

CITY OF PATASKALA INVESTMENT POLICY

(a) Scope: All Public Moneys of the City of Pataskala (the City) not kept as a cash reserve may be prescribed by the Finance Director, except as otherwise hereinafter provided, shall be invested by the Finance Director or designee in the Eligible Investments described in Section 1.02 hereof, which Eligible Investments shall be purchased only through or from Eligible Depositories designated pursuant to Section 1.04 or a Qualified Securities Dealer as defined in subsection (f) of this Section 1.01; provided, however, that escrow agreement between the City and such trustee or escrow agent in connection with, or related to, an issue of bonds, notes or other obligations of the City may be invested in any investments permitted by such trust agreements, trust indenture, or escrow agreement or as are approved by the rating agency or rating agencies rating such bonds, notes, or other obligations; or (ii) specifically exempted by ordinance from this Section 1.01 may be invested as permitted as such ordinances or other ordinances related to such Public Moneys. The Finance Director is authorized to pool cash balances of the several funds of the City for investment hereunder.

(b) Objective: The achievement of sound fiscal management for the City requires effective investment of the Public Moneys of the City. To that effect, the following investment objectives shall be applied in the investment of Public Moneys:

- (1) The primary objective of the City's investment policy is the preservation of capital and the protection of investment principal. Subject to the provisions of subsection (c)(2) of this Section 1.01, each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value;
- (2) In the investment of the Public Moneys of the City, the Finance Director or designee as permitted hereunder shall strive to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio, but shall avoid assuming unreasonable investment risks;
- (3) Investment of the Public Moneys of the City shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, that 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;
- (4) The City's investments shall remain sufficiently liquid to enable the City to meet its operating requirements that might reasonably be anticipated.

(c) Minimizing Investment Risk: The City acknowledges that investment risk can result from (i) A default by the issuer of the investment, (ii) Changes in the market price of the investment, or (iii) Technical complications leading to temporary illiquidity of an investment. The following investment limitations are directed at minimizing the effect of such investment risks:

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(c) Minimizing Investment Risk: (Continued)

- (1) To minimize the risk of default by the issuer of the investment;
- (2) Public Moneys of the City shall be invested only in Eligible Investments as permitted under Section 1.02 hereof, except as otherwise permitted under subsection (a) of Section 1.01;
- (3) The City places no limitations in the amount of Public Moneys that may be invested with one Eligible Depository, Qualified Securities Dealer, or the Ohio Subdivision's Investment Fund so long as such financial institutions or dealers are qualified to conduct business in the State of Ohio;
- (4) The City places no limitations in the amount of Public Moneys that shall be invested in one specific investment so long as such investments are allowable in accordance with the Ohio Revised Code and the City maintains a high level of liquidity;
- (5) No Public Moneys of the City shall be invested in any Derivative Security or Reverse Repurchase Agreement as specified by the Ohio Revised Code;
- (6) The City shall not invest Public Moneys for leveraging or use solely as a speculative investment strategy. As used herein "leveraging" shall mean the use of any of the City's current assets as collateral for the purpose of purchasing other assets

To minimize the risk of changes in the market price of an Eligible Investment, any Eligible Investment made pursuant to Section 1.01 and 1.02 hereof shall mature within the following guidelines:

- (1) Interim Deposits: All the City's deposits will be considered interim and will mature within 1 year unless specifically designated by Council or matched to a specific liability (debt issuance) or trust agreement.
- (2) Inactive Deposits: Deposits (such as certificates of deposit) which are deemed inactive Public Moneys by Council or matched to a specific City liability or obligation will be deemed inactive Public Moneys. Such deposits may mature in excess of 1 year but shall not exceed 5 years from inception;
- (3) All other Eligible Investments, such as federal securities, pursuant to section 1.01 and 1.02 shall mature within 5 years from the date of settlement unless the Finance Director or the authorized designee of such reasonably expects that the Eligible Investment can be held until its maturity.

