Form Name:	Kosciusko County READI Proposal
Submission Time:	July 16, 2021 11:22 am
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Kosciusko County READI Proposal

Project or Program Contact Information

Project/Program Name	Workforce Housing Revolving Loan Fund
Project/Program Contact	Lori Shipman
Project/Program Contact Email	lshipman@kosciuskoedc.com
Project/Program Contact Phone	(260) 503-1122
Relationship to Project/Program	Program Administrator

Project or Program Location

Address	102 S Buffalo Street Third Floor Warsaw, IN 46580
County	Kosciusko

Project or Program Details

What type of project/program?	Capital
What is the duration of the project/program?	2020-25
Is this a hybrid project and program?	No
Select project/program focus areas. (You can select multiple)	Grow the Workforce Downtown Vibrancy
Share a description of the project/program.	Kosciusko Economic Development Corporation is leading an effort to establish a $10 million workforce housing revolving loan fund to encourage the development of market-rate 'workforce attainable' housing in proximity to large employers in the county. The RLF has commitments for $4 million in funding and dollars will be used for predevelopment and property acquisition activities.

Why is this project/program regionally significant?	Kosciusko County is home to globally competitive agribusiness, medical device, and recreation sector firms. Leaders have indicated they cannot find and retain sufficient numbers of workers to sustain and grow their operations in the community. The workforce housing RLF program will encourage development of additional housing options in proximity to leading employers. A housing market potential study completed in 2019-20 estimates there is market demand for 2,000 additional housing units by 2025.
How does this project/program relate to the identified focus area(s)?	KEDCO is focusing on three signature lines of effort, which consist of entrepreneurship, housing, and talent recruitment. The housing initiative will encourage development of additional housing options (kinds of housing and price points) in proximity to leading employers in order to support recruitment and retention of the world-class labor force sought by employers in the agribusiness, medical device, and recreation sectors. Specific focus will be given toward proximity to large employers and to reuse of existing sites, which will include downtown redevelopment and mixed-use development projects.
What is the project/program timeline?	The project is ready to move forward. Kosciusko Development Land Trust was identified as the RLF administrator to hold funds and Kosciusko Workforce Housing Corporation was formed to serve as RLF coordinator. Both organizations have five-member boards of directors, $2 million of funding is already in-hand, and a request is under consideration for funding to acquire and redevelop a site in downtown Warsaw.
List the partners involved in this project/program.	Oversight of the Workforce Housing RLF is provided by a nine-member Project Review Committee, which consists of the five-member board of directors of the Kosciusko Development Land Trust and four at-large members that include two representatives of Zimmer Biomet. Partners include the Indiana Housing and Community Development Authority, Kosciusko County Community Foundation, the City of Warsaw, the Towns of Milford, Pierceton, and Syracuse, Kosciusko County, and HPG Network.

Project or Program Finances

What is the total amount of READI program funds requested?	1000000
Upload a file with project/program finances.	https://www.formstack.com/admin/download/file/10990097978

What is the sustainability of the project/program? Share your 3-year plan.	Partners have committed $4 million to capitalize the Workforce Housing RLF and have agreed to an initial five-year term for their involvement. KEDCO and its related entities have established a staffing structure consisting of a Program Administrator and a Project Manager to oversee the RLF program and to work with a pipeline of projects. The program is intended to be self-sufficient and to be sustainable as loans are repaid and funds are redeployed.
Describe the return on investment for this project/program.	The Workforce Housing RLF will lead to additional housing development throughout Kosciusko County and will support talent recruitment and retention. The ROI of the projects will be measured by increases in assessed valuation and increases in tax revenues, and the impact of the program will be evaluated using metrics such as number, type, and price-point of housing units resulting from projects funded by the RLF.

Project or Program Assets

Share an image of the project/program. (Option 1)	https://www.formstack.com/admin/download/file/10990097981
Share an image of the project/program. (Option 2)	https://www.formstack.com/admin/download/file/10990097982
Share an image of the project/program. (Option 3)	https://www.formstack.com/admin/download/file/10990097983

KOSCIUSKO COUNTY WORKFORCE HOUSING REVOLVING LOAN FUND

POLICIES & PROCEDURES

Accounting & Financial Management

Kosciusko Workforce Housing (KWHC) shall administer this revolving loan fund. KWHC shall maintain a proper financial management and accounting system, separate from the accounting systems used for other funding sources. The Kosciusko County Workforce Housing Revolving Loan Fund (RLF) financial management system shall meet the following standards:

1. Provide accurate, current and complete disclosure of all RLF activities. The system shall also clearly identify sources and uses of all funds;
2. Maintain source documentation (invoices, cancelled checks, contractor pay requests, etc.) for every disbursement of RLF monies;
3. Maintain internal control over and accountability for all funds, property and any other RLF assets to ensure they are used for authorized and eligible purposes;
4. Include the RLF's financial information in annual audits. This will supplement any RLF-related reports prepared for funders.
5. Allow Treasurer to assess the RLF's loan portfolio status and quickly identify any problem areas that need attention.

