



REQUEST FOR PROPOSAL (RFP)

FOR BANKING, INVESTMENT MANAGEMENT, CUSTODIAL, AND PURCHASING CARD SERVICES

Date Posted: November 25, 2019

Closing Date: January 17, 2020, 2:00 pm CT

Period of agreement: Three years with two, one-year renewal options
(April 1, 2020 through March 31, 2023; two, one-year renewal
options for April 1, 2023 through March 31, 2025)

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TABLE OF CONTENTS

	<u>Page Number</u>
Section I. Introduction	3
Section II. Procedures and Instructions.....	5
Section III. Evaluation Criteria	7
Section IV. Eligibility Requirements	8
Section V. Format of Proposal	8
1. Organization	8
2. Format	8
3. Supplemental Information	9
4. Alternative Proposals	9
5. Structure of Response	9
A. Transmittal Letter	9
B. Identification of Interest	9
C. Banking Services	9
D. Investment Management Services.....	16
E. Custodial Services	17
F. Purchasing Card Services.....	18
Appendix A – Banking Statistics	20
Appendix B – Investment Management	22
Appendix C – Proposal of Charges/Banking Services	24
Appendix D – Investment Policies and Procedures.....	25
Appendix E – HUD Depository Agreement	35
Appendix F – Purchasing Card Statistics	39

Section I: Introduction

The Kansas Housing Resources Corporation (KHRC) was established pursuant to Executive Reorganization Order No. 30 dated February 10, 2003 (ERO 30), and 2003 Kansas Senate Bill No. 285 (SB 285) which transferred the Division of Housing of the former Kansas Department of Commerce and Housing to the Kansas Development Finance Authority (K DFA) effective July 1, 2003 to be organized in accordance with the K DFA Act, K.S.A. 74-8901 et seq., as amended. KHRC was incorporated, effective July 1, 2003, by the K DFA to be a subsidiary corporation in accordance with the provisions of K.S.A. 74-8904 (v). KHRC is an independent instrumentality of the State of Kansas and a public body politic and corporate. KHRC currently has approximately 47 employees.

KHRC's mission is to help Kansans access the safe, affordable housing they need and the dignity they deserve. It is achieved using a variety of strategies and approaches, including increasing homeownership opportunities, leveraging the construction of affordable rental housing, promoting energy efficiency improvements for owner-occupied and rental housing, providing affordable housing through rental assistance to low-income families and senior citizens, and creating housing opportunities for underserved persons and communities. It is the intent of KHRC to recover, primarily through user charges and grant reimbursement, the cost of providing goods or services to the general public.

KHRC administers federal and state grants and other assistance programs. Thus, the majority of KHRC's banking activity consists of "pass-through" grant/contract (grant) payments and reimbursement of administrative expenses. For example, KHRC draws upon credit lines of the Federal government and receives funds within one to two business days. Once received, KHRC generally processes the grant payment the same business day. On page 17 of KHRC's June 30, 2019 audit report, the volume of "pass-through" grant and contract payments are shown as federal program revenues and federal program expenses. On these same pages grant administration/grant income represents reimbursement of federal program administrative expenses. More information about KHRC and the programs it administers is available at KHRC's website at www.kshousingcorp.org (KHRC's 2019 Audit Financial Statements are located at the bottom of the page under the "About" heading).

KHRC utilizes the Microsoft Dynamics GP (Dynamics GP) accounting software solution and has its own external banking structure outside of the State Treasury. KHRC's payroll is processed by APS, all employees are paid by direct deposit, and the payroll information is integrated into Dynamics GP.

The purpose of this Request for Proposals ("RFP") is (1) to obtain statements of qualifications and proposals ("Proposals") from FDIC-insured, national or state banks in order to select one or more institutions to provide general depository services to KHRC, (2) to evaluate banking relationships to provide maximum services and competitive pricing, (3) to select a provider of investment management services, (4) to select a custodian to safe keep required collateral, and (5) to obtain statements of qualifications and proposals ("Proposals") from qualified commercial financial institutions to provide purchasing card (credit card) services to KHRC. It is anticipated that the selected institution(s) will be retained by KHRC for a minimum

of three years with two additional one-year renewal options, terms by mutual agreement, for a total of five years. Interested institutions should respond in accordance with this RFP.

Under KHRC's current banking and investment structure, there are six accounts/account categories. Set forth in Appendices A and B are a listing of each account, statistics related to the account and grouping of the accounts. Fee proposals and interest rate quotations will be requested for each group. The following describes the six accounts/account categories:

- (1) **Operating** – This account is KHRC's main bank account. The Operating Account includes all KHRC activity except for Section 8 Housing Assistance Payments (HAP) activity (see separate account below). To increase efficiency and to minimize banking fees, HOME transactions are paid from the Operating Account. The Operating Account is reimbursed via fund transfers from the HOME Account. KHRC generally maintains a \$170,000 liquidity "peg" balance in the Operating Account.
- (2) **HOME Investment Partnerships Program (HOME)** –The HOME checking account provides a depository for the various federal HOME grant funds and loan proceeds in an interest-bearing account as specified by HOME program rules. HOME payments are issued from the Operating Account to increase payment efficiency and reduce banking fees. As transactions are paid, the Operating Account is reimbursed via funds transfers from the HOME account. HOME is funded by the U.S. Department of Housing and Urban Development (HUD).
- (3) **Section 8 Contract Administration housing assistance payments (Section 8 HAP)** – The Section 8 HAP account provides for the various Section 8 contract receipts and payments in an interest-bearing account as specified by the State's Federal-State Treasury Agreement in accordance with the Cash Management Improvement Act (interest earnings are remitted to the State on an annual basis as directed by the State). The Section 8 HAP payments are funded by HUD.
- (4) **Housing Trust Fund (HTF)** – The HTF checking account provides a depository for the various National Housing Trust Fund receipts. HTF payments are issued from the Operating Account. As transactions are paid, the Operating Account is reimbursed via fund transfers from the HTF account. HTF is funded by HUD.
- (5) **Money Market Account** – KHRC maintains an interest-bearing Money Market Account of funds above and beyond the \$170,000 liquidity "peg" balance in the Operating Account. Funds in excess of the "peg" are transferred by the commercial bank, as instructed by KHRC staff, to/from the Money Market based on cash flow needs. The Money Market balance is ideally maintained at \$500,000-\$750,000 to maximize liquidity.
- (6) **Investments** – This account includes KHRC's investments as part of an overall approach for a long-term cash management and investment strategy (see KHRC's Investment Policies and Procedures in Appendix D).

Under KHRC's current purchasing card structure, there are 22 cardholders and three "ghost accounts" (cardless accounts). Ghost accounts are used for the following purposes: Travel, Purchasing, and the annual Kansas Housing Conference. Set forth in Appendix F is a list of KHRC's purchasing card statistics and grouping of the accounts.

Section II: Procedures and Instructions

A. To be considered, Proposals are due by Friday, January 17, 2020 by 2:00 p.m. Central Daylight Time by either: 1. Hard copy packet in the offices of KHRC, or 2. Electronically to lgrimm@kshousingcorp.org. One delivery method must be used for all information (i.e., cannot send some info in hard copy and the rest electronically).