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(c) Minimizing Investment Risk: (Continued)

The Finance Director or designee shall be construed to prohibit from selling such Eligible Investments prior to its maturity, or to impose liability on such Finance Director or designee for any loss occasioned by the sale of any Eligible Investment otherwise made in accordance with Sections 1.01 and 1.02 at lower prices than its cost or balance, if the liquidity needs of the City required such a sale or if the yield on the reinvestment or the sale proceeds of such Eligible Investment, after taking into account the loss incurred in connection with such sale, will exceed the yield that the City otherwise would have earned if it had held the original Eligible Investment to the earlier of (i) its maturity date or (ii) the maturity date of the Eligible Investment purchased with such sale proceeds.

(d) Authority to Invest Public Moneys: The Finance Director is hereby authorized and directed to invest the Public Moneys of the City in accordance with the provisions of Sections 1.01 and 1.02. The Finance Director may delegate the authority to invest in Public Moneys of the City hereunder to the City Administrator, provided that the termination of the employment of the City Administrator or Finance Director shall automatically terminate such employee's authority to invest the Public Moneys of the City hereunder.

(e) Periodic Reports with Respect to Eligible Investments: The Finance Director shall prepare a monthly investment report, which shall be a public record available for inspection under Ohio Revised Code Section 149.43. Such report shall list in detail the inventory of all Eligible Investments at the first Council Meeting each month.

(f) Authorized Purchases from and Sellers to the City of Eligible Investments: Purchases and sales of Eligible Investments hereunder shall be made only from or to, as the case may be, an Eligible Depository designated pursuant to Section 1.04 hereof or a Qualified Securities Dealer, in either case which has acknowledged in writing that it has received a copy of Sections 1.01 and 1.02 hereof and has covenanted in connection with such acknowledgements that such a party shall not sell to the City any investment security prohibited hereunder or not included as an Eligible Investment with in the Investment securities described in Section 1.01 hereof. As used herein, a "Qualified Securities Dealer" shall mean a securities dealer who is a member of the National Association of Securities Dealers, Inc. approved by the Finance Director or designee.

(g) Purchases and Sales of Eligible Investments by the City: The Finance Director or designee (i) shall purchase an Eligible Investment hereunder for cash at a price not in excess of the current market price, which price shall be deemed to be the best price as determined hereunder, and (ii) shall sell an Eligible Investment for cash and for a sum not less than their current market price, which price shall be deemed to be the best price as determined hereunder. All purchases and sales of Eligible Investments hereunder shall be made only on a delivery versus payment basis. With respect to the purchase or sale of any Eligible Investment, the Finance Director or designee, subject to the provisions of subsection (f) hereof and except as otherwise provided in this subsection (g), shall purchase or sell any Eligible Investment at the best price based upon at least two bids from any of the parties described in subsection (f) hereof. Best price shall mean the highest price with respect to such Eligible Investment, provided, however, that in any case where there are two or more bids at the best price, the Finance Director or designee may, in their absolute discretion, determine which of such bids constitutes the best price.

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(g) Purchases and Sales of Eligible Investments by the City: (Continued)

The Finance Director or designee shall keep a written record of the bids taken with respect to each purchase or sale of and Eligible Investment. With respect to such bid, the City reserves to the right to reject any or all bids for any reason whatsoever.

(h) Registration, Custody, and Safekeeping of Eligible Investments: If any Eligible Investments purchased pursuant to Sections 1.01 and 1.02 are to be issued to a designated payee or to the order of a designated payee, the name of the Finance Director or designee and his/her office shall be so designated. If any such Eligible Investments are registered either as to principal or interest, or both, then such Eligible Investments shall be registered in the name of the Finance Director as such.

