Prepared:	11/28/2017
Introduced:	12/05/2017
Revised:	12/13/2017
Adopted:	
Effective:	

ORDINANCE O-27-2017

AN ORDINANCE TO AMEND FINANCIAL POLICY 4.20 "INVESTMENTS & DEPOSITS OF FUNDS POLICY" AND CHAPTER 157 "INVESTMENT POLICY" OF THE CITY OF NEW ALBANY, OHIO'S CODIFIED ORDINANCES

WHEREAS, New Albany's Financial Policy 4.20 "Investments & Deposits of Funds Policy," which includes Chapter 157 of the City's Codified Ordinances, was last updated in 2009; and

WHEREAS, it has been found that the Financial Policies of the City of New Albany, Policy 4.20 and the Codified Ordinances of the City of New Albany, Chapter 157, need to be amended; and

NOW, THEREFORE, BE IT ORDAINED by Council for the City of New Albany, Counties of Franklin and Licking, State of Ohio, that:

Section 1. The Financial Policy 4.20 "Investments & Deposits of Funds Policy" be amended with the attached Policy 4.20 (Exhibit A), as requested by the City of New Albany.

Section 2. The Codified Ordinances of the City of New Albany, Chapter 157 "Investment Policy" be amended with the changes attached Chapters 157 (Exhibit A), as requested by the City of New Albany.

Section 3. It is hereby found and determined that all formal actions of this council concerning and relating to the adoption of this legislation were adopted in an open meeting of the council, and that all deliberations of the council and or any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements, including Section 121 of the Ohio Revised Code.

Section 4. Pursuant to Article VI, Section 6.07 of the charter of the City of New Albany, this ordinance shall be in effect on and after the earliest period allowed by law.

CERTIFIED AS ADOPTED this _____ day of _____, 2017.

Attest:

Sloan T. Spalding	Jennifer H. Mason
Mayor	Clerk of Council

PROPOSED

Approved as to form:

_____

Mitchell H. Banchefsky
Law Director

CERTIFICATION BY CLERK OF COUNCIL OF PUBLICATION OF LEGISLATION

I certify that copies of Ordinance **O-27-2017** were posted in accordance with Section 6.12 of the Charter, for 30 days starting on _____, 2017.

_____ _____

Jennifer Mason, Clerk of Council Date

PROPOSED

EXHIBIT A - O-27-2017

Policy 4.20 – Investments & Deposits of Funds Policy

Purpose of Policy:

The ~~Village~~City of New Albany ~~has a significant interest in~~strongly desires to maintain~~ing and~~, safeguard~~ing~~, and prudently grow the assets of the ~~Village~~City. These would include, but are not limited to: financial assets, equipment and machinery, land, infrastructure, and/or intellectual property (i.e., non-physical assets). In order to prevent loss and properly account for the ~~Village~~City's assets, the following policy has been developed.

A. **General Policies & Procedures:**

1. Investment Policy

All idle funds shall be invested in accordance with the Statement of Investment Policy approved by ~~Village~~City Council. This policy emphasizes safety, preservation of principal, ~~liquidity~~liquidity, and yield.

2. Interest Distribution

~~(1)~~ Interest ~~shall~~ may be distributed to the following funds in proportion to their cash balance as a percentage of the total cash balances of all funds:

~~(2) General Fund (101)~~

~~(3)~~(1) Street Construction, Maintenance & Repair Fund ~~(201)~~;

~~(4)~~(2) State Highway Fund ~~(220)~~;

(3) Permissive Tax Fund ~~(221)~~;

(4) Capital Equipment Replacement Fund;

~~(5) Blacklick TIF Fund (207);~~

~~(6) Village Center TIF Fund (210);~~

~~(7) Windsor TIF Fund (211);~~

~~(8)~~(5) Capital Improvement Fund ~~(401)~~;

(6) Park Improvement~~s~~ Fund ~~(404)~~;

(7) Bond Improvement Fund;

~~(9)~~

~~(10)~~(8) ~~Fixed Asset~~Infrastructure Replacement Fund ~~(410)~~; and

~~(11)~~(9) Water & Sanitary Sewer Improvement Fund ~~(412)~~.

All other interest will be distributed to the General Fund except as otherwise required by statute or as required by state or federal grants.

3. Deposit of Funds

All cash and securities ~~will~~ should be deposited within 24 hours of receipt wherever possible.

4. Depository Bank

The ~~Village~~City ~~shall~~ may designate public depositories eligible to receive deposits of the ~~Village~~City's funds at least once every five years. Depositories so designated shall appear on a list of eligible depositories authorized by the State of Ohio. (ORC 135.12)

B. **Investment Policy (per ~~Village~~City Codified Ordinances):**

157.01 SCOPE.

The Council hereby directs that the investing authority of this public entity shall reside with the Director of Finance in accordance with this Investment Policy. This Policy is designed to cover all moneys under the control of the Director of Finance and those that comprise the core investment portfolio.

