

RESOLUTION NO. 2019-74

Introduced By: Mayor Michael Brennan

A RESOLUTION AMENDING RESOLUTION 2019-56 THE CITY'S
INVESTMENT POLICY

WHEREAS, the timely deposit and investment of public monies is an important and integral part of the treasury functions of the Finance Department; and

WHEREAS, the investment of public monies should conform to a set of basic procedures tailored to specific investment objectives;

WHEREAS, the primary objectives of the City of University Heights' investment action shall be safety, liquidity and return on investment;

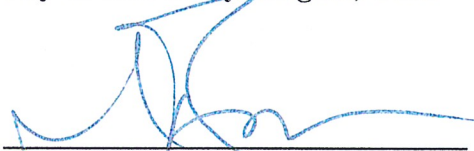
WHEREAS, it is the desire of Council to amend the City's investment policy to provide for additional reporting to Council and/or approval of Council upon liquidation of City investments;

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF UNIVERSITY HEIGHTS, OHIO THAT:

Section 1. The City of University Heights Investment Policy shall be amended to read in its entirety as presented in attached Exhibit A.

Section 2. The Council finds and determines that all formal actions of this Council relating to the adoption of this resolution have been taken at open meetings of this Council, and that deliberations of this Council and of its committees, resulting in such formal action, took place in meetings open to the public, in compliance with all statutory requirements including the requirements of Section 121.22 of the Ohio Revised Code.

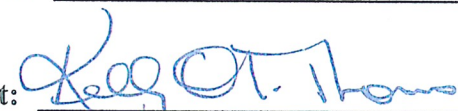
City of University Heights, Ohio

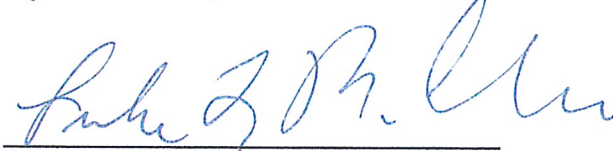


Michael Dylan Brennan, Mayor

First Reading: 12/16/2019

Passed: 01/06/2020

Attest: 
Kelly M. Thomas, Clerk of Council

Approved
as to form: 
Luke F. McConville, Law Director

POLICY/PURPOSE

This investment policy has been created to guide and provide for the prudent management of all public funds held by the City of University Heights and will produce the highest investment return with maximum compliance with the investment objectives detailed herein.

SCOPE

For the City of University Heights, this investment policy establishes guidelines for the safeguarding and efficient management and investment of the City's short-term cash financial assets including active (mostly funds needed for daily operations), inactive (funds not needed regularly or for a specific period of time) and interim (monies whose purpose is forthcoming, such as bond and note proceeds) deposits. Except for cash in restricted funds subject to special federal, state or local laws or regulations, the Finance Director shall consolidate cash balances from all funds to maximize investment earnings. In the event that a specific policy item or issue is not addressed within the body of this policy, the City shall rely upon relevant policies contained within Ohio Revised Code Chapter 135.

STANDARDS OF CARE

The principles detailed below are to be consistently adhered to:

- A) Delegation of Authority – The Finance Director is the chief investment officer for the City and is charged with all responsibilities for the purchase and sale of investments as well as the execution of all aspects of this Policy. No person/employee may engage in an investment transaction – directly or indirectly - except as provided under the terms and conditions of this policy and any procedures or operational guidelines established by the Finance Director. The Finance Director shall routinely monitor the composition of the portfolio to determine if the available markets of competing investment opportunities would warrant changes to the portfolio.
- B) Prudence – All participants having responsibilities for cash management and investments shall act responsibly as custodians of the public trust and shall avoid any/all actions that might detract from public confidence in the City. Investments shall be made with judgment and care, 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 any probable income to be generated.
- C) Ethics and Conflict of Interest – The Finance Director – and any other employee(s) involved in the investment process shall not participate in personal business activity that would conflict with the proper execution, management and performance of the investment program. Any employee with duties related to the investment of City funds shall disclose to the Law Director any material interests in financial institutions with which the City of University Heights conducts business. Further, employees shall disclose any financial and/or investment positions that could be related to the performance of the portfolio and



refrain from undertaking personal investment transactions with the individual/entity with whom business is conducted on behalf of the City of University Heights.

INVESTMENT OBJECTIVES

The primary objectives of investment activity for the City of University Heights shall be safety, liquidity and yield.

- A) Safety – Safety of principal the most important and foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. A secondary objective related to safety is to take appropriate steps to mitigate credit and interest rate risk. To protect the overall portfolio against unfavorable outcomes within an asset class due to the assumption of large risks the Finance Director shall take reasonable precautions to avoid excessive investment concentrations. With the exception of fixed income investments explicitly guaranteed by the United States government, no single investment security shall represent more than 5% of the total portfolio assets.
- B) Liquidity – The investment portfolio will remain sufficiently liquid to enable the City to meet all operational requirements which may be reasonably anticipated. This may be accomplished by structuring the portfolio so that securities mature concurrent with cash needed to support the anticipated demands.
- C) Yield (ROI) – The investment portfolio shall be designed and managed with the goal of attaining a market rate of return through various budgetary and economic cycles. The importance of return on investment is secondary as compared to the safety and liquidity of the portfolio.

