

Investment Policy **Board Approved 3/2/2025**

The Board of the Cooperative is responsible for the investment of all funds of the Cooperative. Implementation of this investment policy is delegated to the Treasurer and Finance Committee as described in this section.

At least annually, the Treasurer, with the advice of the Finance Committee as part of the budget process, will estimate the amount and timing of funds needed for operating costs, debt service, reserve additions, and capital improvements. Based on that analysis, the amount determined to be available after providing for those items shall be prudently invested.

The investment objectives of the Cooperative, in order of importance, are the preservation of principal, liquidity within an appropriate time period, and a competitive rate of return. Investment restrictions may, at the discretion of the Board of Directors, include such issues as quality, diversification requirements, or social issues.

All Funds shall be invested in a manner consistent with the parameters identified in the Bylaws:

The Cooperative's surplus funds may be invested in savings accounts, certificates of deposit, notes, or bonds of any federally insured bank or credit union or the United States, other obligations of the United States or its agencies, any corporation wholly owned by the government of the United States; or United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by the United States or a United States agency.

To the extent possible, funds shall be maintained in FDIC insured institutions, within the FDIC insured limit (currently \$250,000). If at any time amounts exceed FDIC insured limits at any single institution, account balances should be adjusted and redistributed as soon as practical.

All USDA required reserves (Debt Service and Short-Lived Assets) must be held in an FDIC insured institution.

Excess funds may be held in a non-bank investment account, as long as all investments meet the investment criteria specified in the Bylaws.

The Finance Committee shall:

- (a) Advise the Board on investment policy and any specific guidelines as to the mix of investments.
- (b) Review the liquidity needs of the Cooperative at least semi-annually (targeting July and December)
- (c) Confirm that the requirements of this policy are met.

The Treasurer shall:

- (a) Open and manage bank and investment accounts consistent with this policy

- (b) Manage investments consistent with board and finance committee objectives and cash flow requirements.
- (c) Report on the amounts, investment type, and institution holding funds to the Board as part of the Treasurer's report.

Strategy

Our Heritage Construction Loan Agreement requires us to have our "primary banking accounts" with them. We received beneficial rates and terms for our loan as a result. We are not required to have our accounts there after the Construction Loan is paid off, and we may want to consider moving to a larger on-island commercial bank at that time.

We will keep all our regular operating accounts with Heritage, as well as USDA-required reserve accounts up to a maximum total deposit amount of \$250,000. Cash amounts needed for normal operations (including considerations for bi-monthly income fluctuations and planned project expenses) will be maintained in the Heritage Operating (checking) Account. USDA required amounts for Debt Service Reserve and Short-Lived Asset accounts will be held in separate CD-invested bank accounts at Heritage, along with a separate Construction (checking) account for USDA-funded construction expenses. The Construction Account will not typically have a significant balance as it will function primarily as an account to receive loan draws from Heritage and then make immediate payments to contractors and vendors.

Additional funds not needed for daily operations or USDA reserve accounts will be kept in higher-yield investments purchased through a national brokerage firm (initially Fidelity Investments) with the following objectives:

- Core Money Market Account invested in U.S. Government securities and/or repurchase agreements that are collateralized fully (i.e., collateralized by cash or government securities) for short-term cash needs.
- No CD over FDIC insured limits (\$250,000) with any single bank or US Treasury Bills.
- CD and T-Bill terms will be staggered so that they mature consistent with the projected cash flow needs.
- Seek the best rate of return consistent with those liquidity needs.
- Ability to transfer funds via ACH between Fidelity cash account and Heritage checking account (\$250,000 daily transfer limit).

When we begin USDA construction projects, we could consider paying for some expenses upfront with our cash reserves, then submitting those expense reimbursements with our last construction loan draw request, to minimize (7.5%) construction loan interest expense to Heritage. USDA has indicated that this approach would be acceptable to them as long as the expenses are eventually processed through Heritage (with USDA approval). This would provide a projected 3.5% better return than our other investments.

Following is a summary of proposed bank and investment accounts and target account balances.

Cash Management Strategy

Account	Type	Est. ROI	Target Balance	Requirements	Liquidity Needs	Purpose	Reserve Fund
Heritage Bank Accounts							
Operating	Checking	0.29%	\$30,000	Support immediate operating expenses	Immediate	General Operation, 1 month operating expenses	
USDA Debt Reserve	CD 3-5 month	3.63%	\$7,671	Add \$6,575/year (\$547.90/month) for purchase loan reserve	40 years	USDA loan requirement to ensure loan payments can be made	Debt Service Reserve Fund
Short Lived Asset Reserve	CD 3-5 month	3.63%	\$10,250	Add minimum \$10,250 per year	6-12 months	repairs and/or replacement of major system assets	Short Lived Asset Reserve Fund
Construction	Checking	0.29%	\$935	\$935 Co-op initial cash contribution	Immediate	Funds for USDA construction projects. Funds will flow in and out quickly to pay contractors.	
2025 Target Total Amount at Heritage			\$48,856	Not to exceed \$250,000			
Fidelity Investments							
SPAXX Core Account	Money Market	4.03%	\$100,000	3-4 months operating costs to cover shortfall; reevaluate need annually	1 week	Core investment cash account	Operating Reserve Fund
FZCXX Gov Premium	Money Market	4.10%			1 week	MM alternative to core account (slightly higher return)	Operating or Capital Improvements Funds
CDs 3mo-5yr	FDIC insured CD	4.30%	\$560,000	Annually funded from Net Operating Revenue	6-12 months	Co-op funded Capital Improvements	Capital Improvements Fund
US Treasuries	T-Bill	4.30%			6-12 months		
2025 Target Total Amount at Fidelity			\$660,000				
2025 Total Co-op Cash Assets			\$690,000				
3/1/2025 Current Balance at Heritage (all accounts)			\$707,000				