

Investment Policy For the City of Powell

I. Scope

This Investment Policy establishes guidelines for the safeguarding and efficient management and investment of the City's short term cash financial assets including active, inactive and interim. Investment of all other financial assets requires approval of City Council.

Except for cash in restricted funds subject to special federal, state or local laws or regulations, the City of Powell will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to various authorized funds based on their respective participation with all remaining interest earnings distributed to the general fund. Funds authorized to receive an allocation are: State Highway Fund; Street Maintenance Funds; and capital project funds that are funded through bond proceeds.

II. General Objectives

The objective of the City of Powell is to invest public funds in a manner that will provide the highest investment return with the maximum security, safety and liquidity to meet all necessary cash flows. The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield:

1. Safety

Safety of principal is the foremost objective of the investment activity. 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.

2. Liquidity

The investment portfolio 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 or by investing in securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds.

3. Yield

Yield is income maximization and minimization of cost services. Income maximization is where 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. Securities shall be purchased with the expectation that they may be held until maturity. However, securities may be sold prior to maturity:

- ◆ To minimize loss of principal
- ◆ To improve the quality, yield, or target duration of the portfolio
- ◆ To meet liquidity needs

Minimization of cost services is reducing investment related costs while obtaining the best services.

III. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. 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 probably safety of their capital as well as the probable income to be derived.

2. Ethics and Conflicts of Interest

The Finance Director and any employee 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. The Finance Director and any employee involved in the investment process 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. The Finance Director and any employee involved in the investment process shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Powell.

3. Delegation of Authority

The Finance Director is the investment officer charged with the responsibility for the purchase and sale of investments and the execution of this Investment Policy. The investment officer 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 investment policy and the procedures established by the investment officer. The Finance Director shall routinely monitor the contents of the investment portfolio, the available markets and the relative value of competing investments and will adjust the portfolio accordingly.

IV. Suitable and Authorized Investments

The following investments will be permitted by this investment policy:

1. United States Treasury bills, notes, bonds, or any other obligations or securities issued by the United States Treasury or any other obligations guaranteed as to principal and

interest by the United States (excluding investment in stripped principal or interest obligations of such eligible obligations).

2. Bonds, note, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to,
 - Federal National Mortgage Association
 - Federal Home Loan Bank
 - Federal Farm Credit Bank
 - Federal Home Loan Mortgage Association
 - Government Home Loan Mortgage Association
 - Student Loan Marketing Association

All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Interim deposits in authorized depositories, provided those deposits are properly insured or collateralized. These interim deposits include but not limited to: certificates of deposit, CDARS®, and savings accounts.
4. Bonds and other obligations of this state
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities are made only through eligible financial institutions.
6. The Ohio subdivision's fund, STAROhio
7. Up to 25% of interim moneys available for investment in either of the following:
 - A. Commercial paper notes issued by an entity that has assets exceed \$500 million and:
 - (1) Are rated at the time of purchase in the highest two classifications established by at least two nationally recognized standard rating services.
 - (2) The aggregate value of notes does not exceed 10% of the aggregate value of the outstanding commercial paper of the issuing corporations.
 - (3) The notes mature not later than 180 days after purchase.
 - B. Bankers acceptance of banks that are insured by the Federal Deposit Insurance Corporation (FDIC) and:
 - (1) The obligations are eligible for purchase by the Federal Reserve System.
 - (2) The obligations mature not later than 180 days after purchase.

No investment shall be made pursuant to this section unless the Finance Director or governing Council has completed additional training for making the investments authorized by this section. The type and amount of additional training shall be approved by The Auditor of State and may be conducted by or provided by the supervision of The Auditor of State.

8. Written repurchase agreements with eligible financial institutions and dealers not to exceed 30 days with the market value of the collateral securities exceeding the principal of 2% (subject to daily mark-to-market). All securities purchased pursuant to this section shall be delivered into the custody of the Finance Director or City Council.

V. Maximum Maturity

With the exception of securities held as collateral for a written repurchase agreement, any investment must mature within five (5) years from the date of settlement, unless the investment is matched to a specific obligation or debt of the City of Powell.

VI. Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Finance Director and evidenced by safekeeping receipts.

VII. Internal Controls

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Powell are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognized 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 estimated and judgments by management. Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

VIII. Portfolio Diversification

The City will diversify by Instrument and Institution in order to reduce overall portfolio risks while attaining market rates of return.

1. Diversification by Instrument

Type of Instrument	Percent of Portfolio Limit
U.S. Treasury Obligations	100%
U.S. Government Agency Securities	100%
Banker's Acceptance	25%
Repurchase Agreements	60%
Certificate of Deposits (commercial banks)	90%
Certificate of Deposits (savings & loan banks)	10%
Commercial Paper	25%
CDARS®	50%
Savings Accounts	25%
Money Market Funds (open-end funds)	50%
STAROhio	100%

2. Diversification by Financial Institution

Type of Instrument	Portfolio Limit
U.S. Treasury Obligations	None
U.S. Government Agency Securities	None
Banker's Acceptance	No more than 25% of instrument portfolio limit with any one institution
Repurchase Agreements	No more than 60% of instrument portfolio limit with any one institution
Certificate of Deposits (commercial banks)	No more than 50% of the instrument portfolio limit with any one institution

Certificate of Deposits (savings & loan banks)	No more than \$100,000 with any one institution
Commercial Paper	No more than 10% of the instrument portfolio limit with any one institution.
Money Market Funds (open-end funds)	None
CDARS®	None
Savings Accounts	No more than 50% of the instrument portfolio limit with any one institution
STAROhio	None

IX. Reporting

The investment officer shall prepare an investment report at least quarterly that provides an analysis of the current investment portfolio. This management summary will be prepared in a manner, which will allow the City of Powell to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment officer and all other designated parties.

The market value of the portfolio shall be calculated regularly in compliance with all governing statutes and accounting procedures. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with current mark-to-market practices.

X. Performance Measures

The investment performance of City of Powell will be evaluated quarterly by comparison to established benchmarks. The selection of the benchmarks will be approved by the Finance Director and the Finance Committee.

XI. Authorized Financial Institutions

The Finance Director will maintain a list of financial institutions authorized to provide investment services. No public deposit shall be made except in qualified public depositories as specified in Chapter 135 of the Ohio Revised Code.

XII. Authorized Investment Advisors/Brokers

The Finance Director and the City of Powell may elect to use a broker and/or investment advisor to implement this investment policy. All brokers, advisors, and financial institutions initiating transactions with the City of Powell must acknowledge their agreement to abide by the content of this investment policy.