Organization of Accounting System

The Kosciusko Development Land Trust shall be designated as "RLF Coordinator" to oversee all financial transactions. The RLF Coordinator will manage a separate revenue account entitled the Kosciusko County Workforce Housing Revolving Loan Fund. This includes the initial allocation of funds from Indiana Housing and Community Development Authority (IHCDA) and related match funding from Zimmer Biomet, any loan repayments, proceeds from the sale of RLF collateral or assets, and any other RLF assets.

A complete set of general ledger and subsidiary accounts shall be maintained following generally accepted accounting standards. This means that all funds will be posted on a double entry basis where debit (DR) or credit (CR) balances are maintained for each account, and the sum of all debits equals the sum of all credits.

A sample chart of accounts is outlined below:

Sample RLF Chart of Accounts

Assets

Current Assets	*Account Number*
Cash or Cash Equivalents	101
Short Term Investments	102
Other Assets	
Loans Receivable	120

Allowance for Uncollectable Loans Receivable (credit)	130
Investments	151
Other Assets	155
Fixed Assets	
Land	161
Buildings	162
Liabilities & Equity	
Liabilities	
Accounts Payable	202
Notes Payable	203
Other Payable	209
Revenues & Expenses	
Revenues	
Interest Earned from Bank Account	301
Interest Earned from Notes Receivable	310
Income from Lease Agreements	320
Gain on Sale of Fixed Assets	330
Other Revenue	340
Expenses	
Administrative Costs	401
Loan Servicing Charges	410
Other Expenses	420

Application Review & Selection

KEDCO may contract out the project review, financial packaging, and loan servicing portions of its RLF responsibilities or else handle them internally. Since the RLF has been initiated by and through the Kosciusko County Housing Strategy in partnership with Zimmer Biomet, the Kosciusko County Housing Strategy created the RLF's first loan fund committee, called the Project Review Committee. The Project Review Committee shall always maintain and exercise the ultimate authority to approve or reject applications for assistance, with regular reports provided to the KEDCO Finance Committee on an at least quarterly basis. Also, KEDCO shall maintain RLF's accounting system and be accountable for its agent's performance of any RLF responsibilities. If handled internally, KEDCO shall appoint appropriately trained staff. Should these duties be contracted out, KEDCO shall develop detailed contracts that clearly define each party's duties related to RLF responsibilities.

Project Review Committee (PRC)

The Project Review Committee will play an active role in reviewing applications to determine whether the proposed activities are eligible for funding.

The Committee shall be made up of private finance professionals, investor companies and public officials from communities served by the RLF who have the necessary skills to analyze proposals and determine whether they represent prudent investments. Local bankers, CPAs, attorneys and other professionals with banking, finance and legal experience are considered ideal candidates for the PRC. The PRC shall be made up of five (5) to nine (9) members, more than half of which will be drawn from these professions, and to the greatest extent feasible will include women, minority and low- and moderate-income group representation. No more than 50 percent of the committee shall be elected or appointed public officials.

The Committee's duties include making decisions related to the RLF in the following areas:

1. The development and revision of RLF policies and procedures;
2. The approval or denial of requests for funding; and
3. The packaging and structuring of approved loans that meet appropriate underwriting standards for collateral security and documentation.

Financial Underwriting Guidelines

Financial underwriting shall be completed prior to providing financial assistance. In so doing, certain factors will be taken into account, such as size, scope and location. In determining the interest rate for loans made through the RLF, the following will be taken into consideration:

a. Recipient's ability to repay the loan
b. Reasonableness of project costs
c. Evidence of commitments for all other sources of financing
d. To the extent practicable, RLF funds are not substituted for non-RLF financial support;
e. Project is financially feasible;
f. To the extent practicable, the return on the owner's equity investment will not be unreasonably high;
g. To the extent practicable, RLF funds are disbursed on a pro rata basis with other finances provided to the project.

Reasonableness of Project Costs

All costs shall be reviewed for cost reasonableness in order to avoid providing too much or too little assistance for the proposed project. "Reasonableness" of costs shall be based upon all of the following factors:

1. Costs of comparable projects in the same geographical area;

2. The experience and knowledge of persons providing cost estimates for the various budget line items; and
3. Comparable costs published by recognized industry cost index services.

