

Section B: Fiscal Policies	Knoxville's Community Development Corporation		
	Investment of Funds Policy	B-170	
		Issued: 7/1/2006	Adopted: 12/12/19

1. General Provisions: It is the policy of the Knoxville's Community Development Corporation 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 Corporation 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 Corporation. These funds are accounted for in the Corporation audited annual financial statements.
3. Objective: The primary objectives, in priority order, of the Corporation investment activities shall be:
 - a. Safety: Safety of principal is the foremost objective of the Corporation investment program. Investments of the Corporation shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
 - b. Liquidity: The Corporation investment portfolio will remain sufficiently liquid to enable the Corporation to meet all operating requirements which might be reasonably anticipated.
 - c. Return on Investments: The Corporation investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Corporation's investment risk constraints and cash flow characteristics of the portfolio.
 - d. Legal Limitations: Direct specific investment parameters for the investment of public funds in Tennessee are found In the **Tennessee Code Annotated Title 9 Chapter 4**. Investment parameters governing investment of monies under Annual Contributions Contract with HUD shall follow the U.S. Department of Housing and Urban Development Public and Indian Housing Notice 95-27 issued May 11, 1995 or any superseding guidance.

e. **Administrative Cost:** In choosing an investment, the Corporation shall consider the administrative work involved, particularly with regards to investments of short duration.

4. **Prudence:** The “prudent person” standard 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/CEO 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 Corporation investment program is derived from a Board of Commissioners Resolution. Management responsibility for the investment program is delegated to the Executive Director/CEO or designee who shall establish procedures for the operation of the investment program consistent with this investment policy.

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 established procedures. The Executive Director/CEO shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6. **Collateralization:** Collateralization is required for all Corporation investments purchased with monies under Annual Contributions Contract with HUD. HUD requires collateralization of one hundred percent (100%) at all times. All collateral shall conform to those investment instruments approved by the U.S. Department of HUD. 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 Corporation.

The right of collateral substitution is granted only when the substituted collateral is on HUD’s approved list of Investments.

Other investments will be collateralized in accordance with regulations found in **Tennessee Code Annotated, Title 9 Chapter 4.**

7. Diversification: The Corporation will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50% of the Corporation total investment portfolio will be invested in a single security type.
8. Reporting: The Executive Director/CEO or designee will report investments in conjunction with the audit report on an annual basis.
9. Investment Policy Adoption: It is the intent of KCDC that if any changes of federal or State of Tennessee laws affect this policy, the new law or change becomes effective as stated, and this policy is automatically conformed to existing law.
10. Exemption: Any investment held at adoption of this policy 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.