B. Hard copy packet should be addressed as follows:

Kansas Housing Resources Corporation
611 S Kansas Avenue, Suite 300
Topeka, KS 66603
Attn: Lesli Grimm, Chief Financial Officer

Hard copy proposals must be submitted in a sealed envelope labeled for the respective service(s) included in the proposal (e.g., “Proposal for Banking Services, Investment Management, and Custodial Services”) and shall include all information required pursuant to this RFP. The envelope shall be marked with the name of the institution submitting the Proposal. Five copies must be submitted.

C. Electronic packet should be emailed to lgrimm@kshousingcorp.org and shall include all information required pursuant to this RFP. A return receipt response will be provided for electronic submissions. KHRC will not be responsible if a submission is late or is not received due to technical issues related to electronic submissions.

D. Questions regarding this RFP should be directed to KHRC in writing by mail, facsimile, or electronic mail and received by December 13, 2019 at 5:00 p.m., Central Daylight Time, as follows:

Lesli Grimm
Kansas Housing Resources Corporation
611 S. Kansas Avenue, Suite 300
Topeka, KS 66603
(785) 783-0289 (fax)
lgrimm@kshousingcorp.org

E. Questions submitted by the December 13, 2019, 5:00 p.m. Central Daylight Time deadline and their answers will be posted in an addendum on KHRC’s website (www.kshousingcorp.org) on January 3, 2020.

F. Respondents may not modify or correct their Proposals any time after the deadline, except in direct response to a request from KHRC for clarification.

- G. In the event that it becomes necessary to revise or supplement any part of the RFP, KHRC will provide an addendum on KHRC’s website. Any additional information required to clarify portions of this RFP will be issued in the form of an addendum. It is the vendor’s responsibility to monitor this website on a regular basis for any changes/addenda.
- H. KHRC is not responsible for any expense incurred in preparing and submitting a Proposal or taking any action in connection with the selection process, or for the costs of any services performed in connection with submission of a Proposal.
- I. KHRC reserves the right to conduct an investigation of the qualifications of any institution that it deems appropriate; negotiate modifications to any of the items proposed in the Proposal; request additional information from any institution; reject any or all Proposals; and waive any irregularities in any Proposal.
- J. All respondents to this RFP must be prepared, at their own costs, to schedule a visit to their facilities upon request by KHRC. Such a visit, if scheduled, will encompass a review of the institution’s systems, the process to be used in handling KHRC’s deposits and transactions, and an introduction to the staff who would be involved in opening and processing the deposits or other transactions as well as those responding to information requests. KHRC will determine which respondents, if any, for which a visit to their facilities will be required (KHRC will cover its own travel and related costs for any site visit).
- K. KHRC retains the right to add and remove accounts and services as needed for its purposes in the future. Rates and costs for additional services will be negotiated at that time based upon the contract negotiated with the successful respondent(s).
- L. Anticipated Timetable:
- | | |
|----------------------------------|------------------------------|
| Release RFP | November 25, 2019 |
| RFP Questions Due | December 13, 2019 |
| RFP Questions and Answers Posted | January 3, 2020 |
| Proposals Due | January 17, 2020 |
| Conduct Interviews | February 3-February 14, 2020 |
| Proposal Selection | February 26, 2020 |
| KHRC Board Meeting | March 3, 2020 |
| “Go Live” | April 6, 2020 |
- M. KHRC will engage the services of the institution, or institutions, that it determines is the best-qualified based upon the Evaluation Criteria set forth in Section III. KHRC retains the right to negotiate the earnings and fee rates for its banking, custodial, and investment management services.

- N. Firms may respond in whole or in part to this RFP (e.g., banking services and investment management services together; banking services or investment management or custodial services separately; purchasing card services only; etc.).

Section III: Evaluation Criteria

- A. The criteria to be used in evaluating the Proposals will include, but are not limited to, the following:
- (1) Financial strength of the proposing institution.
 - (2) Experience and expertise of the personnel to be assigned to KHRC's account.
 - (3) The location, extent and capabilities of the financial institution's offices and employees in Kansas and/or ability to provide services remotely.
 - (4) Relevant experience managing similar accounts and services with public sector clients, especially those similar in function to KHRC.
 - (5) The institution's ability and willingness to provide the services desired by KHRC and demonstrated understanding of the operational requirements of KHRC.
 - (6) Any other factors KHRC believes would be in its best interest to consider.
 - (7) Innovative ideas or suggestions reflected in the Proposal.
 - (8) Proposed fees and charges for services and proposed interest rates or returns on balances and investments (as applicable).
 - (9) Regulatory issues and legal actions taken against the financial institution.
 - (10) The quality, thoughtfulness, and completeness to the institution's approach to the work identified in this RFP.
 - (11) The input of the institution references (customer contacts).
- B. KHRC reserves the right to:
- (1) Interview and/or require additional information from any institution prior to its selection.
 - (2) Consider information about any institution from other sources in addition to information submitted by the institution.

- (3) Reject any and all proposals.
- (4) Waive any irregularity in any proposal.
- (5) Reschedule or cancel the Proposal process.
- (6) Negotiate with respondents; respondents may be given an opportunity to submit a best and final offer.

Section IV: Eligibility Requirements

- A. Each institution must meet the following threshold requirements to be considered eligible to serve as a depository for KHRC:
 - (1) The institution must be a federal or State of Kansas chartered financial institution.
 - (2) The institution must be FDIC insured.
- B. If the institution intends to utilize the services of a related financial institution (e.g., a bank within the same holding company as the institution) or third party provider in the institution's proposed method of performance, the related financial institution or third party provider must be identified in the Proposal, must also satisfy the criteria described in (1) and (2) immediately above, and must be acceptable to KHRC.
- C. Investment management and purchasing card services may be provided by a firm or subsidiary that does not comply with this Section IV.

Section V: Format of Proposal

Institutions responding to this RFP should prepare clear and complete responses to each of the following questions and information requests. Brevity and clarity of responses will be appreciated.

1. **Organization.** KHRC desires to consider Proposals in a consistent and easily comparable format as established in the RFP. Proposals not organized as set forth below may, at KHRC's discretion, be considered unresponsive. Do not refer to other parts of your Proposal in lieu of answering a specific question. Do not provide references to filings or forms publicly available in lieu of providing specific information in the Proposal.
2. **Format.** Proposals should be organized in the same manner as the individual information request contained below. Responses to each lettered question shall begin on a separate page (e.g., answers to Question B should begin on a separate page from the response to Question A).