In order to collect this information from the borrower, as part of the application process the applicant shall provide the following:

1. Sources & Uses Statement
2. Project Development Budget
3. Project Proforma

The **Sources & Uses Statement** shall reflect the project development budget and shall list:

a. All proposed sources (both private and public) of funds and the dollar amounts of each respective source; and
b. All uses of funds (including acquisition costs, rehabilitation/or construction costs, financing costs and professional fees) associated with the project.
c. A certification that certifies the sources and uses statement discloses all uses of funds that will be paid to the borrower, any affiliate of the borrower, the seller of the land/buildings, and any affiliate of the seller.

The **Project Development Budget** shall be reviewed to determine whether the development costs are necessary and reasonable. The budget shall include all costs associated with the development of the project, regardless of the funding sources.

The **Project Pro Forma** (project income and expense statement) shall be reviewed to determine the reasonableness of return on equity investment. The proforma should include achievable rent levels, market vacancies and operating expenses. It should also specify the consequence of tax benefits, if any, and any other assumptions used in calculating the project cash flow.

If the reasonableness review indicates that the amount of RLF funds exceeds the amount necessary to make the project feasible, the PRC shall consider the following options:

- Reduce the amount of RLF assistance by reducing the development budget accordingly or increasing the non-RLF funding of the project;
- Make other adjustments to the project, such as lowering the rents to be charged or reducing the term of the loan in order to lower the rate of return; or
- Deny RLF assistance if the applicant refuses to make reasonable adjustments.

<u>Evidence of Commitments of All Other Sources of Financing</u>

So that time and effort are not wasted, a review of all proposed sources of financing necessary to carry out the project shall be conducted. Under no circumstances shall the RLF provide 100% financing for a project. To the extent practicable, prior to the commitment of RLF funds to the project, staff shall verify that: a) sufficient sources of funds have been identified to finance the project; all funding sources, lenders and/or investors have provided commitment letters affirming that the funds will be available; b) and the participating parties have the financial capacity to provide the funds.

<u>Disbursement of RLF Funds on a Pro Rata Basis</u>

To the extent practicable, RLF funds used to finance housing development activities shall be disbursed on a pro rata basis with other funding sources. RLF funds shall not be placed at a significantly greater risk than non-RLF funds. If it is impractical to disburse RLF funds on a pro rata basis, other steps shall be taken to safeguard RLF funds in the event of default, such as securitizing assets of the project. Vendor invoices shall be obtained prior to payment of any request to drawdown funds.

Avoiding Substitution of RLF Funds for non-RLF Support

Each project shall be reviewed to ensure that to the extent practicable, RLF funds will not be used to substantially reduce the amount of non-RLF financial support for the activity. This is to ensure the most efficient use of RLF funds available for projects. To reach this determination, a financial underwriting analysis will be completed, including review of appropriate sources and uses of funds statement, project development budget and operating proforma for the project. When other sources of funding are included in the project, such as HUD funds, LIHTC funds, etc., the results of these reviews shall be deemed suitable as documentation of this requirement.

Because of the high cost of underwriting and processing loans, if any project's total amount falls outside the range in which financial institutions typically participate, then the PRC shall determine the following:

A. Private debt financing – whether or not the participating private, for-profit (or other entity having an equity interest) has applied for private debt financing from a commercial lending institution and whether that institution has completed all of its financial underwriting and loan approval actions resulting in either a firm commitment of its funds or a decision not to participation in the project; AND
B. Equity participation – whether or not the degree of equity participation is reasonable given general industry standards for rates of return on equity for similar projects with similar risks and given the financial capacity of the developer to make additional financial investments.

Financial Feasibility of the Project

The intended public benefit a local community expects to derive from an RLF-assisted project will not materialize if the project is not financially feasible. Each project will be reviewed to determine if there is a reasonable chance for the project's success and financial feasibility shall be established through this process. A project would be considered financially viable if all of the assumptions about the project have been verified, including the following:

1. **Sources & Uses Statement Review**

   Sources

   a. Evidence of sufficient funds to cover the costs of development
   b. Identification and classification of all sources, including loans (debts), equity and grants
   c. Classification of debt as "soft" (repayment terms are relaxed/forgiven) and "hard" (repayment terms exist)
   d. Equity
      i. Investor funds which are repaid from property cash flow after mortgage payments and other bills are paid;
      ii. Developer investment of their own funds; and
      iii. Investment of Low-Income Tax Credit proceeds

Note: LIHTC equity earns all or virtually all of its return in the form of Federal income tax credits, rather than in the form of property cash flow

e. Grants
   i. Public agency grants;
   ii. Donations of land from public or nonprofit sources; and
   iii. Grants from foundations or other nonprofits

Uses

a. Acquisition costs;
b. Construction costs;
c. Soft costs;
d. Financing costs; and
e. Operating and replacement reserves and miscellaneous expenses.

