

The City of Oxford Investment Policy

Policy Statement

The purpose of this investment policy, in conjunction with the Ohio Revised Code, as amended, will govern the investments and the investment activities of the City of Oxford.

Scope

This investment policy applies to the investment of all funds of the City of Oxford both short-term operating funds and longer-term funds, including investments of proceeds from certain bond issues.

Investment Review Committee

An Investment Review Committee is established for the purpose of periodically reviewing the City's investment function and advising the Finance Director regarding such investments. The committee shall meet at least once every six months and shall select a chairperson to conduct its meetings. The committee shall consist of the City Manager, the Law Director, and the Finance Director. The committee shall keep records of its proceedings and shall adopt rules for its own proceedings. The committee may adopt procedures for implementing this policy, and may submit revisions to this policy from time-to-time as deemed necessary for City Council to consider.

Investment Objectives

The City's investment portfolio is designed and managed in a manner responsive to the public trust and consistent with state and local statutes. Investments are made on the basis of the following list of objectives which are listed in the order of importance:

1. Safety and security of City funds and investments.
2. Preservation of capital and protection of principal.
3. Maintenance of sufficient liquidity to meet operating needs.
4. Diversification of investments to avoid unreasonable or avoidable risks.
5. Market rate of return on the portfolio within the above constraints.

The City is generally restricted to investing in certificates of deposit, savings accounts, money market accounts, the State Treasury Asset Reserve (STAR Ohio), obligations of the State of Ohio, and obligations of the United States government or certain agencies thereof. The City is authorized to invest in any instrument or security outlined in ORC 135.14, as amended. All investment transactions will be completed on a competitive basis, whenever possible.

Investments will be made with care and judgment which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Additionally, purchases will be executed, not for speculation, but for investment, considering the safety of the capital as well as the probable income to be derived.

Standard of Care

A. Delegation of Authority

In accordance with City Charter Article V Section 5.05, responsibility for administration of the cash management and investment program is delegated to the Finance Director, who shall establish written procedures for the operation of the investment program consistent with the investment policy. Such procedures shall include an internal control structure adequate to

provide a satisfactory level of accountability, maintaining records incorporating descriptions and amounts of investments, transaction dates, and other relevant information, and regulating the activities of subordinate employees. The Finance Director in conjunction with the City Manager may utilize the advice of a licensed and designated investment advisor to fully authorize the buying or selling of investments in accordance with the goals and objectives of this policy and to sign investment-related agreements with authorized financial institutions, and broker/dealers on behalf of the City of Oxford.

B. Defining Investment Treasury

In compliance with the Codified Ordinance of the City of Oxford Chapter 123 Section 123.03, the investment treasury is defined as whenever there are funds in the treasury of the City which will not be required to be used for a period of six months or more may be invested in accordance with the provisions of Ohio Revised Code Section 731.56, as amended. Investments purchased shall also be sold in accordance with Ohio Revised Code Section 731.57, as amended.

C. Prudence

All participants in the cash management and investment process will act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the City.

Investment officers acting in accordance with written procedures and this policy and exercising due diligence will 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 which may include the liquidation or sale of securities is carried out in accordance with terms of this policy.

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 safety of the principal as well as the probable income to be derived.

D. Ethics and Conflicts of Interest

All participants involved in the investment process will refrain from personal business activity that could conflict or appear to conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials will disclose to Council any material interests in financial institutions with which the City of Oxford conducts business. They will further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers will refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Oxford.

Investment Parameters

1. Diversification

It is the policy of the City to diversify its deposits and investments by investment instrument, and by maturity scheduling.

The following diversification limitations shall be imposed on the City's portfolio of deposits and investments at the time of purchase of each deposit or security:

Instrument:

- ✦ No more than 75% of the overall portfolio may be invested in cooperative, money market or pooled investment programs, and,
- ✦ No more than 20% of the overall portfolio may be invested in the securities of a single issue, except the U.S. Treasury.
- ✦ No more than 50% of the overall portfolio may be concentrated into a single issuer, except for obligations or securities guaranteed by the United States.

