

City of Gahanna, Ohio

Investment Policy

Revised and adopted 7/1/13
ORD-0098-2013

Policy

It is the policy of the City of Gahanna ("City") to invest public funds in a manner which will provide the highest investment return with maximum security while meeting liquidity and operating demands of the City. All investment activities must conform to all applicable state and local statutes governing the investment of public funds.

Scope

This Investment Policy applies to all financial assets of the City. The Director of Finance is authorized to pool cash balances from all funds of the City for investment purposes. Unless otherwise restricted, all interest earnings will be credited to the General Fund.

Objectives

The following investment objectives will be applied to the management of City funds:

- **Safety**-Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.
- **Liquidity**-The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
- **Return on Investment**-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 City's risk constraints and cash flow characteristics.

The portfolio shall be reviewed periodically as to its effectiveness in meeting the City's needs for safety, liquidity, rate of return, diversification and its general performance.

Standards of Care

Delegation of Authority

Authority to manage the City's investment program is assigned to the Director of Finance per the City Charter. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Management of and administrative

responsibility for the investment program may be delegated to an Investment Company/Manager, who shall act in accordance with written procedures and internal controls for the operation of the investment program consistent with this investment policy.

Prudence

The standard of prudence to be used shall be the “prudent expert” standard and shall be applied in the context of managing an overall portfolio.

Investments shall be made with the care, skill, prudence and diligence, under circumstances then prevailing, which prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of like character and with like aims-not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in timely fashion and the actions of the investment officer are in accordance with this policy.

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 investment decisions. Employees and investment officials shall disclose to the Director of Finance any material financial interests that could be related to the performance of the City’s investments.

Investment Selection

Authorized Investments

This investment policy, as adopted by City Council, shall govern the investment activities of the City. Authorized investments may be derived from or based upon Ohio Revised Code Chapter 135 (ORC 135). Investments not defined under ORC 135 but authorized pursuant to this investment policy are considered authorized investments of the City.

Government Securities: U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.

Certificates of Deposit: Interest bearing certificates of deposit issued by institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

State and Local Government Securities: Bonds and other obligations of the State of Ohio, bonds and other obligations of any county, township, school district, municipal corporation or other legally constituted taxing subdivision of Ohio which is not at the time of such investment in default in the payment of principal on any of its obligations. Such securities are limited to general obligation

issues backed by the full faith and credit of the government entity issuing the bonds rated in the second highest or higher rating category by any nationally recognized standard rating service at the time of purchase. No more than 5% of the city's investment portfolio may be invested in a single state or local issuer.

Commercial Paper: Commercial paper issued by companies incorporated under the laws of the United States and which are rated at the time of purchase in the single highest classification by two nationally recognized standard rating services.

Bankers Acceptances: Bankers acceptances which are eligible for purchase by the Federal Reserve System and which are issued by institutions which are ranked nationally as being in the top fifty in asset and deposit size within their industry.

Corporate Bonds: Medium term notes issued by corporations that are incorporated under the laws of the United States and that are operating within the United States having assets in excess of \$500 million and are rated in the second highest or higher rating category by at least two nationally recognized standard rating services at the time of purchase. No more than 5% of the city's investment portfolio may be invested in a single corporate issuer.

Repurchase Agreements: Repurchase agreements of a bank or savings and loan association organized under the laws of the U.S. or State of Ohio for negotiable direct obligations of the United States or U.S. federal agencies. If any repurchase agreement obligations do not have the backing of the full faith and credit of the United States, any such investments shall be secured by collateral as provided herein.

Money Market Funds: Money market funds whose portfolios consist of the foregoing investment types.

State Treasury Asset Reserve of Ohio: The State Treasury Asset Reserve of Ohio ("STAR Ohio") is a statewide investment pool managed by the Treasurer of the State of Ohio similar in concept to a money market fund. It is available exclusively to political subdivisions of Ohio.