3. **Supplemental Information.** Exhibits containing additional information may be attached to provide a more detailed response to a question, but only if clearly identifiable as a response to a specific question.
4. **Alternative Proposals.** Respondents may elaborate on or discuss alternative proposals for services required.
5. **Structure of Response:**
 - A. **Transmittal Letter.** Include a transmittal letter signed by an authorized representative of the institution. In the transmittal letter the institution shall certify: (1) that no elected or appointed official or employee of KHRC is financially interested, directly or indirectly, in the performance of the services specified in the RFP, (2) that the information included in the Proposal is true and correct to the best of its knowledge, (3) that the person signing the transmittal letter is authorized to execute the Proposal on behalf of the institution, and (4) that the institution will timely communicate to KHRC any changes in its credit rating/bank rating during the contract period.
 - B. **Identification of Interest.** Indicate whether the firm is proposing for: (a) banking services; (b) investment management services; (c) custodial services; and/or (d) purchasing card services.
 - C. **Banking Services:**
 1. **Location and Personnel.** List the location of your institution's main office and the locations of branch offices in the State of Kansas. Provide the address of the office location that will service KHRC's accounts. Identify the individual directly responsible as the account representative on behalf of KHRC ("Account Representative") and identify the office in which the Account Representative is located. Identify any individuals that would serve as the back-up to the Account Representative. Provide resumes or brief summaries of qualifications for the Account Representative and other key personnel that would be assigned to KHRC's account. Provide information as to the hours the Account Representative and other personnel will be available to assist KHRC.
 2. **Ownership.** Provide a summary of ownership and management of your institution and describe any significant changes in management and/or ownership of your institution that have occurred during the past three years.
 3. **Customer Contacts.** Provide a list of at least three previous or current customers who had or have accounts with the institution that are similar in nature to those proposed herein, with particular attention given to public agency accounts. Describe any issues or problems that have impacted those accounts. Provide contact information for a representative of each customer with whom KHRC may make contact as a reference.

4. Federal Reserve. Is the institution a direct member of the federal reserve system, or does the institution utilize a correspondent or intermediary relationship to send and receive wires? If using a correspondent relationship, identify the correspondent. What are the deadlines for sending and receiving wires, and what security measures are available for wire initiation and approval?
5. Ratios. Provide the institution's current (1) Tier 1 leverage or core ratio, (2) the Tier 1 risk-based capital ratio and (3) the total risk-based capital ratio. Also provide these ratios for the three most recent annual fiscal periods.
6. Legal Actions. Provide a summary of any litigation, arbitration and regulatory proceedings, pending, adjudicated or settled, that your institution has been subject to within the last three years involving services your institution provides. Please describe each regulatory proceeding in detail and any litigation or arbitration proceeding resulting in judgments, settlements or damage claims (for those matters not yet resolved) in excess of \$100,000.
7. Eligibility. Respond to each of the Eligibility Requirements in Section IV and indicate whether or not your institution meets the Eligibility Requirements to provide depository services for KHRC.
8. Collateral. KHRC requires that collateral be posted on (1) repurchase agreements, (2) time certificates of deposit, and (3) regular deposits. All securities pledged as collateral shall be at the institution's expense and be held in a segregated account on behalf of KHRC by an independent third party acceptable to KHRC. Only collateral authorized in KHRC's Investment Policies and Procedures (a copy of which is attached hereto as Appendix D) may be utilized. Balances in excess of the insurance provided by the Federal Deposit Insurance Corporation must be secured by appropriate collateralization agreements by and between KHRC and the institution, and the institution and the third-party collateral custodian. The collateral shall be maintained at all times during the term of the contract. Please confirm your willingness and ability to satisfy these collateral requirements.
9. On-Line Banking Capabilities. KHRC requires that institutions provide on-line services, including electronic access to: (1) the daily ledger balance, collected balance, and all accounts for the previous day's activity, (2) monthly statements, (3) initiation and confirmation of wire transfers, (4) initiation of other transactions, and (5) general access to other reports. This on-line electronic access must be available through internet connection or another means acceptable to KHRC. Describe the services available to KHRC from your institution electronically. In your response include information regarding guaranteed payment timing of transactions initiated on-line, security measures in place to prevent fraudulent or unauthorized on-line access to KHRC's accounts, and available training opportunities. Detail fees, if any, that are charged on the schedule in Appendix C.

10. Cash Management Improvement Act. KHRC must comply with the Cash Management Improvement Act of 1990 (CMIA), as amended, for the receipt and disbursement of federal funds. CMIA provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states. KHRC understands compliance with CMIA under the State's Treasury-State Agreements means establishing an interest-bearing account for the Section 8 HAP program, so the institution can credit interest to account balances at the end of each month and assess any service charges. Describe how your institution's processes and reporting will help KHRC comply with CMIA and include any alternatives to the proposed interest-bearing account structure.
11. Sweep Accounts. Subject to regulatory restrictions on commingling of funds, KHRC may sweep balances in excess of designated levels of certain accounts indicated in each group (as listed in Appendices A and B) into an overnight repurchase agreement or similar investment, which may be held with another institution if it is cost effective to do so. Describe the sweep account services that your institution has available, how those services might best fit KHRC's needs, and what would be a recommended designated level.
12. Reporting. KHRC prefers the option to receive any and all reports electronically. Describe the reports that the institution can provide electronically and any reports that are not available electronically. KHRC expects to receive copies of canceled checks and similar records electronically in a permanent format. Describe the format of the electronic reports, how and when KHRC would receive them, and retention periods. Can the institution provide canceled checks and similar records in this manner? Are canceled checks and similar records also available electronically on-line for interim review? Detail fees, if any, that are charged on the schedule in Appendix C.
13. Overdraft Protection. Overdrafts of KHRC accounts are extremely rare, but, nonetheless, KHRC requires that its banking institution provides protection from disruption of its payments due to an inadvertent error or circumstances beyond its control. Describe the extent of your institution's overdraft protections for KHRC and any related charges.
14. Security Policies. What security policies and procedures does the institution have in place to protect KHRC's assets? Provide details regarding the institution's services or products that will protect KHRC from fraud (e.g., forged checks, unauthorized phone transfers or electronic transactions, etc.), and opportunities to strengthen internal controls (e.g., the same person can't initiate and approve an ACH batch). In addition, what measures has the institution taken to detect or prevent fraud in the ACH area?

15. Disaster Recovery. KHRC requires that the banking institution providing services maintains comprehensive disaster recovery procedures. Describe the institution's disaster recovery procedures; the projected response time to catastrophic events; and the frequency, extent, and results of testing of these procedures. In the event of a disaster that required the institution to rely on these procedures, what impact would KHRC experience as a result?
16. Requirements for Deposit Acceptance and Validation. Institutions must agree to validate and post KHRC's deposits for the face amount identified on each deposit slip. The depository bank is not permitted to return deposits or assess a separate charge to KHRC for improperly prepared deposits. Discrepancies shall be adjusted through the use of error correction notices forwarded to KHRC within 24 hours of discovery. Confirm the ability and willingness of the institution to validate and post deposits in this manner and provide a cutoff time for posting deposits.
17. Remote Deposit. KHRC seeks to obtain remote deposit or other capabilities that can be interfaced or integrated with Dynamics GP. Describe your institution's willingness, ability, and approach to validate and post deposits in this manner and any related charges. Specifically, KHRC's peak volume for remote deposits is from January to March each year. During those three months over 400 checks are deposited, totaling approximately \$1,150,000. Please describe improved solutions to address this cyclical volume.
18. Handling of Returned Items. Respondents shall agree to forward for collection a second time any check returned due to insufficient funds (NSF) prior to debiting the return item to the account. In addition, the institution must agree not to immediately debit KHRC's depository account for large returned items but notify KHRC of the returned item and debit the depository account no sooner than 24 hours after notification. Confirm the ability and willingness of the institution to handle returned items in this manner.
19. ACH Transactions. KHRC plans to continue substantial use of ACH transactions for disbursement of Federal, State, and KHRC funds. Please describe the ACH services available through your institution including whether your institution would accept ACH files created by KHRC that are NACHA compliant or whether bank software is required, and security measures for ACH initiation/origination and ACH reception (ACH filters and blocks). In addition, can ACH transactions be initiated electronically on-line? Please describe your on-line ACH reporting system and its capabilities, including information retention periods. How frequently is the information updated? Detail fees that are charged on the schedule in Appendix C.
20. Section 8 Contract Administration Payments. ACH payment of KHRC's Section 8 performance-based housing assistance payments are very time sensitive and critical to KHRC's operations. Per KHRC's Annual Contributions Contract with

HUD, KHRC must initiate approximately 238 owner payments per month “no earlier than the first calendar day of the month and no later than the first business day of the month”. In other words, once KHRC receives payment from HUD, the ACH owner payments need to be initiated the same business day. The total dollar volume of these payments for fiscal year 2019 was approximately \$59 million. Please describe how your institution can help KHRC successfully perform these payments with same day initiation. Detail any fees that are charged on the schedule in Appendix C.

