs and therefore lower yield.

4 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 Investment Officer and those delegated with investment authority under this policy, when acting in accordance with the written procedures and this policy in accord with the Prudent Person Rule, shall be relieved of personal responsibility and 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.

5 Delegation of Authority

Authority to manage the Albuquerque Housing Authority investment program is derived from a Board of Commissioners Resolution. Management responsibility for the investment program is delegated to the Finance Director who shall establish written procedures for the operation of the investment program consistent with this investment policy.

Procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, banking service contracts, collateral and depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6 Ethics and Conflicts of Interest

Officers and employees involved in 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

Executive Director any material financial interests in financial institutions that conduct business with this Authority. Employees and investment officials shall further disclose any large personal financial investment positions that could be related to the performance of the Housing Authority, particularly with regard to the time of purchases and sale of investments. All Federal, State of New Mexico and Housing Authority Ethics Policies shall be strictly followed.

7 Authorized Financial Dealers and Institutions

The Finance Director shall maintain a list of all financial institutions authorized to provide investment services for the Albuquerque Housing Authority.

7.1 Financial Institutions and Broker / Dealers

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director with annual financial statements and certification in writing that the financial institution or the broker/dealer has read and will follow all Federal and State of New Mexico laws and regulations regarding investments made by the Albuquerque Housing Authority.

7.2 Annual Review

An annual review of the financial statements will be completed by the Finance Director.

7.3 Audit

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Housing Authority invests.

8 Authorized and Suitable Investments

The Albuquerque Housing Authority is empowered by the U.S. Department of Housing and Urban Development to invest only in instruments approved and fully collateralized by other approved investments. ATTACHMENT A contains a listing and description of approved investment instruments available to the Albuquerque Housing Authority.

9 Collateralization

Collateralization is required for all Housing Authority investments. In order to protect the Housing Authority assets, collateralization of one hundred percent (100%) is required at all times. All collateral shall conform to those investment instruments listed in ATTACHMENT A.

Collateral will always be held by an independent third party with whom the financial institution or broker/dealer has a current custodial agreement. A clearly marked evidence of ownership or safekeeping receipt must be available to the Housing Authority.

The right of collateral substitution is granted only when the substituted collateral is on the approved list of investments listed in ATTACHMENT A.

10 Diversification

The Albuquerque Housing Authority will diversify its investments by security type and/or by institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50% of the Albuquerque Housing Authority total investment portfolio will be invested in a single security type or with a single financial institution or broker/dealer.

11 Maximum Maturities

To the extent possible the Albuquerque Housing Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest in securities maturing more than three years (3) from the date of purchase. This maximum maturity policy applies to all Housing Authority funds.

12 Internal Control

The Finance Director shall establish an annual process of independent review as part of the annual audit. This review will provide internal control by assuring compliance with policies and procedures.

13 Performance Standards and Reporting

The Finance Director or designee will prepare an annual investments report for the Housing Authority Board of Commissioners. The report shall contain the name of the financial institution or broker/dealer holding the investment, the cost of the investment, the fair market value of the investment, the purchase and maturity dates of the investment. The financial balance of investments is reported to the Board on a monthly basis. The performance will be measured by standards set by the U.S. Department of Housing and Urban Development.

14 Investment Policy Adoption

The Albuquerque Housing Authority 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 Finance Director as necessary. It is the intent of the Housing Authority that if any changes of federal or State of New Mexico laws affect this policy, the new law or change becomes effective as stated and this policy is automatically conformed to existing law.

15 Exemption

Any Investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements contained herein. At maturity or liquidation, such funds shall be reinvested only as provided by this policy.

Attachment A

HUD Approved Investment Instruments

1. Direct Obligations of the Federal Government Backed by the Full Faith and Credit of the United States:
 - a. U.S. Treasury Bills
 - b. U.S. Treasury Notes
 - c. U.S. Treasury Bonds
2. Obligations of Federal Government Agencies:
 - a. Federal Financing Bank (FFB)
 - b. Government National Mortgage Association (GNMA)
 - c. Mortgage Backed Securities (GNMA I and GNMA II)
 - d. GNMA Participation Certificates
 - e. Maritime Administration Merchant Marine Bonds
 - f. Maritime Administration Merchant Marine Notes
 - g. Maritime Administration Merchant Marine Obligations
 - h. Small Business Administration (SBA)
 - i. Small Business Investment Corporation (SBIC) Debentures
 - j. Tennessee Valley Authority (TVA) Power Bonds
 - k. Tennessee Valley Authority (TVA) Power Notes
3. Securities of Government Sponsored Agencies;
 - a. Farm Credit Consolidated System Wide Discount Notes
 - b. Federal Farm Credit Banks Consolidated System Wide Bonds
 - c. Federal Home Loan Banks Consolidated Obligations

- d. FHLMC Mortgage Participation Certificates (PC) (Guaranteed)
 - e. FHLMC Collateralized Mortgage Obligations (CMOs)
 - f. Federal National Mortgage Association (FNMA) Debentures
 - g. FNMA Notes
 - h. FNMA Short Term Discount Notes
 - i. FNMA Capital Debentures
 - j. Student Loan Marketing Associations (SLMA) Obligations
- 4. Demand and Savings Deposits
 - 5. Money Market Deposit Accounts
 - 6. Municipal Depository Fund
 - 7. Super NOW Accounts
 - 8. Certificates of Deposit
 - 9. Repurchase Agreements (Special Requirements)
 - 10. Sweep Accounts
 - 11. Separate Trading of Registered Interest and Principal Securities
 - 12. Mutual Funds (Special Requirements)

Certification

I hereby certify that I have received and thoroughly reviewed the investment policy of the Albuquerque Housing Authority and have implemented reasonable procedures and controls designed to preclude imprudent investment activities arising out of investment transactions conducted between this firm and the Albuquerque Housing Authority. Transactions between this firm and the Albuquerque Housing Authority will be directed towards protecting the Authority from credit or market risk.

All sales personnel of this firm dealing with the Albuquerque Housing Authority accounts have been informed and will be routinely informed of the Albuquerque Housing Authority investment horizons, limitations, strategy, and risk constraints, whenever we are so informed.

The firm pledges due diligence in informing the Albuquerque Housing Authority of foreseeable risks associated with financial transactions connected to this firm.

(Firm)

(Signature of Registered Principle)

(Name)

(Title)

(Date)