

TEMPORARY RESOLUTION NO. 75-20

PERMANENT RESOLUTION NO. _____

A RESOLUTION AUTHORIZING THE ADOPTION OF A REVISED INVESTMENT POLICY OF PUBLIC FUNDS FOR THE CITY OF LANCASTER, OHIO

WHEREAS, pursuant to the authorization granted in Resolution No. 140-96, the City of Lancaster adopted the current Investment Policy of Public Funds on September 23, 1996 attached hereto as Exhibit "A"; and

WHEREAS, Treasurer Wolfinger and the City Treasury Investment Committee agreed to a revision of the current Investment Policy of Public Funds as set forth in Exhibit "B" attached hereto at their meeting on June 2, 2020; and

WHEREAS, adoption of the revised policy will assist in conformity with the statutory requirements regarding the investment of public funds on behalf of the City of Lancaster;

BE IT RESOLVED BY COUNCIL OF THE CITY OF LANCASTER, STATE OF OHIO

SECTION 1. That City Council hereby adopts the revised Investment Policy of Public Funds as set forth in Exhibit "B" attached hereto.

SECTION 2. That this resolution shall take effect and be in force from and after the earliest period allowed by law.

Passed: _____ after _____ reading. Vote: Yeas _____ Nays _____

Date Approved: _____

President of Council

Clerk: _____

Mayor

Offered by: _____

Second by: _____

Requested by Finance Committee

(153)

RESOLUTION NO. 140-96

A RESOLUTION TO ADOPT AN INVESTMENT POLICY OF PUBLIC FUNDS FOR THE CITY OF LANCASTER, OHIO PER SENATE BILL 81-96

BE IT RESOLVED BY COUNCIL OF THE CITY OF LANCASTER, STATE OF OHIO

WHEREAS, the policy must be to the State Auditor by September 27, 1996;

WHEREAS, the City wishes to comply with all State requirements;

SECTION 1. That the City Council hereby adopts the Investment Policy of Public Funds for the City of Lancaster, Ohio per Senate Bill 81-96. A copy of the Investment Policy is attached as Exhibit "A".

SECTION 2. That the resolution shall take effect and be in force from and after the earliest period allowed by law.

Passed: 9-23-96 after 1st reading. Vote: Yeas 9
Nays 0

Approved: 9/24/96
Kenneth Thorne
President of Council

Attest: Mary Ghoro
Arthur M. Wallace
Mayor

Offered by: Dante Smalley

Second by: Stephen C. Booh

Requested by: Finance Committee



LANCASTER, OHIO

INVESTMENT POLICY

It is the policy of Lancaster, Ohio to invest public funds in a manner which will provide the highest investment return with the maximum security, safety and preservation of principal while meeting the daily cash flow demands of the City and conforming to all applicable statutes governing the investment of public funds by an Ohio municipality. The Director of Finance is the investment officer for the City, charged with the responsibility for the purchase and sale of investments and the carrying out of this Investment Policy.

Scope

This Investment Policy applies to all financial assets of the City, including State and Federal funds held by it. The Director of Finance shall routinely monitor the contents of the City's investment portfolio, the available markets and relative value of competing investments and will adjust the portfolio according. For purposes of this policy, the Director of Finance is the Auditor for the City of Lancaster, except for the Cemetery Trust Endowment Funds and Cemetery Investment Funds (fiduciary types) where the Director of Finance would be the Treasurer.

Prudence

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 probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by the Director of Finance shall be the "prudent person" standard and shall be applied in the contest of managing the overall portfolio. Acting in accordance with this Investment Policy and exercising due diligence shall relieve the Director of Finance of personal responsibility for an individual security's credit risk or market price changes. The City's Investment Committee (Auditor, Mayor, and Law Director) shall continue to provide oversight of the City's investment portfolio.

Objectives

The primary objectives, in priority order, of the City's investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investment of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Return on Investment: The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account this Investment Policy and the cash flow characteristics of the portfolio.

Ethics and Conflict of Interest

Persons involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment consultants shall disclose to the City any material financial interests in financial institutions that conduct business within the City and any large personal financial or investment positions that could be related to, or affected by, the performance of the City's portfolio. All employees, officers and investment consultants to the City shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.

Authorized Financial Dealers and Institutions

The Director of Finance will maintain a list of financial institutions and approved security broker/dealers selected by creditworthiness who are authorized to provide investment services and which qualify under Section 135.14(M)(1) of the Revised Code. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 and are registered with the Ohio Department of Commerce to do business in the State.