The Sources & Uses Statement shall be reviewed with the development budget in mind and shall assist with determining whether there is a funding gap that needs to be filled with RLF assistance.

2. **Operating Budget/Pro-Forma**

Both the development budget and operating budgets shall be used as tools for determining whether there are enough funds to cover the costs of the project and to assess whether the anticipated rental proceeds (for rental projects) from the project can cover the costs incurred for the development, the management and the maintenance of the project. The pro-forma shall provide the following:

a. Net Operating Income (NOI) – how much NOI the project will have available to make payments of principal and interest (debt service) and to provide returns to providers of equity capital; and
b. Debt Service – to document more broadly, that assumptions that are being made about the project and its feasibility each project's estimates of project income and expenses will be reviewed in order to be sure that they are true reflections of the market and that the NOI is adequate to cover loan payments.

Return on Equity Investment

The amount, type of terms of the RLF assistance shall adjusted to allow a reasonable return on investment given industry rates of return for that investment, local conditions and the risk of the project. To the extent practicable, the RLF-assisted activity will provide not more than reasonable return on investment to the developer, ensuring that RLF funds are maximized.

Loan Packaging

Loan terms will vary depending upon how the RFL funds are being used, the other types of financing involved and most importantly, the needs of the project.

Types of Financing

Pre-development loans – Funding for project planning & pre-construction activities, such as purchase options for land or building, legal fees, architectural and engineering fees, appraisals and loan application fees.

Construction loans – Funding for the cost of building the housing.

Short Term Mortgage loans – Funding for up to 48 months; repaid from the operating income from a rental project.

Bridge loans – Funding for projects that will not be ready for permanent financing when construction is complete, such as with multi-stage projects.

Credit enhancements – Funding used to enhance the credit-worthiness of a project to attract private lenders who would not participate otherwise.

Once the PRC has reviewed a loan proposal, there are three basic options:

1. Approve the project, perhaps subject to certain minor modifications;
2. Request additional information and/or significant changes; or
3. Reject the proposal

Prior to approval, the following checklist of items reviewed shall be documented in each project file:

- Compliance
    - Eligible costs
    - Other requirements of the RLF
- Development Team
    - Skill sets required to make it work
    - Track record from previous, comparable projects
    - Sufficient cash reserves
- Market
    - Market study conducted with sufficient methodological rigor
    - Market study shows a robust market for the property
    - Market study's findings (turnover, vacancy, absorption) reflected in operating budget
- Development Budget
    - Cost reasonable
    - Limitations on other funding sources applied
- Operating Budget
    - Income sufficient to meet expenses, debt service & cash flow expectations of investors
    - Reasonable margin of safety so that the property will not fail if conditions change modestly
    - Evidence project can remain stable over time (i.e., income is likely to grow at least as fast as expenses)
    - Adequate plan in place for required balloon payments/refinancing or other mid-term concerns
    - Adequate budgeted reserves
- Timing of Funds
    - All project funders committed

    - Funds available to get the project built
    - Project is able to cover any shortfalls in revenue during lease-up
- Wise investment
    - Reasonableness review
    - Returns to owners, developer, and investors is reasonable given market conditions
    - Brag-worthiness of project

Loan Servicing & Monitoring

Another important area of responsibility is the servicing and monitoring of the loan portfolio. An individual file shall be established for each loan. Periodically, but not less than quarterly, the following will be performed:

1. Ensure timely collection of RLF loan payments. If necessary, an invoice shall be mailed for the payment several weeks before the due dates. All activity shall be monitored continually and follow-up with borrowers who are delinquent in repayment.
2. Maintain loan documentation and appropriate tickler files to ensure compliance with amortization schedules, loan covenants, financial reporting requirements, insurance requirements, etc.
3. Annually, a report will be prepared and submitted to IHCDA on the performance of the fund.

In order to obtain payments when due and properly service and enforce loan covenants, properly drafted loan documents shall be utilized for each loan that is made. In addition, the documents shall be properly executed, and the security agreements properly recorded within the appropriate county.