Other Ohio Investment Pools: Any other investment pool operating in Ohio and available exclusively to public fund agencies of Ohio. The instruments of these pools must have the full faith and credit backing of the United States or be fully collateralized or insured.

Other Eligible Investments: Other investments not specifically identified in this Section that are otherwise considered eligible investments within Chapter 135 of the ORC.

Maturity

To the extent possible, the City will attempt to match the term to maturity of its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five years from the date of settlement.

Diversification

The investment portfolio shall be diversified by:

- A. Avoiding over-concentration in securities from a specific issuer or business sector. To avoid incurring unreasonable risks inherent in over-investing in specific instruments or issuers, the Director of Finance will diversify the investment portfolio as follows:

Investment Type	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Agency Securities	100%
Certificates of Deposit	40%
State and Local Government Securities	25%
Commercial Paper and/or Bankers Acceptances	25%
Corporate Bonds	15%
Repurchase Agreements	25%
Money Market Funds	15%
State Treasury Asset Reserve of Ohio	100%
Other Ohio Investment Pools	100%

- B. Investing in securities with varying maturities; and
- C. Continuously investing a portion of the portfolio in readily available funds such as money market funds, overnight repurchase agreements or local government investment pools to ensure appropriate liquidity is maintained in order to meet ongoing obligations.

Prohibited Investments

Investments in derivatives are strictly forbidden. A derivative is defined in Chapter 135 of the Ohio Revised Code as a financial instrument, contract or obligation whose value is based upon or linked to another asset or index or both, separate from the financial instrument, contract or obligation itself. Additionally, any security, obligation, trust account, or instrument that is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument.

Financial Institutions

Authorized Financial Institutions and Dealers

The Director of Finance will maintain a listing of financial institutions authorized to provide investment services to the City. No public deposit shall be made except in a qualified public depository as established by Chapter 135 of the Ohio Revised Code.

All financial institutions, broker/dealers and investment advisors who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following when requested, if applicable:

- A. Certification of having received and understood the City's Investment Policy, and agreeing to comply with the policy;
- B. Depository Agreement (if applicable); and
- C. Other relevant information as requested.

Collateralization Requirements

Collateralization will be required on all demand deposit accounts, including checking accounts, as well as non-negotiable certificates of deposit and repurchase agreements. The collateralization level will be defined by Ohio Revised Code. Collateral is limited to eligible securities defined in Ohio Revised Code sections 135.18 and 135.181. Each financial institution with which the City has deposits shall provide a quarterly statement reflecting the securities pledged including the market values of such securities.

Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. Should an Investment Company/Manager be utilized, securities will be held by an independent third-party custodian designated by the Investment Company/Manager and evidenced by safekeeping receipts and a written custodial agreement.

Internal Control, Reporting and Continuing Education

Internal Control

The Director of Finance is responsible for establishing and maintaining an internal control structure designed to reasonably ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Compliance with policies and procedures will be independently reviewed during required audits by or on behalf of the Auditor of the State of Ohio.

Reporting

The Director of Finance is charged with the responsibility of providing reports on investment activity and returns on the pooled balance of the funds. These reports will be prepared on a quarterly basis, and submitted to the Finance Committee of City Council.

Continuing Education

The Director of Finance will annually complete the public investing continuing education program provided by the Treasurer of the State of Ohio. Furthermore, no investment shall be made in commercial paper or bankers acceptances unless the Director of Finance has completed additional training approved by the Auditor of the State of Ohio.

Policy Considerations

The City's Investment Policy shall be adopted by Ordinance of the City Council. City Council shall review and reaffirm this policy every five years at a minimum.

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. However, at maturity or liquidation, such monies shall be reinvested only as provided by this policy.

The policies as stated herein may be changed only with the approval of City Council.

Acknowledgement

The institution below by signing submits that it has read and acknowledges this investment policy and agrees to abide by its contents.

Name of Institution

Authorized Officer

Date