21. Testing of ACH Transactions and Transition Support. Since the use of ACH payments is very important to KHRC, please explain your institution’s ability and willingness to help KHRC successfully test prior to going “live” the use of ACH transactions under a new banking institution. Also, describe the various type(s) of transition support the institution can provide during the banking transition.
22. Transition of Federal Draw Systems. Since payment of federal financial assistance is very important to KHRC, please explain your institution’s ability and willingness to help KHRC successfully transition the various federal drawdown systems to your institution. Also, describe the various type(s) of transitional support the institution can provide.
23. Compliance with HUD Depository Agreement (Appendix E). KHRC serves as the Section 8 Contract Administrator for the State of Kansas and is considered a “public housing agency” as part of its Annual Contributions Contract (ACC) with HUD. Under the terms of the ACC, KHRC is required to select as depository of Section 8 program funds a federally insured depository institution in accordance with HUD requirements. The depository must be a financial institution whose deposits or accounts are insured, so long as the Agreement is in force, by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). KHRC must execute a standard HUD Depository Agreement with the institution selected for banking services. Confirm the ability and willingness of the institution to execute the Depository Agreement with KHRC.
24. Account Transfers. KHRC transfers funds from the HOME account to the Operating account to cover HOME transactions generally on a weekly basis. KHRC also transfers funds from the Operating account to/from the Money Market account on a weekly basis. Transfers from HTF to the Operating account are done sporadically. Please describe how these transfers can be efficiently performed and any fees that are charged on the schedule in Appendix C.
25. Audit Confirmations. Describe your process for audit confirmations, including the name and address to receive requests. Describe any associated fees on the schedule in Appendix C.

26. Zero Balance Accounts. KHRC may consider maintaining certain accounts as zero balance accounts. Describe any advantages or disadvantages to KHRC of maintaining any zero balance accounts and any alternatives you would recommend.
27. Fees. KHRC seeks to obtain separate fee and interest quotations for each of the six account groups listed above (to be detailed on the schedule in Appendix C). Volumes indicated in Appendices A and B approximate KHRC's most recent twelve months of activity, and actual volumes will vary from month to month. Provide a summary of your proposal of charges for the various depository/clearing services as set forth in Appendix C for each of the six groups: Operating, HOME, HTF, Section 8 HAP, Money Market, and Investments. Please indicate any minimum balance requirements. The institution may aggregate fee quotations, in addition to individual group quotations, for one or more groups if KHRC would realize cost savings as a result. These fee quotations must be complete and comprehensive and include all of the services detailed above and all other fees and charges payable by KHRC. In addition, if you believe a fee arrangement other than using the methodology in Appendix C would better serve KHRC, please include that alternative. For the accounts listed in Appendix A, please provide a prospective account analysis using average figures for each account and applying the costs in Appendix C. Also, detail the calculation of earnings credit based on the index selected in paragraph 28 below.
28. Interest Rates on Balances. As described in item 11 above, KHRC may sweep available balances of each account into an overnight repurchase agreement if it is cost effective to do so. For required minimum balances and for those accounts excluded from the sweep, identify the index the institution would propose to establish rates on those accounts. How would the interest rate on those accounts be determined relative to that index (e.g., percentage of the index or basis points above or below the index)? Would an earnings credit to offset fees be more advantageous than interest earnings? Provide your institution's funds availability policy.
29. Recommendations and Other. Describe any optional services or make any recommendations your institution believes would enhance the depository functions of KHRC. Responding institutions are encouraged to make suggestions or add additional information not requested in the RFP, including any innovative ideas or technological enhancements that would improve KHRC's security, ease of use, or would reduce fees or increase earnings. Institutions may also describe services and other factors that distinguish their institution from potential competitors (e.g., dispute resolution, customer service/feedback, etc.).
30. Open-Ended Discussion. Take up to two pages to provide additional information you feel is relevant to your ability to provide banking and investment services to our firm and to the categories or groups of accounts.

31. Exhibits. Please attach the following documents as exhibits to your Proposal.

Exhibit A: Your institution's most recent audited financial statements.

Exhibit B: Your institution's most recent Call Report.

Exhibit C: Your institution's most recent Statement on Standards for Attestation Engagements (SSAE) 16 service auditor's report, if applicable.

Exhibit D: Your institution's most recent rating agency rating (e.g., Veribank, Highline, etc.)

Exhibit E: All public information as of December 1, 2019 required to be made available pursuant to 12 CFR Ch II §228.43 for the bank's Kansas operations. ONE copy of Exhibit E should be provided. If *all* information required by §228.43 is available in electronic format, please provide that in lieu of paper records

D. **Investment Management Services:**

1. **Respondent Name.** What is the name of the entity that would provide investment management services on KHRC's behalf? What is its affiliation with the entity responding to the banking services portion of this RFP (if any)?
2. **Credentials.** Identify the credentials of the firm to provide investment management services. Describe assets under management, assets under management for organizations similar to KHRC, and the firm's three-year trend in assets managed for public organizations. Include contact information for at least three firm references.
3. **Account Team.** Identify the team of individuals primarily responsible for the day-to-day management of KHRC's assets. Provide a brief resume for each. Identify who KHRC's day-to-day contact would be. Describe the firm's interaction with the entity responding to the banking services portion of this RFP (if different).
4. **Approach.** KHRC's investments are structured with a five-year, ladder approach based on cash flow needs as part of a long-term cash management and investment strategy. Describe how your institution can help KHRC comply with the reporting and other requirements included in its Investment Policies and Procedures (Appendix D). Detail your approach to the investment of the funds identified above. How does your investment process work? How would your firm maximize KHRC's yield given the constraints identified related to eligible securities and liquidity requirements? How might your firm actively manage KHRC's portfolio and provide value? Describe the typical securities that would be employed by timing of cash flow demand (0-3 months, 3-6 months, etc.).
5. **Reporting.** KHRC is interested in on-demand electronic reports of its investment activity. Describe your typical reporting (frequency, content, etc.) and provide sample reports KHRC might utilize to satisfy Investment Policy reporting requirements (Appendix D). A report to monitor Investment Policy compliance is also desired.
6. **Collateralization.** Describe your approach to managing collateralization requirements where required. How frequently do you typically mark-to-market the posted collateral? How frequently do you typically report on collateral levels? Please provide sample reports.
7. **Disclosure.** Identify whether your firm has been the subject of an investigation by the SEC, the IRS, a federal prosecutor, any state attorney general, or any administrative agency of the federal or any state government in the last five years related to investment advisory or investment management services provided by the entity responding to this section of the RFP. If so,

please explain the situation in detail and describe if and how the investigation was resolved.

