

RESOLUTION NO. 50-02  
CITY OF CENTERVILLE, OHIO

SPONSORED BY COUNCILMEMBER James Singer ON THE 16th  
DAY OF December, 2002.

A RESOLUTION ADOPTING AN INVESTMENT AND DEPOSIT  
POLICY.

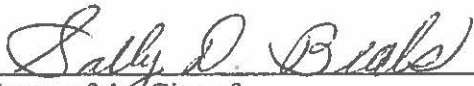
WHEREAS, Section 135.14 of the Ohio Revised Code requires that municipalities  
adopt an investment policy.

NOW THEREFORE, THE MUNICIPALITY OF CENTERVILLE HEREBY  
RESOLVES:


Section 1. That the City of Centerville hereby adopts the Investment and  
Deposit Policy as set forth in Exhibit "A."

Section 2. This Resolution becomes effective immediately upon passage.

PASSED THIS 16th day of December, 2002.

  
\_\_\_\_\_  
Mayor of the City of  
Centerville, Ohio

ATTEST:

  
\_\_\_\_\_  
Clerk of Council  
City of Centerville, Ohio

CERTIFICATE

The undersigned, Clerk of Council of the City of Centerville, Ohio, hereby certifies the foregoing to be a true and correct copy of Resolution No. 50-02, passed by the Council of the City of Centerville, Ohio on the 16th day of December, 2002.

Maril J. McLaughlin  
Clerk of the Council

Approved as to form, consistency  
with existing ordinances, the  
charter & constitutional provisions  
Department of Law  
Robert N. Farquhar  
Municipal Attorney

# City of Centerville

## Investment and Deposit Policy

### 1. Policy

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

### 2. Scope

This Investment and Deposit Policy ("Policy") applies to all financial assets of the City. The City funds subject to this Policy are hereinafter referred to as the "Active Portfolio."

The Director of Finance is authorized to pool cash balances from all funds of the City for investment purposes. All interest earnings will be credited to the fund from which the cash balance was drawn.

### 3. Objectives

The primary objectives of investment activities, in order of priority, shall be 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. This is accomplished by:

1. Limiting investments to the securities authorized by this policy.
2. Pre-qualifying the financial institutions, broker/dealers, and advisors with which the City will do business.
3. Diversifying the investment portfolio so that potential losses on individual securities will not significantly affect the safety of the portfolio.
4. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
5. Committing to a staggered-maturity ("laddered") portfolio to provide an opportunity to regularly reinvest as well as to enhance liquidity.

#### B. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by:

1. Structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
2. The portfolio should consist largely of securities with active secondary or resale markets.

3. A portion of the portfolio should be placed in money market funds or local government pools (STAR Ohio) which 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.

**4. Standards of Care**

*A. Delegation of Authority*

Authority to manage the investment program is hereby delegated to the Director of Finance, who shall act in accordance with established written procedures and internal controls for the operation of the investment program, consistent with this investment policy. 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. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance.

*B. Prudence*

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

*C. 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. Investment officials shall disclose any material interest in financial institutions with which they conduct business on behalf of the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

**5. Maturity**

To the extent possible, the City will attempt to match the term to maturity of its investments with the 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 or having an average life or duration greater than five years.

**6. Diversification**

To avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, dealers, or maturities, the Director of Finance will diversify the Active Portfolio as follows:

<u>Diversification by Instrument</u>	<u>Maximum Percent of City's Active Portfolio</u>
U.S. Treasury Obligations	100%
Authorized U.S. Federal Agency Securities and U.S. Government-sponsored Corporations	100%
State of Ohio Treasurer's Investment Pool (STAR Ohio)	75%
Nonnegotiable Certificates of Deposit	50%
Bankers Acceptances	20%
Prime Commercial Paper	20%

Diversification by Issuer (Obligor)

Nonnegotiable Certificates of Deposit	40%
Bankers Acceptances	5%
Prime Commercial Paper	3%

No transaction needs to be executed when, through inadvertence or unusual circumstances, a maturity in the Active Portfolio causes the percentage of a type or category of investment to exceed the diversification limits set forth above. Any transactions after such infraction shall work toward returning to compliance.

**7. Authorized Financial Institutions and Dealers**

Any financial institution, as defined by O.R.C. 135.03, is eligible to serve as an approved depository and/or investment provider. Eligible securities dealers and brokers must be members of the National Association of Securities Dealers (NASD), meet a minimum capital requirement of \$10,000,000, and have been in operation for at least five years. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). An investment advisor must be an eligible financial institution as defined by O.R.C. 135.03, or an advisor that is registered with the Securities and Exchange Commission.