To accomplish these objectives, the RLF shall have adequate legal counsel to draft loan documents that will stand up to all applicable laws governing commercial lending transactions. These laws tend to be very complex and are beyond the scope of this policy. However, loan documents shall generally reflect the following as it relates to the borrower:

1. Authority to borrow from the RLF
2. Indebtedness to the RLF
3. Responsibilities under the terms and conditions of the loan (this will include any affordability covenants); and
4. Security for the RLF loan.

Exhibits

A. Kosciusko County Workforce Housing Development Revolving Loan Fund Instruction Sheet
B. Loan Application Form
C. Sample Commitment Letter

Exhibit A

Kosciusko County Workforce Housing Revolving Loan Fund

Instruction Sheet and Application

Listed below are the criteria for financing through the RLF Program:

1. The project must result in the creation of catalyst workforce housing projects supported by the Kosciusko County Housing Market Potential Analysis.
2. Developer will be required to obtain financing from a private lender.
3. Personal equity will be required.
4. Development proposal must demonstrate a reasonable chance for success.
5. Applicant is responsible for all loan and legal fees associated with an approved loan. This fee is waived for Pre-Development Loans required by Kosciusko County communities.
6. Projects seeking development financing must demonstrate that but for these funds, the project would be unable to proceed.
7. Information provided must be truthful and accurate to the best of your knowledge. Failure to provide same constitutes fraud and will result in the immediate termination of the loan process.

The process requires that the applicant complete the attached loan application form and submit all required information. Failure to provide any information requested may be grounds for denial. Generally, only one predevelopment project will be allowed per community at any given time. Further, proposals will be considered on a 1st come, 1st serve basis.

Once all information is received, it will be forwarded to the RLF Project Review Committee for review and approval.

If the application is denied, you may request in writing, why the application was turned down.

We hope that your application is competitive and will lead to successful housing opportunities in Kosciusko County.

KOSCIUSKO COUNTY REVOLVING LOAN FUND APPLICATION FOR

COMMUNITY NAME

____

PART I – APPLICATION TYPE (Please check and complete ALL applicable items)

Type of Activity: ☐ Rental ☐x Homeownership

Resources Required (check all that apply):

☐ Technical Assistance ☐ Pre-Development Loan ☐ Acquisition Loan ☐ Development Loan

Total Funds Requested: _____ Match Funds Committed: **$**_____

Estimated # of Total Units _____

Estimated Total Development Costs: _____

PART II – PROJECT IDENTIFICATION (if applicable)

Is the Potential Project Location Known? ☐ **xYes** ☐ **No** If yes, please describe each potential site: _____

Please attach a map showing the project location.

PART III – APPLICANT CONTACT INFORMATION

Applicant Contact Name: _____ Telephone #: _____

Address: _____ Fax #: _____

City/State/ZIP Code: _____ E-Mail Address: _____

Contact: _____

Federal Tax ID #: _____

PART IV – SUMMARY OF INTENT

Summary: Provide a description of the proposed project. Summary should include the following details if applicable at current stage of development:

- Current status of the development (i.e., any or all pre-development activities completed, in progress or planned)
- Estimated proposed budget and sources and uses
- Any costs for completed preliminary work
- Current status of other resources being sought and expected timing of award notice or funding
- Development status (i.e., status of planning board or city council consideration)

A RESOLUTION ADOPTING THE LAND TRUST’S INVESTMENT POLICY

WHEREAS, on ___________, 2021 the Board of Directors of the Kosciusko Development Land Trust (“Land Trust”) duly convened a meeting and a quorum existed, and;

WHEREAS, the Board of Directors members then present voted in favor of said Investment Policy; now, therefore, be it

RESOLVED, that effective immediately the Land Trust has adopted the Investment Policy attached hereto:

INVESTMENT POLICY

SECTION 1. PURPOSE
The purpose of this document is to establish guidelines for the prudent investment of the Kosciusko Development Land Trust's funds that are consistent with the laws of Indiana State.

SECTION 2. DEFINITIONS
As used herein, the following terms shall have the meaning set forth below:
a. **"Land Trust"** shall mean the Kosciusko Development Land Trust ("Land Trust").

b. **"Board"** shall mean the Board of Directors of the Land Trust.

c. "**Executive Director**" shall mean the Executive Director of the Land Trust.

d. **"Donor"** shall mean the person who grants or transfers property to the Land Trust pursuant to a gift instrument, or a person designated in the applicable Gift Instrument to act in the place of the donor, but does not otherwise include the person's executors, heirs, successors, assigns, transferees, or distributes.

e. **"Gift Instrument"** shall mean a record or records, including any solicitation by the Land Trust, under which property is granted to, transferred to, or held by the Land Trust as an institutional fund.

f. **"Institutional Fund"** shall mean any fund held by the Land Trust, including but not limited to an endowment fund, but shall not include (1) program related assets (an asset held by the institution that is not for investment under the terms of a gift instrument, but primarily to accomplish a programmatic purpose of the institution); (2) a fund held for the Land Trust by a trustee that is not the Land Trust or (3) a fund in which a beneficiary that is not the Land Trust has an interest, other than an interest that could arise upon violation or failure of the purposes of the fund.

g."Treasurer" shall mean the Treasurer of the Board.