2. Maturity Guidelines

To the extent possible, the Finance Director will attempt to match the investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions. The maximum maturity of any eligible instrument is five years from the settlement date, unless per a related bond indenture the investment is matched to a specified obligation or debt of the subdivision.

Maturity guidelines will be as follows:

1. No more than 50% of the portfolio may have a maturity beyond 36 months.
2. The average maturity of the portfolio will never exceed three years, and
3. At least 15% of the portfolio will be invested in liquid instruments or marketable securities that can be sold to raise cash in one business days' notice.

Any investment made should be purchased with the expectation it will be held to maturity. Investments may be sold to meet unexpected liquidity needs, to capture a capital gain, to reinvest in a preferred investment, or if otherwise determined to be in the best interests of the City.

Reserve funds and other funds with longer-term investments horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities will be disclosed in writing to City Council.

Because of inherent difficulties in accurately forecasting cash flow requirement, a portion of the portfolio should be continuously invested in readily available funds such as STAR Ohio, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Permissible Investments

The Finance Director may invest in any instrument or security authorized by Ohio Revised Code Section 135.14, as amended. Permissible investments include:

- A. United States Treasury bills, notes, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States. Stripped principal or interest obligations of such eligible obligations are strictly prohibited.

- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal 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, and Student Loan Marketing Association. All federal agency or instrumentality securities must be direct issuances of the federal agency or instrumentality.
- C. STAR Ohio is eligible as long as the fund maintains the highest letter rating provided by at least one nationally recognized standard rating service as outlined in Ohio Revised Code Section 135.45.
- D. Bonds and other obligations of the State of Ohio.
- E. Interim deposits (such as Certificates of Deposit) in the eligible institutions applying for interim moneys as provided in Ohio Revised Code Section 135.08.
- F. No-load money market mutual funds consisting exclusively of obligations described in section VII A or B of this policy and expressly excluding derivatives in accordance with Ohio Revised Code Section 135.14.
- G. Up to twenty-five percent of interim moneys available for investment may be invested in the following:
 - a. Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which all of the following apply:
 - b. The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.
 - c. The aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation.
 - d. The notes mature not later than two hundred seventy days after purchase
- H. Repurchase Agreements with eligible institutions.

Repurchase Agreements

Written repurchase agreements with any eligible public depository mentioned in Ohio Revised Code Section 135.03, or with any dealer who is a member of the NASD. All repurchase agreements must be entered into subject to a Master Repurchase agreement providing for the terms outlined below and satisfactory to the Law Director of the City of Oxford.

The market value of the securities subject held as collateral for an overnight repurchase agreement (including sweep accounts) or term repurchase agreements must exceed the principal by at least 2%, the securities must be marked to market daily and the stated margin will be maintained by the initial seller during the life of the transaction. No one repurchase agreement may exceed \$2,000,000. The City retains the right to terminate the agreement and sell the securities outside the repurchase agreement. Reverse repurchase agreements are strictly prohibited.

Term repurchase agreements may not exceed 30 days. Any repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. For all securities purchased pursuant to a repurchase agreement with an institution or dealer, the institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repurchase agreement transaction.

Collateralization

All deposits will be collateralized pursuant to the requirements of the Ohio Revised Code. Eligible securities used for collateralizing deposits will be held by the depository and/or a third party bank or trust company, subject to security and custodial agreements.

The security agreement will provide that eligible securities are being pledged to secure City deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted, or released providing collateral values are maintained, and, the events which will enable the City to exercise its rights against the pledged securities including failure to meet deposit repayment or collateral terms, or the deposit institution's insolvency. In the event that the securities are not registered or inscribed in the name of the City, such securities will be delivered in a form suitable for transfer or with an assignment in blank to the City or its custodial bank.