All financial institutions and broker/dealers which desire to become qualified suppliers of investment transactions to the City must provide the Director of Finance with audited annual financial statements, proof of good standing with the Comptroller of Currency or State banking regulators or National Association of Security Dealers certification, proof of Ohio registration and biographical and regulatory information on the persons who are the primary contact with the entity. All financial institutions, broker/dealers and consultants which desire to conduct investment business with the City must sign this Investment Policy, certifying they have read it, understand it and agree to abide by its contents.

Authorized Investments

The City is empowered by statute to invest in the following types of securities:

1. United State Treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Association, Government National Mortgage Association, Government National Mortgage Association and Student Loan Marketing Association. All Such securities shall be issuances of federal government agencies or instrumentalities.
3. Interim deposits in duly authorized depositories of the City, provided those deposits are properly insured or collateralized as required by law;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of securities described in paragraphs 1 and 2 of this Section and repurchase agreements secured by such obligations, provided all such investments under this paragraph 5 shall be made with a bank or savings and loan

association eligible to be a depository for public funds of Ohio subdivision and provided further that any such fund meets the requirements of Chapter 135 of the Revised Code, including that such fund not include any investment in a "derivative".

6. Ohio's Subdivision Fund, STAROhio; and
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of Section 133.14(C) of the Revised Code, with a bank or savings and loan association eligible to be a depository for public funds of Ohio subdivision or a member of the National Association of Securities Dealers.

Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. No investment shall be made unless the Director of Finance, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the City, the City will not directly invest in securities listed as 1 through 5 above maturing more than 5 years from the date of settlement if such securities bear interest at a fixed rate, and it will not directly invest in such securities maturing more than 5 years from the date of settlement if they bear interest at a variable rate*.

*Within certain limits the maximum maturity period of the securities in which the City can invest is up to the City. The maximum maturity period of such securities bearing interest at a fixed rate must, however, be no greater than 5 years. In addition, an eligible investment bearing interest at a variable rate, in order not to be deemed a "derivative" as defined in Chapter 135 of the Revised Code, must (i) have such variable interest rate payment based upon a single interest payment or single index comprised of other investments as described in (1) or (2) above under **Authorized Investments**, and must (ii) have a maximum maturity period no greater than 2 years.

Safekeeping and Custody

All Security transactions, including collateral for repurchase agreements, entered into by the City 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. Securities shall be pledged at the Federal Reserve Bank to collateralize all repurchase agreements with financial institutions. Pledge collateral will only be released by the City after verification that the principal and interest have been credited to the City's account.

Prohibited Investment Practices

In addition to any other prohibitions in the Revised Code, the City shall not:

1. Contract to sell securities that have not yet been acquired on the speculation that prices will decline;
2. Make any investment in "derivatives" as defined in Section 135.14© of the Revised Code;
3. Invest in a fund established by another public body for the purpose of investing public money of other subdivisions unless the fund is either: (1) STAROhio, or (b) a fund created solely from the purpose of acquiring, construction, owning, leasing or operating municipal utilities as authorized under Revised Code Section 715.02 or Section 4 of Article XVIII of the Ohio Constitution;
4. Enter into reverse repurchase agreements;
5. Leverage current investments as collateral to purchase other assets; and
6. Invest in stripped principal or interest obligations of otherwise eligible obligations.

Internal Controls

The Director of Finance shall develop and maintain procedures for the operation of the City's investment program in accordance with this Investment Policy. These procedures shall be designed to prevent loss of the City's funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

Reporting

The Director of finance shall maintain a current inventory of all investments including:

1. Description of each security;
2. Costs;
3. Par value;
4. Dates (beginning, settlement and maturity);
5. Rates; and
6. Seller.

Education

The Director of Finance shall participate in any beginning and/or continuing education training programs sponsored by the State Treasurer or the State Auditor in which the Director of Finance is required to participate pursuant to Section 117.44, 135.22 and 733.27 of the Revised Code. Through participation in those programs, the Director of Finance will develop and maintain an enhanced background and working knowledge in investment, case management, and ethics.

Non-Binding Arbitration

The Director of Finance may enter into a written investment or deposit agreement that includes a provision under which the parties agree to submit to nonbinding arbitration (but not binding arbitration) to settle any controversy that may arise out of that agreement so long as such provision meets the requirements of the Revised Code and is specifically approved by the Council.