This policy applies to the investment of all ~~funds~~ interim deposits and does not apply to ~~,~~ ~~excluding~~ the investment of employees' retirement funds. Except for cash in certain restricted and special funds, the ~~Village~~City of New Albany ~~will~~ may consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. ~~Notwithstanding the policies detailed below, Chapter 135 of the Ohio Revised Code will be adhered to at all times.~~In the event that a specific policy item is not addressed herein, the City shall rely upon relevant policies contained within Ohio Revised Code Section 135.

157.02 GENERAL OBJECTIVES

The primary objectives, in priority order, of investment activities 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. The objective will be to mitigate credit risk and interest rate risk.

1. *Credit Risk* – The ~~Village~~City of New Albany ~~will~~ will seek to minimize credit risk associated with specific securities ~~, which is the risk of loss due to the failure of the security issuer or backer,~~ by:

   i. Limiting investments to the types of securities permitted by Section 157.06 of this Investment Policy.

   ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the ~~Village~~City will do business in accordance with Section 157.04 of this Investment Policy.

   iii. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer ~~will~~ may be minimized.

2. *Interest Rate Risk* – The ~~Village~~City will seek to minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

   i. 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.

   ii. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

(b) **Liquidity**: The investment portfolios shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot ~~be reasonable~~ be anticipated, the portfolio should consist largely of securities with an active secondary, or resale~~,~~ market~~s (dynamic liquidity)~~. Alternatively, a portion of the portfolio may be placed in money market mutual funds not subject to floating rate N.A.V. ("Prime" per Dodd-Frank Act) or local government investment pools which offer same-day liquidity for short-term funds.

(c) **Yield**: The investment portfolio shall be designed with the objectives 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. The ~~core of investments are~~core of investments is limited to relatively low-risk securities in anticipation of earning a ~~fair~~ market return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

i. A security with declining credit may be sold early to minimize loss of principal.

ii. A security may be sold in order to realize a capital gain.

iii. A security sale at either a gain or loss followed by the purchase of a separate security that ~~swap would~~could be expected to improve the quality, yield or target duration in the portfolio~~Such transactions may be referred to as a "sale and purchase" or a "swap."~~. For purposes of this section, "redeemed" shall also means "called" in the case of a callable security.

iv. Liquidity needs of the portfolio require that the security be sold.

~~Such transactions may be referred to as a "sale and purchase" or a "swap." For purposes of this section, "redeemed" shall also means "called" in the case of a callable security~~.

157.03 STANDARDS OF CARE

(a) **Prudence** - The standard of prudence to be used by the investment officials in managing the ~~Village~~City's investment portfolio 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 financial responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and sale of securities are carried out in accordance with the terms of this policy.

The 'prudent person' standard states that, "Investments shall be made using the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds considering the probable income as well as the probable safety of their capital."
~~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."~~

(b) **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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual and firm with whom business is conducted on behalf of the ~~Village~~City of New Albany.

(c) **Delegation of Authority**: Authority to manage the investment program is granted to the Director of Finance, hereinafter referred to as I~~i~~nvestment O~~o~~fficer, and derived from ORC §153.14. Responsibility for the operation of the investment program is hereby delegated to the ~~i~~Investment ~~-o~~Officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the ~~i~~Investment ~~o~~Officer. The I~~i~~nvestment O~~o~~fficer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Investment Officer may, subject to the approval of Council, ~~may~~ engage the services of an independent, SEC Registered Investment Advisor (the "Investment Advisor") whose firm may be authorized to execute trades with approved brokers as defined in Section 157.04~~the broker offering the best price and service~~. The Investment Advisor is responsible for reporting trades and pricing to the Investment Officer. The Investment Advisor will not act as a trustee or as a Custodian.

~~(c)~~

157.04 AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES AND BROKER/DEALERS.

(a) **Authorized Financial Institutions, Depositories and Broker/Dealers**: A list of authorized institutions and dealers shall be maintained by the ~~investing authority~~Investment Officer. ~~Additions and deletions to this list shall be made when deemed in the best interest of the investing authority.~~ All investments, except for investments in securities described in divisions (B)(5) and (6) of Ohio Revised Code Section 135.14 and for investments by a municipal corporation in the issues of such municipal corporation, shall be made only through a member of ~~the National Association of Securities Dealer~~FINRA~~s~~, through a bank, savings bank, or savings and loan association regulated by the Superintendent of Financial Institutions, or through an institution regulated by the Comptroller of the Currency, Federal Deposit Insurance Corporation, or Board of Governors of the Federal Reserve System.

