CITY OF WORTHINGTON, OHIO
OFFICE OF THE CITY MANAGER

ADMINISTRATIVE REGULATION: 4.8

Subject: **Investment Policy for City Funds**

Section 1. **Purpose**

a. To establish investment and deposit objectives for the management of City funds.

Section 2. **Authority**

a. Resolution No. 16-88

"Adopting Administrative Regulation 4.8 to Provide for an Investment Policy for the City of Worthington."

b. Amended Administrative Regulation 4.8 by Ordinance No. 87-97

Section 3. **Procedure**

I. Objectives and Guidelines

The following investment and deposit objectives will be applied in the management of City funds.

A. The primary objective of the City's investment activities is the preservation of capital and the protection of investment principal.

B. In investing public funds, the City will strive to maximize the return on the portfolio but will avoid assuming investment risks.

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

D. The City will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

II. Maturity

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Funds determined to be available which are not anticipated to be utilized for current fiscal year cash flow requirements may be invested in securities maturing more than one (1) year from the date of purchase.

III. Diversity

A. The City's investment with any individual financial institution shall not constitute more than 30% of the City's investable funds.

IV. Authorized Financial Institutions

Securities shall be purchased only through financial institutions located within the United States. A list of these authorized financial institutions will be maintained by the Director of Finance. The Director of Finance:

A. May make additions to the authorized list when the investment and deposit policy requirements are met;

B. Shall make deletions from the list (1) if and as directed by ordinance of City Council, (2) upon failure of the financial institution to meet foregoing investment and deposit policy requirements or (3) upon request of the financial institution and

C. May make deletions from the list based on the following criteria or circumstances:

1. Perceived financial difficulties of the financial institution;

2. Consistent lack of competitiveness by the financial institution;

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.

V. Instruments Authorized

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

1. Negotiable direct obligations of the United States or obligations issued by Federal agencies the principal and interest of which are unconditionally guaranteed by the United States, and bonds, notes, debentures, or other obligations or securities issued by any federal government agency, whether or not they are guaranteed by the United States, including but not limited to, the following:

<u>Direct Obligations:</u>

Treasury bills
Treasury notes

Obligations of Federal Agencies:

Government National Mortgage Association (GNMA)
Small Business Association (SBA)
Federal Housing Administration (FHA)
Farmer's Home Administration (FmHA)
General Services Administration (GSA)

B. Interest Bearing Time Certificates of Deposit and Savings Accounts

Interest Bearing Time Certificates of Deposits and savings accounts in banks organized under the laws of this State, national banks organized under the laws of the United States or doing business and situated in this State, savings and loan associations located in this state and organized under Federal law and under Federal supervision, provided that any such deposits and savings accounts are secured by collateral as prescribed herein.

C. Repurchase Agreements

Repurchase Agreements of a bank or savings and loan association organized under the laws of the U.S. or any state thereof for negotiable direct obligations of the U.S., Federal agencies, and Federal instrumentalities of the following types:

1. U.S. Treasury bills and notes,
2. Government National Mortgage Association (GNMA),
3. Federal Farm Credit Bank obligations,
4. Federal Home Loan Bank obligations.

D. Money Market Funds

Money Market funds whose portfolios consist of the foregoing (A-C).

E. Now Accounts

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

VI. Collateralization of Interest Bearing Time Certificates of Deposit and Savings Accounts

A. All deposits of City funds in interest bearing time certificates of deposit made by the City and all savings accounts or Now Accounts of the City shall be secured by pledged collateral in an amount equal to at least 100% of the deposit less an amount insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. All securities shall be pledged at market value.

The following securities shall be eligible to be placed as collateral for purposes of this section:

1. Bonds, notes, or other obligations of the United States; or bonds, notes, or other obligations guaranteed as to principal and interest by the United States or those for which the faith of the United States is pledged for the payment of principal and interest thereon, by language appearing in the instruments specifically providing such guarantee or pledge and not merely by interpretation or otherwise;

2. Bonds, notes, debentures, or other obligations or securities issued by any Federal Government agency, or the Export-Import Bank of Washington, bonds, notes, or other obligations guaranteed as to the principal and interest by the United States or those for which the faith of the United States is pledged for the payment of principal and interest thereon, by interpretation or otherwise and not by language appearing in the instruments specifically providing such guarantee or pledge;

3. Bonds and other obligations of this State;

4. Bonds and other obligations of any county, township, school district, municipal corporation, or other legally constituted taxing subdivision of this State, which is not at the time of such deposit, in default in the payment of principal or interest on any of its bonds or other obligations, for which the full faith and credit of the issuing subdivision is pledged;

5. Bonds of other states of the United States which have not during the ten years immediately preceding the time of such deposit defaulted in payments of either interest or principal on any of their bonds.

Any and all securities pledged as collateral by any institution where City investments have been made shall be delivered either to the Director of Finance as security for the repayment of public monies or to an independent third party financial institution approved by the Director of Finance serving as trustee (the trustee) under a trust agreement. Fees and expenses of the trustee shall be paid by the depository.