8. Fees. Provide a schedule of fees for investment management services for two scenarios: (1) if investment management services are awarded to your firm along with the banking services otherwise identified in this RFP; and (2) if investment management services are awarded to your firm without the banking services. Identify for what period these fees will remain firm and, if they vary, include a description of the changes in fees from year to year. Illustrate your annual fees using the portfolio described in Attachment B (and assuming the portfolio's values are constant across the year).
9. Open-Ended Discussion. Please provide any additional information you believe is pertinent to KHRC's selection in this area.

E. **Custodial Services:**

1. Background. What is the name of the entity responding to this section of the RFP? Please describe your firm's ability and expertise in providing collateral safekeeping services for government entities. In what location(s) would KHRC's collateral be held? Please identify three current clients and include contact information for reference purposes.
2. Account Team. Identify the individuals responsible for managing KHRC's account. Who would be the day-to-day point of contact? Please provide brief resumes for each individual.
3. Interface with Depository. Please describe your approach to providing custodial services for collateralization. How do you interface with the depository bank?
4. Legal Agreements. Please discuss the willingness of your firm to enter into a safekeeping agreement with KHRC's banking institution to assure proper maintenance of its collateral. KHRC anticipates that the custodian selected under this section of the RFP *will have no obligation to review or assure the banking institution's compliance with KHRC collateralization policies*.
5. Fees. Please describe and detail your fees for providing custodial services for KHRC's collateral safekeeping.
6. Open-Ended Discussion. Please provide any additional information you believe is pertinent to KHRC's selection in this area.

F. **Purchasing Card Services:**

1. **Respondent Name.** What is the name of the entity that would provide purchasing card services on KHRC's behalf? What is the affiliation with the entity(ies) responding to other services of this RFP (if any)?
2. **Credentials.** Identify the credentials of the firm to provide purchasing card services. Describe card programs for similar public organizations, and the firm's three-year trend in purchasing card programs for public organizations. Include contact information for at least three firm references.
3. **Account Team.** Identify the individuals responsible for managing KHRC's account. Who would be the day-to-day point of contact? Please provide brief resumes for each individual.
4. **Transition.** Describe details and a timeline to transition credit card services from the current vendor. Include details on the recommended training process of a new card program (e.g., card start-up training session, training materials/resources including on-line manuals or videos, 24-hour telephone support, etc.).
5. **Card Format.** Firms should describe what options/limitations they have for card design. KHRC desires cards to include the following:
 - a. Cardholder name or ghost account description on its face.
 - b. KHRC name on its face.
 - c. The phrase "TAX EXEMPT" on its face.
 - d. KHRC logo on its face.
 - e. The firm's toll-free customer service number on the back of the card.
6. **Fraud Detection and Recoverability.** Describe in detail what programs and practices the firm has in place to detect fraud or potential fraud and what programs are in place to recover losses. Also, describe in detail KHRC's purchasing card liability and what security measures and practices are in place to prevent an outside party from accessing or stealing cardholder data.
7. **Card Issuance/Card Deletion.** Describe how cards are added or deleted from an account, and the procedure for lost or stolen cards. Include the processing time required to fulfill new card requests, the card delivery method, and security measures in place for card management. KHRC desires using cardholder employee numbers in lieu of social security numbers to protect employee personal information. Confirm use of a KHRC commercial credit card does not have any connection to personal credit history or liabilities except in cases of fraud.
8. **Card Restrictions and Card Updates.** Describe what kind of restriction options are available to be imposed on individual cards such as: transaction limits, monthly credit limits, merchant class restrictions (MCC codes), prohibition of cash advances, and other controls. KHRC desires the ability to make changes to the

restrictions and controls on individual cards in the firm's card system, within the accepted limits. Describe the firm's system for initial card restrictions and subsequent updates.

9. Questioned/Disputed Items and Charge-backs. Describe the process to address questioned/disputed items and charge-backs. Include whether or not KHRC's account will be credited pending resolution of the disputed item.
10. Billing Documentation and Ability to Download Transactions. Describe the monthly billing cycle, including the ability to use a control account and obtain combined and separate cardholder statements. Is information available on-line? Can transactions be account coded and approved for subsequent download into KHRC's accounting system? If so, describe the system along with its capabilities and requirements. Also, what payment options are available (e.g., check, ACH, etc.).
11. Reporting. Describe the reporting system and provide report samples. Reports should have multiple sorting options to sort by cardholder name, period of time, merchant and/or MCC code, and have the ability to provide comparative summary analysis. Also, as KHRC's payment settlement entity, the firm is expected to file reportable Form 1099 credit card transactions on KHRC's behalf to the Internal Revenue Service (IRS). Confirm the entity will properly report 1099 transactions on KHRC's behalf.
12. Incentive Rebates. KHRC seeks proposals offering rebates for all purchases. Please describe the firm's rebate program and provide a rebate schedule, if applicable.
13. Fees and timely payments. KHRC does not anticipate fees being charged (e.g., for use of the cards, for establishing accounts, or for training and setup). KHRC intends to timely pay all charges; thus, no interest or late fees should be billed. Please confirm no fees will be charged. Also, KHRC desires a billing cycle that approximates the end of the month. Describe options available for a tailored billing cycle.

APPENDIX A – BANKING STATISTICS

For the twelve-month period October 1, 2018 through September 30, 2019

Operating Account – Interest Bearing		
	<u>Annual</u>	<u>Monthly Average</u>
# Checks Deposited-Remote Deposit	722	60
# Checks Paid-Positive Pay	185	15
# ACH Debits	271	23
# ACH Credits	365	30
# ACH Credits Originated	1,021	85
# ACH Addendas	822	69
# Deposits & Other Credits	603	50
\$ Deposits & Other Credits	\$35,289,010	\$2,940,751
# Checks & Other Debits	536	45
\$ Checks & Other Debits	\$34,981,148	\$2,915,096

HOME Investment Partnerships Program – Federal Funds (interest bearing)		
	<u>Annual</u>	<u>Monthly Average</u>
# Transfers in from Operating Account	37	3
\$ Transfers in from Operating Account	\$452,778	\$37,731
# ACH Deposits	329	27
\$ ACH Deposits	\$4,549,037	\$379,086
# Transfers out to Operating account	64	5
\$ Transfers out to Operating account	\$5,104,016	\$425,335

APPENDIX A – BANKING STATISTICS
(CONTINUED)

Housing Trust Fund Account—Federal Funds (interest bearing)		
	<u>Annual</u>	<u>Monthly Average</u>
# ACH Deposits	22	2
\$ ACH Deposits	\$928,858	\$77,405
# Transfers to Operating Account	21	2
\$ Transfers to Operating aaccount	\$928,858	\$77,405

Section 8 Contract Administration HAP – Federal Funds (interest bearing)		
	<u>Annual</u>	<u>Monthly Average</u>
# ACH Deposits	64	5
\$ ACH Deposits	\$61,936,898	\$5,161,408
# ACH Credits Originated and ACH Addendas	2,724	227
\$ ACH Credits Originated and ACH Addendas	\$59,459,936	\$4,954,995
# Transfers to Operating Account	24	2
\$ Trasfers to Operating Account	\$2,481,954	\$206,830

