

# BETHLEHEM AUTHORITY INVESTMENT POLICY

ADOPTED FEBRUARY 11, 2016

AMENDED FEBRUARY 8, 2017

AMENDED MARCH, 2018

AMENDED FEBRUARY 2019

APPROVED FEBRUARY 2020

AMENDED FEBRUARY 2021

APPROVED MARCH 2021

The investment of Bethlehem Authority funds in i) certificates of deposit, time deposits, money market funds, as well as money market fund investments maintained in the Pennsylvania Local Government Investment Trust ("PLGIT") or other local government investment pools ("LGIPs"), and in ii) other Investment Securities permitted as investments under the Trust Indenture, whether they are Operating Funds or Capital Funds, shall be governed by the following:

## **Investment Objectives**

The primary objectives, of investment activities, in priority order, shall be safety, liquidity, and yield. The Authority will minimize credit risk by limiting investments to certificates of deposit, time deposits, money market funds, and investments maintained in PLGIT, LGIPs or other similar funds that are permitted under Pennsylvania law and in the case of all amounts maintained by the Trustee under its Trust Indenture, investments permitted under the Trust Indenture. The Authority will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet projected cash requirements and by structuring laddered maturities over a period of time.

## **Standards of Care**

Investments shall be made with the 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 probable income to be derived. Individuals who are involved in the investment process shall refrain from personal business activity that could conflict with the proper management of the portfolio or which could impair their ability to make impartial investment decisions.

## **Permitted Investments**

Investments in certificates of deposit, time deposits or money market deposit

accounts shall be limited to: i) the then current F.D.I.C insured maximum limit (as of 2/19/2018 - \$250,000) in any one financial institution, or ii) such higher limit permitted hereunder if secured under Act 72 in accordance with the Indenture and secured in a manner satisfactory to the Board. Certificate of Deposit Account Registry Service ("CDARS") investment programs that pool the individual bank limits, and investment advisors who ensure compliance with the insured maximum limits, qualify under this criteria. To the extent the insured maximum limit is reduced, the Treasurer and Executive Director promptly shall take such actions reasonably necessary, if any, to ensure the Authority is secured by the FDIC, to the largest extent possible. Investments in instruments other than certificates of deposit may include appropriate investments at PLGIT or any similar cash management funds managed by the Treasurer of the Commonwealth or investment advisors who manage a significant amount of assets of other governmental bodies within the Commonwealth of Pennsylvania.

Investment Securities are defined under the Indenture to include Government Obligations. Government Obligations are further defined to mean direct obligations of, or obligation the principal and interest on which are unconditionally guaranteed and backed by the full faith and credit of, the United States of America.

### **Bid Requirements**

For all investments (other than money market investments, PLGIT and LGIPs) of greater than \$250,000 in value and longer than a term of three months at least three quotes should be solicited.

The institution offering the highest yield shall be awarded the investment, unless there are investment objectives the Authority is seeking to achieve such as diversification of credit risk, improved liquidity, or other recognized value derived from the institution offering a lower yield.

Money market investments, including PLGIT and LGIPs, shall be rated in the highest rating category by a national independent rating agency that rates money market investments and local government investment pools. Money market mutual funds shall be invested solely in Government Obligations as provided in the Indenture.

### **Avoiding Concentration Risk**

Concentration risk is the risk of investing an inappropriate portion of funds with one financial institution or issuer or overly investing in one security type. The Authority should be guided by the following limits for both the Security Type and the maximum amount of a particular financial institution or issuer of a Security Type.



<b>Security Type</b>	<b>Minimum/Maximum Allocation</b>	<b>Maximum Aggregate Amount in any one Financial Institution, Issuer or LGIP</b>
U.S. Treasury Obligations	0-100%	N.A.
U.S. Government Agencies & Instrumentalities	0-80%	50%*
CDs, Time Deposits or money market deposit accounts (not secured under Act 72)	0-50%	Current FDIC Limit.
CDs, Time Deposits or money market deposit accounts (secured under Act 72)	0-35%	Current FDIC Limit or 10%
Negotiable Certificates of Deposit	0-50%	Current FDIC Limit.
SEC-Registered Money Market Funds and Local Government Investment Pool Money Market Funds	5-50%	20%*

\*The percentage represents an investment of particular financial institution or issuer compared to the Authority's total investment amount. For example, Fannie Mae Government Agency securities should not exceed 50% of the Authority's total investment portfolio.

**The above limits shall be measured at time of purchase.**

The Authority's investments shall be diversified by limiting investments to avoid

over-concentration in securities from a specific issuer or business sector, limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

### **Delegation of Authority**

All investments shall be made by the Board Treasurer and the Executive Director of the Authority consistent with this investment policy and will be reported to the Board at the next Board meeting to occur. In the event the Treasurer and Executive Director determine it is in the Authority's best interest to make one or more investments that do not meet this Investment Policy, the Board Treasurer and Executive Director shall bring their recommendation to the Board for prior approval. Upon approval of the Board, this Investment Policy shall be modified accordingly, and the investment may be made.

### **Policy Review**

This investment policy should be reviewed at least annually by the Board.