Investment Policy Adoption

This Investment Policy shall be adopted by the Council and, upon adoption, filed in the office of the Auditor of State. The policy shall be reviewed on an annual basis by the Council or a committee designated by it and any modifications made thereto must be approved by the Council and, upon adoption, filed in the office of the Auditor of State.

Adopted: SEPTEMBER 23, _____, 1996

City of Lancaster, Ohio

Investment Policy

Adopted by Resolution 140-96, September 23, 1996

Revised and Adopted by Resolution ____-20, _____, 2020

Scope

The purpose of this document is to set forth the investment and operational policies for the management of all monies under the control of the City of Lancaster Treasurer. In addition to the policies detailed below, Chapter 135 and other applicable provisions of the Ohio Revised Code will always be adhered to. These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with those of comparable funds and financial market indexes.

Objectives

The objective of the City of Lancaster 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:

A. 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.

B. 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.



C. **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.

Standards of Care

A. **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 probable safety of their capital as well as the probable income to be derived.

B. **Ethics and Conflicts of Interest**

The Treasurer 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 Treasurer 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 Treasurer 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 Lancaster.

C. **Delegation of Authority**

The Treasurer 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 Treasurer. The Treasurer 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.

Authorized Financial Institutions and Dealers

- A. Securities shall be purchased through financial institutions or broker/dealers as approved by the City of Lancaster Treasurer.
- B. A list of authorized institutions (banks) and security dealers will be maintained with this investment policy along with their signed acknowledgement as required by section 135.03 of the Ohio Revised Code. Additions and deletions to this list shall be made when deemed in the best interest of the city.

Investment Authority

In accordance with Section 135.14 of the Ohio Revised Code, the investing authority resides with the City of Lancaster Treasurer. Such authority shall allow for the explicit delegation of authority to persons responsible for investment transactions.

Authorized Investments

The investing authority may invest on behalf of and in the name of City of Lancaster in those instruments as defined in Ohio Revised Code Section 135.14 as amended from time to time.

Maturity

Market conditions and cash flow requirements are considered in determining the term of an investment. Provided cash flow requirements have been satisfied, maturity length will be determined by market conditions and interest rate forecasts, with the goal being to buy where relative value exists along the maturity spectrum not to exceed five years from the settlement date. Securities may be liquidated prior to maturity when found to be in the best interest of the City and to be determined by the Treasurer.

Public Trust

All participants in the investment process shall seek to act responsibly as custodians of public trust. Investment officials shall avoid any transaction that might impair public confidence in the government of the City of Lancaster.

Execution

Receipts for the confirmation of trades of authorized securities will include information on trade date, par value, maturity, interest rate, price, yield, settlement date, description of securities purchased, broker/dealer name, amount due, CUSIP, and third-party custodial information. Confirmations will be received within three business days after the trade.

Except as provided in the Ohio Revised Code Section 135.182, Certificates of Deposits shall be transacted only through commercial banks of savings and loans with either FDIC or FSLIC coverage with which the City of Lancaster Treasurer has a Depository Agreement.

Portfolio Diversification

The City of Lancaster Treasurer's investment portfolio will be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. The restriction does not apply to U.S. Treasury securities. Per Section 135.14 of the Ohio Revised Code.

Collateral

All deposits shall be collateralized pursuant to the Ohio Revised Code Section 135.18.

Internal Controls

The investing authority shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed on an annual basis by an independent auditor of the state of Ohio. The controls shall be designed to prevent losses of public funds due to fraud, employee error and imprudent actions by employees and officers of the City of Lancaster.

Reporting

The investing authority shall submit monthly investment reports of all investments and deposits held in the name of the City of Lancaster to the Lancaster City Auditor and every quarter to the Investment Committee as required by the Ohio Revised Code and the Auditor of State. The report shall describe the portfolio in terms of security type, maturity and other features.

Investment Committee

Chapter 135.01 of the Ohio Revised Code will always be adhered to. There shall be an Investment Committee consisting of three members: Auditor, Law Director and Mayor. Treasurer will serve as recording Secretary for meetings.

Education

The Treasurer shall participate in any beginning and/or continuing education training programs sponsored by the State Treasurer or the State Auditor in which the Treasurer is required to participate pursuant to 135.22. Treasurer will develop and maintain an enhanced background and working knowledge in investment, case management and ethics.

Investment Policy Adoption

This Investment Policy shall be adopted by the Lancaster City Council and, upon adoption, filed in the office of the Auditor of State. The policy shall be reviewed on an annual basis by the City of Lancaster Investment Committee and any modifications made thereto must be approved by the Council and, upon adoption, filed in the office of the Auditor of State.