



## City of Bellbrook

### Investment and Deposit Policy

#### Section 1 Policy

It is the policy of the City of Bellbrook (“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.

#### Section 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 General Fund

#### Section 3 Objectives

The primary objectives of investment activities, in order of priority, shall be safety, liquidity and yield:

##### A. *Safety of Principal*

Safety of principal is the foremost objective of the City. 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. Return on Investments*

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.

#### **Section 4 Standards of Care**

*A. Delegation of Authority*

Authority to manage the City's investment program is derived from Chapter 2404 of the Bellbrook Municipal Code. Management responsibility for 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" and/or "prudent investor" 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 investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests that could be related to the performance of the City's investments.

#### **Section 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.

#### **Section 6 Diversification**

The investment portfolio shall be diversified by:

- a. Avoiding over-concentration in securities from a specific issuer or business sector (excluding securities issued by the United States government or an agency or instrumentality thereof); and
- 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.

## **Section 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. *Audited financial statements*
- C. *Certification of having received and understood the City’s Investment Policy, and agreeing to comply with the policy*
- D. *Depository Agreement (if applicable)*
- E. *Other relevant information as requested.*

The Director of Finance will conduct a review of the financial condition and registration of qualified bidders at least once every five years.

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.

## **Section 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 five (5) 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.

## **Section 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. 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.

### *B. Non-Negotiable and Negotiable Interest Bearing Time Certificates of Deposit*

Non-negotiable interest bearing certificates of deposit and negotiable interest bearing certificates of deposit in federally-insured banks, organized under the laws of the United States, and chartered in and located within the fifty (50) United States, provided that such deposits are secured by collateral as prescribed herein.

Minimum criteria for banks and savings and loan associations shall be as follows:

1. The asset size shall be at least \$50 million.
2. Current financial statements (issued within the last 12 months) are available.
3. The institution shall be profitable according to their latest financial statements.

### *C. Commercial Paper*

Commercial paper which is rated at the time of purchase in the single highest classification by Moody's or Standard & Poor's.

### *D. 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.

### *E. 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.

### *F. Money Market Funds*

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

### *G. 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.

#### *H. 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.

#### *I. NOW Accounts*

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

### **Section 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.

### **Section 11 Security for the Repayment of Public Deposits**

All public depositories shall comply with the Ohio Revised Code, including sections 135.18 and 135.181, with respect to collateralized security for the deposits of the City. Failure of an institution to abide by any of the provisions of this section is cause for immediate suspension of the institution as a qualified depository for any City funds.

### **Section 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.

### **Section 13 Swapping of Government Securities**

A swap is a movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. Losses or gains on security swaps must be recorded as a completed sale and purchase. The Director of Finance will maintain details of every swap transaction.

**Section 14 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.

**Section 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. The Finance Committee of City Council shall review this policy and the City’s investment practices.
- 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 Bellbrook’s Investment and Deposit Policy dated April 13, 2009, and that he/she has read and understands the policy.

Name of Financial Institution  
or Broker / Dealer

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Signature

\_\_\_\_\_

Title

\_\_\_\_\_

Date

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