SECTION 3. INVESTMENTS OF THE LAND TRUST
a. **Funds to Be Invested.** To the extent the Land Trust has funds beyond that which are necessary to meet current obligations or for disbursement otherwise required, such funds shall from time to time be invested in acceptable investment instruments.

b. **Investment Goals.** The following objectives, listed in order of priority, shall be followed in the investing of such funds:

    i. To provide a level of liquidity to ensure the availability of funds for payment to meet obligations of the Corporation or for disbursement otherwise required.

    ii. To minimize the amount of funds uninvested.

    iii. To minimize the risk of any potential loss or devaluation of funds invested.

    iv. To earn a maximum rate of return on funds invested, within the limitations as to types of investments permitted under this policy and applicable law.

v. To sustain the perpetual existence of the Land Trust.

c. **Acceptable Investment Instruments.** Acceptable investment instruments for the investment of funds are as follows:

i. Certificates of Deposit issued by a Trust or trust company authorized to do business in Indiana State, provided however, that such Certificates of Deposit shall be payable within such time as the proceeds shall be needed to meet expenditures for which such monies were obtained, and provided further that such certificates of deposit be secured in the same manner as provided for securing deposits of public funds by Subdivision 3 of Section 10 of the Indiana General Municipal Law.

ii. Time Deposit Accounts in a Trust or trust company authorized to do business in Indiana State, provided however, that such Time Deposit Accounts shall be payable within such time as the proceeds shall be needed to meet expenditures for which such monies were obtained and provided further that such time deposit accounts be secured in the same manner as is provided for securing deposits of public funds by Subdivision 3 of Section 10 of the Indiana General Municipal Law.

iii. Obligations of agencies of the federal government if principal and interest is guaranteed by the United States.

iv. Obligations of the State of Indiana.

d. **Timing of Investments.**

i. The Executive Director shall maintain a portfolio of all investments. Investments shall generally mature or otherwise be available for sale or redemption without penalty at such times as funds invested are required for payment to meet obligations of the Land Trust, or are otherwise required for disbursement.

e. **Collateral Requirements.**

i. Certificate of Deposits and Time Deposit Accounts shall be fully secured to the maximum amount set by the Federal Deposit Insurance Corporation.

ii. Certificate of Deposits and Time Deposit Accounts with principal value in excess of the amount insured by the Federal Deposit Insurance Corporation, shall be fully secured by eligible securities as that term is defined in Section 10 of the General Municipal Law having in the aggregate a market value at least equal to the aggregate amount of the deposits and Third Party Custodial Agreements shall be entered into with the deposit institution.

iii. Collateral shall be delivered to and held by the Land Trust as part of the investment portfolio or be delivered to a custodial Trust or trust company with which the Land Trust has a Custodial Agreement. Said Custodial Institution shall provide written confirmation to the Land Trust of the obligations held in such institutions as collateral for investments of the Land Trust.

f. **Custodial Institutions.** The Executive Director or the Treasurer shall from time to time, if necessary, enter into contracts with Trusts or trust companies licensed to do business in

Indiana State to act as custodian of funds owned by the Land Trust or of funds pledged as collateral for certificates of deposit or time deposit accounts. Custodians must be member Trusts of the Federal Reserve Trust or maintain accounts with member Trusts. A custodial contract shall not be entered into for holding of an investment with the same party from which such investment instrument was acquired without approval of the Land Trust. A custodial contract may be entered into with the Trust Department of the seller of the investment instrument provided that the Trust Department is a separate corporate entity. At the request of the Land Trust custodial institutions shall verify collateral held on behalf of the Land Trust as property or as collateral for an investment instrument.

g. **Financial Strength of Institutions.** The Executive Director shall maintain a list of approved investment firms which may serve as trustee, custodian, or broker- dealer. The financial statements of investment firms with which the Land Trust transacts investment business, as set forth in the annual reports of such institutions, shall be reviewed annually by the Land Trust to determine the financial strength and/or credit worthiness of the institution. The Treasurer shall report the results of such review in the Land Trust's annual investment report.