Money Market Account (dividend reinvestment)		
	<u>Annual</u>	<u>Monthly Average</u>
# Redemptions (Trans to Operating Acct)	30	3
\$ Redemptions (Trans to Operating Acct)	\$3,858,000	\$321,500
# purchases (Trans from Operating Acct)	28	2
\$ purchases (Trans from Operating Acct)	\$3,768,000	\$314,000
\$ Account Balance		\$752,132

APPENDIX B - INVESTMENT MANAGEMENT

KHRC typically carries \$12 million to \$13 million in cash and investment balances month to month (non-state accounts). Based upon its cash flow demands, the Corporation anticipates its recurring timing demands as represented in the table below:

Timing of Cash flow Demands	Amount to be Invested
Immediate (Operating Account/Money Market Account)	\$750,000
0 to 12 months	\$2,400,000
1 year to 2 years	\$2,400,000
2 years to 3 years	\$2,400,000
3 years to 4 years	\$2,400,000
4 years to 5 years	\$2,400,000

KHRC's investment policy allows the following *eligible investments*:

- US Treasuries
- US Agencies
- Repurchase Agreements (subject to collateralization)
- Certificates of Deposit (subject to collateralization)
- Banker's Acceptances
- Commercial Paper
- Money Market Funds (US Treasury and Agency securities only)
- Kansas Pooled Money Investment Board

Types of *eligible securities* include:

- Coupon and zero coupon obligations
- Discount notes and stripped obligations
- Step-up obligations
- Floating rate securities
- Mortgage backed obligations

Leverage, derivatives, structured notes, short sales, and reverse repurchase agreements are not permitted.

APPENDIX B – INVESTMENT MANAGEMENT
(CONTINUED)

The maximum portfolio weights and maturities of the various instruments are anticipated to be as follows:

Investment Type	Maximum Percentage of Portfolio	Maximum Maturity
U.S. Treasury Securities	100%	5 years
U.S. Government Instrumentality Obligations	100%	5 years
Collateralized Certificates of Deposit	60%	5 years
Collateralized Repurchase Agreements	50%	90 days
Banker's Acceptances	15%	< 1 year
Commercial Paper	15%	< 1 year
Money Market Funds	80%	n/a
PMIB	100%	1 year

APPENDIX C – PROPOSAL OF CHARGES/BANKING SERVICES

1. Detailed below is a list of services that may include per item and/or regular monthly charges. Please identify the institution’s fees to KHRC, if any, for each of these services. The fee quotations must be complete and comprehensive and include all of the services detailed in the RFP (other than courier services) and any and all other fees and charges payable by KHRC in connection with the Proposal.
2. If your pricing categories differ from those listed, or if other line items need to be included to perform the services requested. Please include them under “Other” and clearly explain your volume and cost assumptions.
3. For any service listed for which there is no charge or that does not apply, insert zero (\$0) for Charge per Item and for Monthly Charge.
4. Itemize and describe any other fees that would be associated with any of the following accounts on an attachment.

BANKING SERVICE	CHARGE PER ITEM	MONTHLY CHARGE
Monthly Statement/Account Maintenance		
Ledger Debits		
Ledger Credits		
Checks		
Stop Payments		
Deposited Items		
Account Monitoring/Balance Reporting		
Incoming wire		
Outgoing wire		
On-line Banking Services		
Sweep Service Fee		
Electronic Reporting		
Reporting – Other		
Canceled Checks (Electronic)		
Check Sorting		
Positive Pay		
Overdraft Protection		
Other Security Services		
Returned Items Re-submitted		
ACH Transactions		
Audit Confirmations		
Account Reconciliation		
Other (Please describe in detail)		

APPENDIX D – INVESTMENT POLICIES AND PROCEDURES

Investment Policy

I. Scope

This policy applies to the investment of KHRC funds. Federal grant program funds are excluded since they are subject to their respective program rules and the Cash Management Improvement Act of 1990, as amended. Funds held by a trustee in connection with bond or note issues are not subject to this policy and the investment of such amounts is governed by the resolutions, indentures or other documents authorizing the issuance of such bonds or notes.

Except for cash in certain restricted and special funds, KHRC will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

II. General Objectives

The primary objectives, in order of priority, of investment activities are safety, liquidity, and yield:

A. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

(1) Credit Risk

KHRC will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- (i) Pre-qualifying the custodial or depository institutions, broker/dealers, intermediaries, and advisors with which KHRC will do business;
- (ii) Diversifying its portfolios so that potential losses on individual securities will be minimized; and
- (iii) Establishing and maintaining a standard of quality of authorized eligible investments.

(2) Interest Rate Risk

KHRC will minimize the risk that it will realize losses due to declines in the market value of securities in its portfolios, by structuring its investment portfolios so that securities mature to meet cash requirements for scheduled disbursements or ongoing operations, taking into account cash balances available or expected to be available for such requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

B. Liquidity

KHRC's investment portfolios shall remain sufficiently liquid to meet all operating requirements and disbursement schedules that may be reasonably anticipated. This is accomplished by structuring its portfolios so that securities mature concurrently with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits, with the Kansas Pooled Money Investment Board (PMIB), or in repurchase agreements that offer same-day liquidity for short-term funds.

C. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- (i) A security with declining credit may be sold early to minimize loss of principal.
- (ii) A security may be sold if such sale, coupled with a purchase of another security in a similar amount, would improve the quality, yield, or target duration in the portfolio.
- (iii) A security may be sold if liquidity needs of a portfolio require that the security be sold.

III. Standards of Care

A. Prudence

The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.

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 probable income to be derived.

B. 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 and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of KHRC's investment portfolios. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of KHRC.

C. Delegation of Authority

Authority to manage the investment program is granted to the Executive Director or his/her designee, hereinafter referred to as the "Investment Manager." Responsibility for the operation of the investment program is hereby delegated to the Investment Manager, who shall act in accordance with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Manager. The Investment Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Investment Transactions

A. Authorized Financial Institutions and Broker/Dealers

KHRC will maintain a list of custodial and depository institutions authorized to provide depository and custodial services for KHRC. In addition, KHRC will maintain a list of approved security broker/dealers to provide investment transactions.

(1) Financial Institutions

KHRC will periodically select and approve financial institutions for the deposit and safekeeping of its funds through a competitive selection process. KHRC prefers to invest its funds in-state with or through Kansas institutions when the terms from such institutions are equal to or higher than terms available from out-of-state institutions. KHRC will select those financial institutions that, in its opinion, will be most commensurate with the safety of its funds. KHRC will employ a formal, competitive procurement process for selecting financial institutions for the deposit and safekeeping of KHRC funds and for other banking-related services. Any financial institution seeking to qualify as an authorized institution will supply KHRC with the requested information as shall be determined by the Investment Manager.