The custodial agreement will provide that securities held by the bank or trust company, as agent of and custodian for the City, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement will also describe how the custodian will confirm the receipt, substitution, or release of the securities. The agreement will provide for daily revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. The agreement will provide that the custodian will exercise the City's rights to the security or as instructed by the City. Such agreement will include all provisions necessary to provide the City with a perfected interest in the securities

Derivatives

Investments in derivatives are strictly prohibited. A derivative is defined in Ohio Revised Code Section 135 as a financial instrument or 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. However, any eligible investment with a variable interest rate payment based upon a single interest payment or single index comprised of other investments consisting of US government or federal agency or instrumentality obligations is not considered a derivative if it matures in two years or less.

Pooling

The pooling of funds by subdivisions is prohibited except as provided in Ohio Revised Code Section 715.02 or Section. IV Article XVIII of the Ohio Constitution, and STAR Ohio.

Safekeeping and Custody

1. Eligible Institutions and Dealers

Any financial institution located within the State of Ohio as defined by ORC 135.03 is eligible to serve as an approved depository and/or investment provider. Only securities dealers and brokers that are members of the National Association of Securities Dealers (NASD) are eligible to be an investment provider. Investment advisors must be an eligible financial

institution as defined by ORC 135.03, or an advisor that is registered with the Securities and Exchange Commission.

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g. a minimum capital requirement of \$100,000,000 and at least five years of operation). These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers with which the City conducts business must supply the following information to the City of Oxford as an investment advisor/manager:

- Audited financial statements,
- Proof of National Association of Securities Dealers (NASD) certification,
- Proof of State of Ohio registration,
- Certification of having read the City’s Investment Policy.

The City will bid for investment advisory and management services for no more than a five year period. A contract outlining services to be provided will be maintained by the Finance Director and on file with the Clerk of Council of the City of Oxford.

In accordance with Ohio Revised Code, a signed copy of this policy will be kept on file for each investment advisor, financial institution, and broker/dealer doing investment business with the City of Oxford. The signature indicating that the investment advisor has received, read, comprehended, and will abide by its content when recommending, buying, or selling any investment security of the City.

The Finance Director is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. An annual review of the financial condition and registration of qualifies financial institutions; broker and dealers will be conducted by the Finance Director.

To the extent that the City uses the services of an outside Investment Manager, it shall be the responsibility of the Investment Manager to establish appropriate credit criteria for broker/dealers with which they execute investment transactions on behalf of the City. Upon request, the Investment Manager will provide the City with a complete list of approved brokers.

2. Internal Control

The City will establish an annual process of independent review which will assure compliance with policies and procedures. A system of internal controls will be designed to protect the city from theft, loss, and misuse of public funds. The City will attempt to prohibit collusion, by separating investment transactions from the accounting and recording of those transactions. The City will assure the timely delivery and matching of custodial trust receipts.

3. Delivery vs. Payment

All investment securities purchased by the City or held as collateral on either deposits or investments will be held in third-party safekeeping at a financial institution (to be designated as the “Custodian”) qualified to act in this capacity. All securities held for the City account will be held free and clear of any lien and all transactions will be conducted on a delivery-vs.-payment basis. The Custodian shall issue a safekeeping receipt to the City listing the

specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodian will also provide reports which list all securities held for the City, the book value of holdings and the market value as of month-end.

Appropriate City officials and representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of the City shall be bonded in such a fashion as to protect the State from losses from malfeasance and misfeasance.

Reporting

The Investment Review Committee is responsible for oversight of reporting in compliance with the specific requirements of the Ohio Revised Code. Such reporting will include all items as required by Ohio Revised Code and other such information as deemed appropriate for the proper management and oversight of the City's investment function.

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return throughout budgetary and economic cycles. A series of appropriate benchmarks shall be established against which portfolio performances will be compared on a regular basis.

The market value of the portfolio will be calculated at least quarterly and a statement of the market value of the investment portfolio will be issued at least quarterly. This will ensure that review of the investment portfolio, in term of value and price volatility, has been performed consistent with the Government Finance Officers Association's Recommended Practices.