h. **Competition for Acquisition and Sale of Investment Instruments.**

i. The Land Trust shall endeavor to ensure competition amongst interested and eligible institutions for the acquisition or sale of investment instruments and shall make every reasonable effort to solicit by telephone or other electronic device at least three quotations for every investment transaction except for interim investment instruments which may from time to time be necessary to conduct normal day to day business operations of the Land Trust.

ii. The Executive Director or the Treasurer shall maintain a file of any confirmations, correspondence, or statements which support investment activity.

i. **Diversification.** It is the policy of the Land Trust to monitor the diversification of its investments by financial institution, investment instrument, and maturity and to include annual reports of such diversification levels in the Land Trust's annual investment report. A maximum of approximately 50% of all investments may be held in a single financial institution.

SECTION 4. STANDARD OF CONDUCT IN MANAGING AND INVESTING AN INSTITUTIONAL FUND

a. **General Principles.**

i. Any investment of an Institutional Fund shall be specifically authorized by an action of the Board.

ii. Subject to the intent of a donor expressed in a Gift Instrument, the Land Trust in managing and investing an Institutional Fund, shall consider the purposes of the Land Trust and the purposes of the Institutional Fund. The Board shall act to manage and invest any Institutional Fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

iii. In managing and investing an Institutional Fund, the Land Trust may incur only costs that are appropriate and reasonable in relation to the assets, the purpose of the institution, and the skills available to the institution and shall make a reasonable effort to verify facts relevant to the management and investment of the fund.

b. **Reliance on Third Parties.** In managing an Institutional Fund, Board members, when acting in good faith, may rely on information, opinions, reports or statements including financial statements and other financial data, in each case prepared or presented by: (1) one or more officers or employees of the Land Trust, whom the member believes to be reliable and competent in the matters presented, and (2) Persons as to matters which the member believes to be within such person's professional or expert competence. Members shall not be considered to be acting in good faith if they have knowledge concerning the matter in question that would cause such reliance to be unwarranted.

c. **Pooling of Funds.** The Land Trust may pool two or more Institutional Funds for the purposes of management, and investment.

d. **Limitation on Profits.** The Land Trust shall conduct no activities for pecuniary profit or financial gain, except to the extent that such activity supports its other lawful activities then being conducted. All profit need not be currently expended for such purposes; however, such profit making activities and the profits resulting thereof must be reasonably related to the requirements of the Land Trust's activities as they are conducted at the time that the profit making activity occurs.

e. **General Rules.** Except as otherwise provided for in a Gift Instrument:

i. <u>Managing Factors</u>. In managing and investing an Institutional Fund, the Land Trust must consider the following factors, if relevant: 1) general economic conditions; 2) the possible effect of inflation or deflation; 3) the expected tax consequences, if any, of investment decisions or strategies; 4) the role that each investment or course of action plays within the overall investment portfolio of the fund; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Land Trust; 7) the needs of the institution and the fund to make distributions and to preserve capital; and 8) an asset's special relationship or special value, if any, to the purposes of the institution.

ii. <u>Decisions</u>. Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the Institutional Fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the Land Trust.

iii. <u>Diversification</u>. The Land Trust shall diversify the investments of an Institutional Fund unless the Land Trust prudently determines that, because of special circumstances, the purposes of the fund are better served without diversification. The Land Trust shall review a decision not to diversify as frequently as circumstances require, but at least annually.

iv. <u>Retention or disposal of fund property</u>. Within a reasonable time after receiving Institutional Fund property, the Land Trust shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the Institutional Fund into compliance with the purposes, terms, and distribution requirements of the Land Trust as necessary to meet other circumstances of the Land Trust and the requirements of Article 5-A of the N-PCL.

SECTION 5. REPORT TO BE PROVIDED. The Executive Director or the Treasurer shall annually prepare an investment report which includes an explanation of the investment policy and amendments, the results of any audit, the investment income records of the Land Trust and a list of the total fees, commissions or other charges to be paid to each investment Truster, broker, agent, dealer, and adviser rendering investment associated services to the Land Trust since the last investment report.

INTERNAL CONTROLS POLICY

0. PREAMBLE

The Kosciusko Development Land Trust (“KDLT” or “Trust”) Board of Directors is responsible for administering the following internal controls policy. The Board of Directors may delegate its responsibility to an Executive Director or other employees through action taken at a meeting of the Board of Directors in accordance with the requirements of the bylaws of the organization.