(2) Broker/Dealers

Investments will be made through banks or securities dealers who have been approved by KHRC. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Such securities dealers and banks shall have been subjected to an appropriate investigation by the Investment Manager, which shall include, among other things, a review of the firm’s financial statements and the background of the sales representative. All authorized broker/dealers must be fully licensed and registered NASD Broker/Dealers or exempt banks. Criteria used to select securities dealers will include:

- (i) Proof of National Association of Securities Dealers (NASD) certification.
- (ii) Proof of state registration.
- (iii) Financial strength and capital adequacy of firm.
- (iv) Services provided by firm.
- (v) Research services available.
- (vi) Resume, reputation and qualifications of sales representative.
- (vii) Due diligence and firm references.
- (viii) State government or quasi-State government expertise.

Trades executed by an external investment manager will not be executed with that investment manager’s own firm or with any division of such firm or any subsidiary, either partially or wholly affiliated.

B. Internal Controls

The Investment Manager is responsible for establishing and maintaining an internal control structure that will be reviewed annually with KHRC’s independent auditor. The internal control structure is designed to ensure that the assets of KHRC are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

- (i) Control of collusion.
- (ii) Separation of transaction authority from accounting and record keeping by requiring that the individuals maintaining the accounts and records shall not have authority or responsibility for any investment transactions.

- (iii) Custodial safekeeping.
- (iv) Avoidance of physical delivery securities.
- (v) Clear delegation of authority to subordinate staff members.
- (vi) Written or electronic confirmation of transactions for investments and wire transfers.

C. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities will be perfected in the name or for the account of KHRC and shall be held by a third-party custodian as evidenced by safekeeping receipts.

D. Best Execution

All purchases and sales of investments for KHRC will be executed in a manner that provides the best economic advantage to KHRC.

V. Suitable and Authorized Investments

A. Investment Types

In accordance with KHRC policies, the following list represents the entire range of investments that KHRC will consider and which shall be authorized for the investment of funds.

- (i) United States Treasury Securities. KHRC may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- (ii) United States Government Instrumentality Obligations. KHRC may invest in obligations issued or guaranteed by any agency of the United States Government and obligations of corporations with public purposes created by Congress that are rated in the highest rating category by at least one nationally recognized credit rating agency.
- (iii) Repurchase Agreements. KHRC may invest in contractual agreements between KHRC and commercial banks or primary government securities dealers to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices (“Repurchase Agreements”). Repurchase Agreements may be entered into for periods of 90 days or less, which may include overnight and open repurchase agreements. Repurchase Agreements shall be collateralized by approved securities as set forth in Section V (B) below. The market value of all repurchase agreement collateral will be reviewed daily to determine collateral adequacy.

- (iv) Collateralized Public Deposits. KHRC may invest in instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest (“Certificates of Deposit”).

All Certificates of Deposits purchased shall be insured by the FDIC, or to the extent that such Certificate of Deposit purchased is in excess of the limit of the FDIC insurance, such certificate of deposit shall be collateralized by approved securities as set forth in Section V(B) below.

The maximum maturity of a deposit will be five years.

A financial institution will be eligible to receive total collateralized deposits of KHRC funds, including Certificates of Deposit and demand deposit accounts, in an amount not to exceed 10% of such institution’s equity capital.

- (v) Banker’s Acceptances. KHRC may invest in promissory notes with maturities of less than one year issued by a corporation, bearing the unconditional guarantee of a federally chartered bank (“Banker’s Acceptances”). Eligible Banker’s Acceptances are backed by banks being rated in either of the two highest rating categories by at least one of the major rating agencies.
- (vi) Commercial Paper. KHRC may invest in loans with maturities of less than one year issued by corporations (“Commercial Paper”). Eligible Commercial Paper is issued by corporations being rated in either of the two highest rating categories by at least one of the major rating agencies.
- (vii) Money Market Funds. KHRC may invest in mutual funds being rated in the highest rating category by at least one of the major rating agencies and investing solely in US Treasury and Agency instruments (“Money Market Funds”). Money Market Funds should have a weighted average maturity of less than 90 days.
- (viii) Pooled Money Investment Board. KHRC may invest in the State of Kansas Pooled Money Investment Board’s municipal investment pool (“PMIB”). The PMIB offers participants the safety of principal, liquidity, and a competitive market rate on short-term investments. All monies deposited with the PMIB are promptly invested in securities authorized by State statutes. Safekeeping and audit controls for all investments made for the PMIB comply with State statutes.

B. Security Selection

The following list represents the entire range of United States Treasury Securities, United States Government Instrumentality Obligations and other obligations that KHRC will consider and which shall be authorized for the investment of funds by KHRC. Additionally, the following definitions and guidelines should be used in purchasing the instruments:

- (i) Coupon and Zero Coupon Obligations. These include obligations with no embedded options (with the exception of embedded put and call options) and with final maturities of five (5) years or less.
- (ii) Discount Notes and Stripped Obligations. Purchased at a discount with maximum maturities of five (5) years or less.
- (iii) Step-Up Obligations. The coupon rate is fixed for an initial term. Thereafter, on a pre-determined date(s), the coupon rate rises to a new, fixed rate for the remaining term of the obligation. Restricted to obligations with final maturities of five (5) years or less.
- (iv) Floating Rate Securities. The coupon rate floats off one index. This is restricted to coupons with no interim caps that reset at least quarterly and with final maturities of five (5) years or less.
- (v) Mortgage Backed Obligations. Restricted to securities representing an undivided interest in a pool of mortgages with final maturities of five (5) years or less.

C. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of KHRC's funds, its investment portfolios will be subject to the following restrictions:

- (i) Borrowing for investment purposes ("Leverage") is prohibited.
- (ii) Investment in instruments known as structured notes (e.g. inverse floaters, leveraged floaters, and equity-linked securities) and any instrument which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars), are prohibited.
- (iii) Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
- (iv) Reverse repurchase agreements are prohibited.

D. Collateralization

Collateralization will be required to secure investments in Certificates of Deposit and Repurchase Agreements.

The market value (including accrued interest) of the collateral for repurchase agreements should be at least 102% and shall be marked to market daily.

For certificates of deposit, the market value of collateral must be at least 102% of the amount of certificates of deposits plus demand deposits plus any accrued interest on the certificates of deposit and demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation.

All securities which serve as collateral must be Suitable and Authorized Investments (as set forth in Section V. above) and must be safekept at a non-affiliated custodial facility. Institutions pledging collateral pursuant to this policy must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date. The right of collateral substitution is granted.

KHRC shall have a depository contract and pledge agreement with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that KHRC's security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.

In lieu of or in addition to collateral as set forth above, a depository institution may provide a surety bond issued by an insurance company licensed in Kansas whose claims-paying ability is rated in the highest category by at least one nationally recognized credit rating agency; or an irrevocable standby letter of credit issued by a Federal Home Loan Bank possessing the highest rating issued by at least one nationally recognized credit rating agency. The face amount of a surety bond shall be at least equal to the portion of the deposit, including accrued interest, to be secured by the surety bond.

E. Repurchase Agreements

Subject to the provisions included in this investment policy, KHRC may enter into repurchase agreements with any federally chartered bank included on KHRC's list of approved financial institutions, and subject to the following:

- (i) Securities for which repurchase agreements will be transacted will be limited to U.S. Treasury securities and securities of any government instrumentality that are eligible to be delivered via the Federal Reserve's Fedwire book entry system.
- (ii) Securities will be delivered to KHRC's designated custodian. Funds and securities will be transferred on a delivery vs. payment basis.
- (iii) Securities purchased in a repurchase agreement shall have a market value not less than 102% of the principal amount plus interest accrued to the date of the repurchase. Such market value shall be recalculated daily.

