

## **City of Montgomery Investment Policy**

### **1.0 Policy:**

It is the policy of the City of Montgomery to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

### **2.0 Scope:**

This investment policy applies to all financial assets of the City of Montgomery. These funds are accounted for in the City of Montgomery's Annual Financial Report and include:

#### **2.1 Funds:**

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Trust and Agency Funds

### **3.0 Prudence:**

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.

#### **3.1:**

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 the 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 a timely fashion and appropriate action taken to control adverse developments.

#### **4.0 Objective:**

The primary objectives, in priority order, of the City of Montgomery investment activities shall be:

##### **4.1 Safety:**

Safety of principal is the foremost objective of the investment program. Investments of the City of Montgomery shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

##### **4.2 Liquidity:**

The City of Montgomery's investment portfolio will remain sufficiently liquid to enable the City of Montgomery to meet all operating requirements which might be reasonably anticipated.

##### **4.2 Return on Investment:**

The City of Montgomery's 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 of Montgomery's investment risk constraints and the cash flow characteristics of the portfolio.

#### **5.0 Delegation of Authority:**

Authority to manage the City of Montgomery's investment program is derived from the Ohio Revised Code, Section 135. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## **6.0 Ethics and Conflicts of Interest:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Montgomery's portfolio.

## **7.0 Authorized Financial Dealers and Institutions:**

For Certificates of Deposit, the Finance Director may purchase Certificates of Deposit from financial institutions located within the State of Ohio which have a current depository agreement with the City of Montgomery.

The Finance Director will maintain a list of financial institutions authorized to provide investment services (with depository agreements). In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of Ohio. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by Ohio state law.

All financial institutions and brokers/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state registration, completed broker/dealer questionnaire, certification of having read entity's investment policy, depository contracts.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Finance Director.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City of Montgomery invests.

## **8.0 Authorized and Suitable Investments:**

*The City of Montgomery is empowered by Section 135.14 of the Ohio Revised Code to invest in the following types of securities.*

A) Repurchase agreements with eligible institutions having a signed master repurchase agreement on file with the Finance Director. Repurchase agreements shall have as collateral items B or C of this section.

B) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

C) Bonds, notes, debentures or other obligations, instruments or securities issued by any federal government agency, or the Export-Import Bank of Washington, which are backed by the full faith and credit of the U.S. Government.

D) Certificates of Deposit.

E) Bonds or other obligations of the State of Ohio.

F) The State Treasurer's investment pool (STAR OHIO), as provided in Section 135.45, of the Ohio Revised Code.

### **9.0 Collateralization:**

Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

The City of Montgomery chooses to limit collateral to federal deposit insurance, surety company bonds, specific pledged securities, or a public depository's established pool of collateral.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of collateral substitution is granted.

### **10.0 Safekeeping and Custody:**

All security transactions, including collateral for repurchase agreements, entered into by the City of Montgomery shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director and evidenced by safekeeping receipts.

### **11.0 Diversification:**

*The City of Montgomery will diversify its investments by security type and institution. With the exceptions of U.S. Treasury securities and the State Treasurer's investment pool, no more than 30% of the entity's total investment portfolio will be invested in a single security type or with a single financial institution.*

### **12.0 Maximum Maturities:**

The Finance Director may invest public moneys of the City of Montgomery in authorized securities which mature within five years from the date the investment was purchased except as follows:

A) Repurchase agreements shall not exceed thirty days and

B) Certificates of Deposits shall not exceed one year.

### **13.0 Internal Control:**

The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

### **14.0 Performance Standards:**

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City of Montgomery's investment risk constraints and cash flow needs.

#### **14.1 Market Yield (Benchmark):**

*The entity's investment strategy is active. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill.*

### **15.0 Reporting:**

The Finance Director is charged with the responsibility of including a market report on investment activity and returns in the City of Montgomery's Financial Reports.

### **16.0 Investment Policy Adoption:**

*The City of Montgomery's investment policy shall be adopted by resolution of the City of Montgomery's legislative authority. The policy shall be reviewed on an annual basis by the Finance Committee and any modifications made thereto must be approved by the Council.*