1. GENERAL

The Board of Directors is responsible for authorizing all bank accounts and check signers. Financial institutions where KDLT accounts are maintained are notified on an annual basis of any changes in check signers, following the transition of officers or changes in staff with check signing responsibilities. Financial reports shall be presented to the board of directors for review on a regular basis. An annual financial compilation, review, or audit shall be required, subject to the selection of the Board of Directors, or requirements of funds held by the Trust, and will be conducted by a qualified outside accountant. Applicable financial and administrative guidelines relating to specific grant funding shall be followed.

2. CASH RECEIPTS

Employees handling cash will have the necessary knowledge and skills to perform the job and will be carefully supervised. Cash receipts must be deposited within 5-days of receipt or when the deposit amount exceeds $2,000, whichever comes first. Incoming checks must be restrictively endorsed, “for deposit only” with the organization’s account number, when received. Incoming cash must be counted and receipts/bank deposits developed by two or more persons authorized to perform these functions. Records of cash received must be totaled and initialized by authorized employees. Cash collection documentation totals must be compared and reconciled to bank deposit receipts on a regular basis. Bank deposit receipts must be compared and attached to the original bank deposit slips. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank. Contributions and grants received in bank account electronically via Electronic Funds Transfer (EFT) will be posted to accounting software within 3 days of receipt.

3. CASH DISBURSEMENTS

a. Check Authorization

The Board of Directors must provide approval for all disbursements. Supporting documentation must accompany checks when presented for signature.

b. Checks

All non-recurring disbursements must be made by check. Recurring disbursements may be set up electronically with vendor via Electronic Funds Transfer with prior approval by the Board of Directors. Only pre-numbered checks shall be used and always in sequence. Signing of blank checks is strictly prohibited. Checks must be made payable to specific payees based upon appropriate documentation; and never to “cash” or “bearer”. Prior to preparing checks, receiving reports should be compared to vendor invoices for accuracy. Checks must be prepared from vendor invoices only and not from a vendor statement. Signature stamps may never be used to sign checks. Dual signatures are required for all checks, including any of two of the following signatures: president, vice president, secretary, treasurer, Executive Director. Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use. Any voided/spoiled checks must be marked “Void”, shredded with the signature portion removed and retained in a secure place.

c. Bank Reconciliations

Bank accounts must be reconciled by the person responsible on a monthly basis and reviewed by the Board of Directors. The Board of Directors must receive the bank statements, including canceled checks, etc., unopened from the bank. All check numbers must be accounted for. Checks outstanding over 90 days must be periodically investigated, with payment stopped and an entry made restoring such items to cash if appropriate.

4. TRAVEL AND EXPENSES

Employees must submit a detailed expense record, with supporting documentation, in order to be reimbursed for expenses; and initialed for approval by the director prior to payment.

5. REVIEW AND UPDATES

The KDLT Board of Directors shall review this internal controls policy document on a regular basis, but not less than once per year, and modifications shall be adopted upon the approval of a majority of the Board of Directors.

6. APPROVAL

This internal controls policy document is hereby adopted by the KDLT Board of Directors on the 12th day of February, 2021.

______________________________ Attest: ______________________________

Alan Tio, President Suzanne Light, Secretary

Project Cost/Budget – Construction Projects (if applicable)				
Description	**Cost – Fiscal Year 2021**	**Cost – Fiscal Year 2022**	**Cost – Fiscal Year 2023**	**Cost – Fiscal Year 2024**
Acquisition/Rights-of-Way Expense (PROPERTY ACQUISITION COSTS)	$ 2,500,000.00	$ 2,500,000.00	$ 1,000,000.00	$ 1,000,000.00
Design/Inspection Expense	$	$	$	$
Legal/Financial Expense (PREDEVELOPMENT COSTS)	$ 250,000.00	$ 250,000.00	$	$
Infrastructure Construction Cost	$	$	$	$
Building Construction Cost	$	$	$	$
Other Construction Costs	$ 250,000.00	$ 250,000.00	$	$
Total Project Cost	$			

Project Cost/Budget – Programs (if applicable)				
Description	**Cost – Fiscal Year 2021**	**Cost – Fiscal Year 2022**	**Cost – Fiscal Year 2023**	**Cost – Fiscal Year 2024**
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
Total Project Cost	$			

Funding Source				
Description	**Cost – Fiscal Year 2021**	**Cost – Fiscal Year 2022**	**Cost – Fiscal Year 2023**	**Cost – Fiscal Year 2024**
Private/Philanthropic Funds $	$ 4,000,000.00	$ 1,000,000.00	$ 1,000,000.00	$ 1,000,000.00
Local Government Funds $	$	$	$	$
READI Funds $	$ 1,000,000.00	$	$	$
Total Project Cost	$			