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

- A. *Completed broker/dealer questionnaire*
- B. *Proof of National Association of Securities Dealers certification*
- C. *Proof of state registration*
- D. *Audited financial statements*
- E. *Certification of having received and understood the City's Investment Policy, and agreeing to comply with the policy*
- F. *Depository Agreement*
- G. *Other relevant information as requested.*

The Director of Finance will conduct a biannual review of the financial condition and registration of qualified bidders.

The Director of Finance will maintain a list of authorized institutions and dealers. The Director of Finance:

- A. May make additions to the authorized list when investment and deposit policy requirements are met;
- B. Shall make deletions from the list (i) if and as directed by ordinance of City Council, (ii) upon failure of the financial institution to meet the requirement of this policy, or (iii) upon request of the financial institution or dealer; and
- C. May make deletions from the list based on the following:
  - 1. Perceived financial difficulties of the financial institution or dealer;
  - 2. Consistent lack of competitiveness by the financial institution or dealer;
  - 3. Lack of experience or familiarity of the account representative in providing service to large institutional accounts; or
  - 4. When deemed in the best interest of the City.

## 8. Central Depository

To ensure the City will receive the best service possible, and that financial institutions will have an equal opportunity to participate, the City will competitively seek quotes for a central depository bank(s) through a request for proposals at least every four (4) years. The central depository bank(s) will have the same opportunity as other eligible financial institutions to provide quotes on the investment of the City's excess funds.

## 9. Authorized Investments

The Director of Finance may invest on behalf of and in the name of the City in the following instruments at a price not exceeding their fair market value:

- A. *U.S. Government Securities*  
Direct obligations of the Department of Treasury of the United States of America (bills, bonds and notes)
- B. *U.S. Government Agency Securities and Instrumentalities of Government Sponsored Agencies*  
Bonds, notes, debentures or other obligations or securities issued by any U.S. government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, or the Small Business Administration.
- C. *Interest-Bearing Certificates of Deposit*  
Eligible certificates of deposit of any financial institution eligible to become a public depository in accordance with Section 135.03 of the Ohio Revised Code.
- D. *Commercial Paper*  
Commercial paper which is rated at the time of purchase in the single highest classification by Moody's or Standard & Poor's.

*E. 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.

*F. 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 in Section 11 herein.

*G. Money Market Funds*

Money market funds whose portfolios consist of the foregoing (A-F).

*H. 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.

*I. 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.

*J. NOW Accounts*

NOW Accounts, Super-NOW Accounts, or any similar account authorized by the Federal Reserve's Depository Institutions' Deregulation Committee.

**10. Derivatives**

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.

**11. Collateralization of Non-Negotiable Interest Bearing Time Certificates of Deposit, Savings Accounts, Repurchase Agreements and NOW accounts**

- A. Depositories must provide collateral for deposits of City funds in non-negotiable interest bearing time certificate of deposit, savings accounts, repurchase agreements and NOW accounts in the manner provided in Chapter 135 of the Ohio Revised Code.
- B. The method of collateralization of City deposits shall be set forth in a depository agreement between the City and the depository institution.

## 12. Competitive Quotes

The purpose of seeking competitive quotes is to strengthen the investment program in terms of the level and consistency of performance. To the extent practical, all investments will be placed with financial institutions yielding the highest returns to the City. The right is reserved to reject the quote yielding the highest return of interest on any investment if inconsistent with the City's investment strategy, i.e. maturity, risk, liquidity, etc.

Price and rate quotations on all trades may be obtained from sources within and outside the City. In the case of the sale of securities or the purchase of securities where all other factors are considered by the Director of Finance to be equal, the financial institution selected for placement will be determined by the following criteria and order of priority: 1) the financial institution situated within the City, or 2) the financial institution with the lesser amount of City funds on deposit at the time of the purchase of the security.

## 13. Safekeeping and Custody

All security transactions, including collateral pledges, except for "pooled collateral" arrangements, shall be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

## 14. Reporting

The Director of Finance will be responsible to provide regular reports (at least quarterly) to the City Manager about the City's investment activities. The report should include, at a minimum, the market value of the portfolio, a description of each security on hand, the date of maturity and the financial institution from which it was purchased.

## 15. Policy Considerations

- A. Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
- B. An Investment Committee shall be established consisting of the City Manager, the Municipal Attorney, the Director of Finance and three members of City Council. This Investment Committee will meet at least annually to review this policy and the active portfolio.
- C. The policies as stated herein may be changed only with the approval of City Council.



**Statement of Financial Institution or Broker / Dealer**

The undersigned acknowledges receipt of the City of Centerville's Investment and Deposit Policy dated December 16, 2002, and that he/she has read and understands the policy.

Name of Financial Institution  
or Broker / Dealer

\_\_\_\_\_

Signature

\_\_\_\_\_

Title

\_\_\_\_\_

Date

\_\_\_\_\_