If the depository fails to pay over any part of a deposit due the City, the Director of Finance shall sell in the manner provided for by Ohio law any of the bonds or other securities deposited with him pursuant to the provisions of this policy. If the bonds or other securities are on deposit with a trustee, the Director of Finance shall request the trustee to deliver to the Director of Finance any of the bonds or other securities on deposit with the trustee and the Director of Finance shall sell such bonds or other securities in the manner determined by the Director of Finance. When a sale of bonds or other securities has been made and upon payment to the Director of Finance of the purchase money, the Director of Finance shall

transfer such bonds or securities whereupon the absolute ownership of such bonds or securities shall pass to the purchasers, and any surplus remaining after deducting the amount due the City and expenses of the sale shall be paid to the depository.

B. When the depository has deposited eligible securities as described in this policy with a trustee for safekeeping, the depository may at any time substitute or exchange eligible securities having a current market value equal to or greater than the current market value of the securities then on deposit and for which they are to be substituted or exchanged only:

1. If the Director of Finance has authorized the depository to make such substitution or exchange on a continuing basis during a specified period without prior approval of each substitution or exchange. Such authorization may be effected by the Director of Finance by sending to the trustee a written notice stating that substitution may be effected on a continuing basis during a specified period which shall not extend beyond the end of a period of designation during which the notice is given. The trustee may rely upon such notice, and upon the period of authorization stated therein;

2. If no continuing authorization for substitution or exchange has been given by the Director of Finance, the depository notifies the Director of Finance and the trustee of an intended substitution or exchange, and the Director of Finance fails to object to the trustee within ten business days after the date appearing on the notice of proposed substitution. The notice to the Director of Finance and to the trustee shall be given in writing and delivered personally or by certified or registered mail with a return receipt requested. The trustee may assume in such case that the notice has been delivered to the Director of Finance;

3. If the Director of Finance gives written authorization for a substitution or exchange of specific securities:

   The depository shall notify the Director of Finance of any substitution or exchange of securities authorized by this policy. Upon request from the Director of Finance, the depository and/or the trustee shall furnish a detailed statement of the securities pledged to the funds of the City. The detailed statement will provide the value of all securities pledged at face value and the then current market value.

C. At its option, a depository may provide collateral for deposits of City funds in interest bearing time certificates of deposit and for savings accounts or now accounts of the City through a single pool of securities pledged toward all deposits of public funds held by the depository.

The "pooled collateral" option is subject to the following conditions:

1. Securities committed to the pool must have a market value at least equal to 110% of all public monies on deposit with the depository including the amount covered by federal deposit insurance.

2. The securities eligible for deposit in the pool shall be those described in Paragraph A of this section.

3. The securities constituting the pool shall be delivered to a trustee as described in Paragraph A of this section. Fees and expenses of the trustee shall be paid by the depository.

4. If the depository fails to pay over any part of the deposits due the City, the Director of Finance shall request the trustee to deliver to the Director of Finance any of the securities on deposit with the trustee, not to exceed the amount necessary to produce an amount equal to the deposits made by the Director of Finance and not paid over to the City, less the portions of the deposits covered by federal deposit insurance, plus any accrued interest due on the deposits; and in any event, not to exceed the City's proportional security interest in the market value of the pool as of the date of the depository's failure to pay over the deposits as such interest and value are determined by the trustee. The Director of Finance shall sell such securities in the manner provided for by Ohio law. Any surplus remaining after deducting the amount due the City and expenses of the sale shall be paid to the depository.

5. The institution will provide a detailed quarterly statement of the face and market value of all securities pledged to the pool within 30 days of the end of each quarter.

   The institution will also disclose the total amount of public funds in deposit in each quarterly statement.

6. If at any time the market value of the pool is less than 100% of all public deposits held by the trustee, it is the responsibility of the depository to immediately add sufficient securities to the pool in an amount that will bring the market value of the pool to at least 110% of all public funds on deposit with the trustee.

7. Failure of the 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.

VII. Competitive Bidding

The purpose of competitive bidding is to strengthen the investment program in terms of level and consistency of performance. All sales of securities will be bid competitively and to the extent practical, all investments will be placed with vendors yielding the highest returns to the City. The right is reserved to reject the bid yielding the highest return of interest on any investments if inconsistent with the City investment strategy, i.e., maturity, risk, liquidity, etc.

Price and rate quotations 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, placement will be made in favor of the banking institution situated within the City if two bids or more are the same.

No financial institution will be given deposits of monies needed for operations without going through an open and fair competitive process.

VIII. Pooling of Funds

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

XI. Policy Changes

The policies as stated herein may be changed only with the approval of City Council.

Section 4. **Effective Date**

This Administrative Regulation shall be effective on and after 1-1-98 .

David B. Elder
City Manager