(b) **Repurchase Agreements**: Repurchase agreements shall be transacted only through banks located within the State of Ohio with which the ~~Director of Finance~~Investment Officer has signed a Master Repurchase Agreement as required in Chapter 135 of the Ohio Revised Code.

(c) **Certificates of Deposit:** Certificates of D~~d~~eposit shall be ~~transacted through~~issued by commercial banks or savings and loans with FDIC coverage. Any Certificates of Deposit purchased by the City shall not exceed FDIC insurance ceilings. ~~which are located within the State of Ohio and qualify as eligible financial institutions under Chapter 135 of the Ohio Revised Code.~~

157.05 SAFEKEEPING AND CUSTODY.

(a) **Delivery versus Payment:** All trades of marketable securities will be executed by delivery versus payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

(b) **Safekeeping**: The Investment Officer~~investing authority~~ shall be responsible for the safekeeping of investment assets. Securities purchased for the Municipality will be held in safekeeping by a qualified trustee (hereinafter referred to as the "Custodian"), as provided in Ohio R.C. 135.37. Securities held in safekeeping by the Custodian shall be evidenced by a monthly statement describing such securities. The Custodian may safekeep securities in Federal Reserve Bank book entry form, Depository Trust Company book entry form in the account of the Custodian or the Custodian's correspondent bank, or non-book entry (physical) securities held by the Custodian or the Custodian's correspondent bank. The Custodian shall annually provide a copy of their most recent report on internal controls (SSAE 16 SCO reports, or equivalent~~Statement of Auditing Standards No. 70, or SAS 70~~).

(c) **Internal Controls**: The I~~i~~nvestment O~~o~~fficer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the ~~Village~~City are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgment of management.

The internal controls structure shall address the following points:

i. Control of collusion
ii. Separation of transaction authority from accounting and recordkeeping.
iii. Custodial safekeeping

iv. Avoidance of physical delivery of securities
v. Clear delegation of authority to subordinate staff members
vi. Written confirmation of transactions for investments and wire transfers

157.06 PERMITTED INVESTMENTS.

The ~~Director of Finance~~Investment Officer may invest in any instrument or security authorized in Chapter 135 of the Ohio Revised Code, as amended. A copy of the appropriate ORC section will be kept with this policy.

157.07 DERIVATIVES.

Investments in derivatives~~ and in stripped principal or interest obligations, of eligible obligations~~ are strictly prohibited. ~~A derivative means a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself. Additionally, any security, obligation, trust account or instrument that is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument.~~

157.08 COLLATERAL.

All investments and deposits shall be collateralized pursuant to Chapter 135 of the Ohio Revised Code.

157.09 REPORTING.

(a) **Inventory**: The ~~investing authority~~ Investment Officer shall maintain an inventory of all obligations and securities acquired by the ~~investing authority~~Investment Officer. The inventory shall include the following:

i. description of the security,
ii. type,
iii. security cost,
iv. par, or face value, of the security,~~;~~
v. maturity date,~~;~~
vi. settlement date, and
vii. coupon rate

(b) **Reporting**: The ~~investing authority~~ Investment Officer shall maintain a monthly portfolio report and issue a portfolio report at least quarterly which details the following:

i. all transactions during the period,
ii. income received and expenses paid;
~~iii. unrealized gain or loss;~~
~~iv.~~iii. security purchases and sales;
~~v.~~iv. purchase yield of each security, and
~~vi.~~v. the effective~~average-weighted~~ yield and ~~average-weighted~~effective maturity of the portfolio.

(c) **Authority**: The portfolio report shall state the names of any persons or entity effecting transactions on behalf of the investing authority.

157.10 COMMITTEE MEETINGS.

The Council or a designated Investment Advisory Committee may ~~will~~ meet ~~at least~~ once every quarter to review the portfolio in terms of security, type, risk and investment return. The ~~Director of Finance~~Investment Officer shall be responsible for maintaining records of all investments and deposits and preparing reports that summarize recent market conditions, economic conditions, economic developments and anticipated investments for the Council.

157.11 ACKNOWLEDGMENT.

Pursuant to Chapter 135 of the Ohio Revised Code, all entities conducting business and all brokers, dealers, and financial institutions initiating transactions with the Municipality by giving advice or making investment policy, or executing transactions initiated by the Municipality, must acknowledge their agreement to abide by this investment policy's content.

BROKER/AGENT ACKNOWLEDGEMENT OF RECEIPT

By signing below, the institution submits that it has read and acknowledges the investment policies, and agrees to abide by its content.

_____

Name of Institution

_____ _____

Authorized Officer Date

~~Village~~City of New Albany:

_____ _____

Director of Finance Date