

# CITY OF SPRINGBORO INVESTMENT POLICY

## 1.0 POLICY

It is the policy of the City of Springboro (“City”) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily operating demands of the City. All investment activities must conform to Chapter 135 of the Ohio Revised Code.

## 2.0 SCOPE

This Investment Policy (“Policy”) applies to all interim funds of the City. These funds are accounted for in the City’s Comprehensive Annual Financial Report and include:

- 2.1 *Governmental Funds* – General Fund, Debt Service Fund, Capital Project Funds, Special Revenue Funds
- 2.2 *Proprietary Funds*
- 2.3 *Fiduciary Funds*

## 3.0 PRUDENCE

The “prudent person” and/or “prudent investor” shall be the standard of prudence used by investment officials. Investment officers acting in accordance with written procedures and the 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 is taken to control negative developments.

## 4.0 OBJECTIVE

The primary objectives of the City’s investment activities, in order of priority, shall be safety, liquidity and return on investments.

- 4.1 **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, the City will:
  - Limit investments to the securities authorized by the Policy.
  - Pre-qualify the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.
  - Diversify the investment portfolio so that potential losses on individual securities will be minimized.
- 4.2 **Liquidity:** The City’s investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

**4.3 Return on Investments:** The City's investment portfolio shall be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

## **5.0 DELEGATION OF AUTHORITY**

Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with this 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, and their procedures in the absence of the Director of Finance.

## **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. Investment officials shall disclose any material interests 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 City.

## **7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Director of Finance will maintain a list of financial institutions and broker/dealers authorized to provide depository and/or investment services to the City.

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 \$10,000,000.00, and have been in operation for at least five years. 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 laws.

To become qualified bidders for investment transactions, all financial institutions and broker/dealers must provide the Director of Finance with the following when requested:

- 7.1 Annual financial statements.
- 7.2 Proof of state registration.
- 7.3 Proof of National Association of Security Dealers certification.
- 7.4 Certification of having received and understood the City's Investment Policy, and agreement to comply with the Policy.

- 7.5 Signed Depository Agreement
- 7.6 Quarterly collateral pledge statements.

The Director of Finance will conduct an annual review of the financial condition and registration of the qualified bidders. The Director of Finance is authorized to make the following changes to the list of authorized institutions and dealers:

- A. Additions to the list when investment and deposit policy requirements are met;
- B. Deletions from the list (i) if and as directed by City Council, (ii) upon failure of the financial institution to meet any of the requirements of the Policy, or (iii) upon the request of the financial institution or dealer,
- C. Deletions from the list based on:
  - Perceived financial difficulties of the financial institution or dealer;
  - Failure of the financial institution or dealer to remain competitive;
  - Lack of knowledge or expertise of the account representative in providing service to institutional accounts;
  - When deemed in the best interest of the City.

## **8.0 CENTRAL DEPOSITORY**

To ensure the City will receive the best service possible, and that financial institutions will have an equal opportunity to competitively bid future years, the City will competitively seek bids for a central depository bank(s) through a request for proposal at least every five (5) years. No financial institution will be given deposits of monies for operations without going through an open and fair competitive process.

## **9.0 AUTHORIZED INVESTMENTS**

The Director of Finance is authorized to invest funds of the City in the following instruments:

- A. U.S. Government Securites  
Direct obligations of the Department of Treasury of the United State 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.

- C. Certificates of Deposit or Savings Accounts  
Interest bearing certificates of deposit or savings accounts with 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 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. All other repurchase agreements must be fully collateralized and insured with securities held by the City or by its agent in the City's name not to exceed thirty days.
  - 9.1.1 A Master Repurchase Agreement must be signed with the bank or dealer.
- G. State Treasury Asset Reserve of Ohio  
"STAR Ohio"
- H. Other State of Ohio and Local Government Obligations
- I. Money Market Funds

## **10.0 DIVERSIFICATION**

The Director of Finance will diversify the City's funds portfolio by security and institution. With the exception of U.S. Treasury securities and authorized pools, no more than fifty percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

This policy strictly prohibits the purchase of derivative instruments.

## **11.0 COMPETITIVE QUOTES**

All portfolio transactions will be performed on a competitive basis. The purpose of competitive bidding is to strengthen the investment program in terms of the level of 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 bid 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 sale of securities or the purchase of securities where all other factors are considered by the Director of Finance to be equal, placement will be made in favor of the banking institution situated within the City if two or more bids are the same.

## **12.0 MAXIMUM MATURITIES**

To the extent possible, the City will attempt to match its investments with the anticipated cash flow requirements. The Director of Finance will not invest more than twenty-five percent of the current portfolio in securities exceeding two years in maturity. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed five years in maturity. Reserve funds may be invested in securities exceeding two years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

## **13.0 SAFEKEEPING AND CUSTODY**

Investments purchased for the portfolio will be delivered to the City's custodial agent(s) using standard delivery versus payment procedures. Accompanying trust receipts will be promptly forwarded to the City's finance department. Securities shall be pledged at the Federal Reserve Bank to collateralize all repurchase agreements with eligible financial institutions. Pledged collateral will only be released from pledge by the City's finance department after verification that all funds invested have been credited to the City's account.

## **14.0 INTERNAL CONTROL**

The Director of Finance shall establish an annual process of review by the Finance Committee consisting of the City Manager, Director of Finance, and three City Council members. This review will provide internal control by assuring compliance with policies and procedures.

## **15.0 REPORTING**

The Director of Finance shall provide quarterly reports to the City Manager and the Finance Committee, which will provide a clear picture of the status of the current investment portfolio. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall include:

15.1 A listing of individual securities held at the end of the reporting period.

15.2 Listing of investments by maturity date.

15.3 The percentage of the total portfolio of which each type of investment represents.

**16.0 POOLING OF FUNDS**

The Director of Finance is authorized to pool cash balances from the several different funds of the City for investment purposes.

**17.0 INVESTMENT POLICY REVIEW**

The policy shall be reviewed annually by the Finance Committee, and any modifications made thereto must be approved by the Finance Committee.

Date Approved by Finance Committee: \_\_\_\_\_