VI. Investment Parameters

A. Diversification

KHRC's investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed.

B. Maximum Maturities

Investment Type	Maximum Percentage of Portfolio	Maximum Maturity
U.S. Treasury Securities	100%	5 years
U.S. Government Instrumentality Obligations	100%	5 years
Collateralized Certificates of Deposit	60%	5 years
Collateralized repurchase agreements	50%	90 days
Banker's Acceptances	15%	< 1 year
Commercial Paper	15%	< 1 year
Money Market Funds	80%	n/a
PMIB	100%	1 year

To the extent possible, KHRC shall attempt to match its investments with anticipated cash flow requirements. All investments shall mature and become payable not more than five (5) years from the date of purchase.

VII. Reporting

A. Methods

The Investment Manager shall maintain records of daily investment activity and shall include copies of all confirmations of transactions.

The Investment Manager or designee shall prepare a monthly report which includes a list of individual securities held at the end of the month reflecting accrued interest and portfolio activity for the month with statistics on total yield for the portfolios.

In addition, the Investment Manager shall provide the Executive Director an investment report semi-annually in a manner that will allow the Executive Director to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will include the following:

- (i) Listing of individual securities (with the market value) held at the end of the reporting period, including the final maturity date, coupon and investment type.
- (ii) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- (iii) Listing of investments by maturity date.
- (iv) Percentage of the total portfolio that each type of investment represents.
- (v) Summary of those securities requiring collateralization including the name of the custodian holding the collateral, the market value of the collateral and the ratio of collateralization.

- (vi) At least annually, the unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities (in accordance with Government Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and No. 72, *Fair Value Measurement and Application*, requirements).

B. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. A series of appropriate benchmarks may be established against which portfolio performance shall be compared on a regular basis.

C. Marking to Market

The market value of the portfolio shall be calculated monthly and a statement of the market value of the portfolio shall be issued to the Executive Director at least semi-annually. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

APPENDIX E – U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) DEPOSITORY AGREEMENT

U.S. Department of Housing
and Urban Development

Project-based Section 8 Contract Administration

DEPOSITORY AGREEMENT

1 Purpose of depository agreement

This is a “Depository Agreement” (Agreement) between the Public Housing Agency (PHA) and the Depository (see Agreement signature page for names of the PHA and the Depository). The PHA is a “public housing agency” as defined in Section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(6)). The Depository is a federally insured financial institution.

The Department of Housing and Urban Development (HUD) has entered into one or more annual contributions contracts (ACC) with the PHA for the purpose of providing rental assistance for residents of housing projects assisted under Section 8 of the United States Housing Act of 1937 (42 USC 1437f).

Under the terms of the ACC, the PHA is required to select as depository of Section 8 program funds a federally insured depository institution selected by the PHA in accordance with HUD requirements. The depository must be a financial institution whose deposits or accounts are insured, so long as this Agreement is in force, by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF).

2 Deposits and accounts

- a The deposits and accounts of the Depository shall be insured by either the FDIC or the NCUSIF.
- b All monies deposited by the PHA with the Depository shall be credited to the PHA in interest bearing accounts (Accounts).

- c The Depository shall promptly notify the PHA of any monies credited or deposited in the Accounts.

3 Collateralization of non-insured program funds

- a Any portion of PHA funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD. Such securities shall be pledged and set aside in accordance with applicable law or Federal regulations.
- b. For the full term of deposit, the PHA shall have possession of the securities (or the PHA shall take possession of the securities), or an independent custodian (or an independent third party) shall hold the securities on behalf of the PHA as a bailee (evidenced by a safe-keeping receipt and a written bailment for hire contract). The Depository may substitute other securities as collateral to equal or increase the value.

4 PHA order or directive to depository

- a Except as stated in Paragraph 5, the Depository shall honor any:
 - (1) PHA check or other order to pay from the Accounts, or
 - (2) PHA directive to purchase investment securities with monies from the Accounts or to sell securities
- b. Such PHA order or directive shall be signed on behalf of the PHA by the person or persons designated by the PHA to have such authority. The PHA shall furnish the Depository with a copy of the Board resolution or other appropriate evidence of authorization to issue such order or directive.

5 HUD freeze notice

If the Depository receives written notice from HUD that withdrawals by the PHA from the Accounts are not to be permitted (“freeze notice”):

- □ The Depository shall not permit any withdrawals by the PHA of any monies or securities in the Accounts, and shall not honor any PHA check or other order to pay from the Accounts or PHA directive to purchase or sell securities, unless withdrawals by the PHA are expressly authorized by written notice from HUD to the Depository, and only to the extent authorized by such HUD notice.
- □ The Depository shall permit withdrawals by HUD from the Accounts, including withdrawals of any monies or securities in the Accounts.

6 **Depository obligations**

- a The Depository is not obligated to be familiar with, and is not charged with knowledge of, the provisions of the ACC. The Depository has no duty to investigate or determine whether any actions taken by either the PHA or HUD in respect of the Accounts are consistent with or authorized by the ACC, or whether either the PHA or HUD is in default under the provisions of the ACC.
- b The Depository may accept and act on, without investigation, any certificate or notice furnished to it pursuant to the provisions of this Agreement, and which the Depository shall in good faith believe to have been duly authorized and executed on behalf of the party in whose name the same purports to have been made or executed.

7 **TRANSFER OR TERMINATION OF AGREEMENT BY DEPOSITORY**

- a The rights and duties of the Depository under the Agreement shall not be transferred or assigned by the Depository without the prior written approval of the PHA and HUD.
- b The Agreement may be terminated by the Depository or the PHA upon thirty days' written notice to the other party and HUD.
- c The rights and duties of the Depository under the Agreement shall not be transferred or assigned, nor shall this Agreement be

terminated, during any period in which the Depository is required to refuse to permit PHA withdrawals from the Accounts as provided in Paragraph 5.

8 Rights of HUD; Modification of Agreement

- a HUD is a third party beneficiary of the Agreement. HUD may enforce any provision of the Agreement, and may sue to enforce its provisions or to recover damages for breach of the Agreement.
- b The provisions of the Agreement may not be modified by either Party without the prior written approval of HUD.

PUBLIC HOUSING AGENCY

Name of PHA (print)

Signature of authorized representative

Name and official title (print)

Date

DEPOSITORY

Name of depository financial institution (print)

Signature of authorized representative

Name and official title (print)

Date

APPENDIX F – PURCHASING CARD STATISTICS

For the twelve-month period October 2018 through September 2019

	<u>Cardholders</u>	<u>Ghost Accounts</u>	<u>Total</u>
Current Number of Cardholders/Accounts	22	3	25
<u>MONTHLY Average:</u>			
Number of transactions	37	67	105
\$ Spend	\$ 7,270	\$ 29,550	\$ 36,821
<u>ANNUAL Total:</u>			
Number of transactions	447	808	1,255
\$ Spend	\$ 87,245	\$ 354,603	\$ 441,848
<i>Average \$ spend per transaction</i>	<i>\$ 195</i>	<i>\$ 439</i>	<i>\$ 352</i>