Whenever possible, all investment transactions will be completed on a competitive basis and will be executed not for speculation but for investment, with consideration for the safety of the capital as well as the probable income to be derived.

PERMISSIBLE/SUITABLE INVESTMENTS

The Finance Director may invest in any instrument or security authorized by Ohio Revised Code 135.14. Any investments not defined under O.R.C. 135 but authorized pursuant to provisions of this policy are considered authorized investments of the City.

Permitted investments include:

- A) U.S. Treasury bills, notes, bonds or other obligations guaranteed as to principal and interest by the government of the United States. Stripped principal or interest obligations of such eligible investments are prohibited.
- B) Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency or instrumentality securities must be direct issuances of the appropriate agency/instrumentality.

- C) STAR Ohio and STAR Plus in accordance with applicable provisions of O.R.C. 135.45.
- D) Bonds and other obligations offered by the State of Ohio and Municipalities located within the State of Ohio of investment grade.
- E) Time certificates of deposits, savings accounts and deposit accounts in any public depository. This includes investments in Certificates of Deposit administered through the Certificate of Deposit Account Registry Service (CDARS) as outlined in O.R.C. 135.144.
- F) No-load money market mutual funds consisting exclusively of obligations permissible by this policy and expressly excluding derivatives in accordance with O.R.C. 135.14.
- G) Written repurchase agreements with eligible institutions whereby a securities dealer of a public depository agrees to repurchase securities provided aid agreement require the dealer or public depository to provide the par value of the securities subject to the repurchase agreement and to deliver the securities into the custody of the Finance Director. Repurchase agreements must be: (a) transacted on a delivery versus payment basis; (b) limited to a term not to exceed 30 days; and (c) marked to market on a daily basis.

All deposits shall be collateralized pursuant to O.R.C. Chapter 135.

AUTHORIZED FINANCIAL INSTITUTIONS, DEALERS AND/OR BROKERS

The Finance Director may elect to use a broker and/or investment advisor to implement functions of this policy. All brokers, advisors and financial institutions initiating transactions with or on behalf of the City of University Heights must acknowledge their agreement to abide by the specific contents of this investment policy. Said acknowledgment must certify that the authorized representative is attesting to the fact that this policy has been reviewed and disseminated to any/all appropriate personnel in the entity. This certification shall be delivered to the City on letterhead of the appropriate individual/entity.

The Finance Director may also require that and broker, dealer or financial institution provide proof of certification from the National Association of Securities Dealers and appropriate registration with the State of Ohio. Companies and individuals involved in investment operations are required to notify the City in writing of any material, adverse change in their financial position.

REPORTING AND CONTINUING EDUCATION

The investment portfolio will be managed in accordance with the requirements specified in this investment policy. The portfolio should obtain a market average rate of return throughout various budgetary and economic cycles. Appropriate benchmarks should be established to measure the performance of the portfolio on a regular basis.

The Finance Director shall prepare a quarterly investment report, including a management summary, that details the investment portfolio at the end of each quarter and identifies a list by maturity date of all eligible investments. Said report shall be circulated to the Mayor and Council at the end of each quarter.

The Finance Director shall annually complete the public investing continuing education program organized by the Treasurer of the State of Ohio or as otherwise required by the Ohio Revised Code.

The Finance Director shall promptly report to City Council any liquidation or withdrawal of amounts held in investment accounts provided such reporting shall occur no more than five (5) business days later than any such liquidation or withdrawal. Moreover, the liquidation or withdrawal of investments shall require prior approval of a majority of City Council if either (a) the investment is interest bearing as of the date of the liquidation or withdrawal or (b) the investment has not yet matured as of the date of liquidation or withdrawal. Liquidations related to maturations of securities or investments that are subject to call provisions may be reported in regular portfolio reporting.

POLICY CONSIDERATIONS

The City's Investment Policy shall be formally adopted by an ordinance or resolution of Council. City Council shall review and reaffirm this policy every five years. The policies as stated herein may be changed only with the authorization of City Council. For any purchase, the intention is to own an investment through its useful life, not to actively trade, swap, or liquidate early unless it is absolutely needed for cash flow purposes.

PROHIBITED PRACTICES

The following practices are expressly prohibited:

- A) Using investment assets as collateral for purchasing other assets (leverage).
- B) Issuing taxable notes for the purpose of arbitrage.
- C) Contracting to sell securities not yet acquired.
- D) Purchasing securities on margin or executing short sales.
- E) Engaging in any investment strategies that have any potential to amplify or distort the risk of loss beyond the level that is reasonably expected given the objectives of this policy.