The Finance Director is responsible for the safekeeping of all Eligible Investments and documents evidencing such Eligible Investments acquired by the Finance Director. Except as otherwise provided in this subsection (h), all Eligible Investments acquired as investments under Sections 1.01 and 1.02 hereof by the Finance Director on behalf of the City shall be deposited for safekeeping with a qualified trustee as provided in Ohio Revised Code Section 135.18. Such qualified trustee shall be required to report to the Finance Director, the City Administrator, the Auditor of State of Ohio, or a duly authorized independent auditor of the City at the time upon request of such party the identity, the market value, and location of the document evidencing each Eligible Investment held by such qualified trustee. In lieu of such custody but only with respect to Eligible Investments issued in certificated form, such Eligible Investments may be held for safekeeping in a safe deposit box or vault belonging to an Eligible Depository. Such safe deposit box or vault shall be opened only upon the order of the Finance Director, such Finance Director's designee hereunder, or a person duly authorized as the Acting Finance Director, such presence of one or more the Finance Directors, the Law Director, the City Administrator or persons duly authorized as Acting Finance Directors or Law or Director of Acting City Administrator. With respect to repurchase agreements that matures on the business day that immediately succeeds the business day on which such repurchase agreements was entered into, if the participating institution is a designated depository of the City for the current period of designation, the securities that are the subject of the repurchase agreement may be held in trust by the participating institution on behalf of the City, notwithstanding anything to the contrary in this subsection (h).

(i) Internal Controls with respect to Eligible Investments: Annually in connection with the audit of the City's financial statements, the Finance Director shall cause the auditor performing such audit to audit the investments of the City made during the fiscal year of such audit and shall cause such auditor to report with respect to such investments' compliance with the provisions of Sections 1.01 and 1.02 hereof.

(j) Allocation of Interest: The City shall allocate interest to all funds set forth and required by the Ohio Revised Code, trust agreements, or debt agreements which require the allocation of debt based on monies received. The City authorizes the Finance Director to allocate interest to any fund as deemed appropriate by Council. All remaining interest will be allocated to the General Fund. The Finance Director will employ a reasonable method to allocate interest received to the City's funds and shall retain such documentation for audit purposes.

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SECTION 1.02 ELIGIBLE INVESTMENTS

- (a) The Finance Director or designee may invest in any of the following classifications of obligations which are hereby determined to be eligible investment of the Public Moneys of the City (“Eligible Investments”).
- (1) United States Treasurer bills, notes and 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 State;
 - (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 Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or
 - (3) Bonds issued by the homeowners’ loan corporation as defined in Ohio Revised Code Section 731.56
 - (4) Bonds and notes of the State of Ohio;
 - (5) Bonds and notes of any municipal corporation, including the City, county, township, or other political subdivisions of Ohio;
 - (6) A repurchase agreement between the Finance Director or designee and any designated Eligible Depository that is a member of the federal reserve system or federal home loan bank or any Qualified Securities Dealer;
 - (7) A repurchase agreement shall contain the requirement set forth for each transaction pursuant to such agreement the Eligible Depository or Qualified Securities dealer shall provide all the following information: (i) the par value of the securities subject to such agreement, (ii) the type, coupon rate, if any, and maturity date of the securities; and (iii) a numerical identifier generally accepted in the securities industry that designates the securities;
 - (8) Certificates of deposit of Eligible Depositories which may provide (and, if so, shall be shown on its face) that the amount of such deposit is payable upon written notice a specified period before the date of the scheduled maturity;
 - (9) Insured deposit accounts in Eligible Depositories paying interest at a rate greater than the interest rate paid on the City’s active deposits, provided that such investments must be approved in writing by the Finance Director or Law Director and that such approval by the Finance Director or Law Director shall also include approval of the insurance provided to secure and protect the City’s ability to recover the principal deposited in such deposit account; and
 - (10) The Ohio Subdivision Fund created pursuant to Ohio Revised Code Section 135.45.
- (b) The Finance Director or designee, the City Administrator, the Law Director, the Mayor, and the member of Council shall not be held accountable or personally liable for any loss occasioned by the sale of any Eligible Investment authorized pursuant to subsection (a) hereof at prices lower than its cost or balance. Any loss or expense in making such sales or closing shall be payable as other expenses of the City.

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- (c) The members of Council, the City Administrator, Law Director, and Finance Director or designees, shall not be personally liable for or with respect to the purchase or any Eligible Investment authorized as investments pursuant to subsection (a) hereof; and the members of Council, the Mayor, and the Law Director shall not be personally liable for any unauthorized deposit or investment by the Finance Director or such Director's designee.

SECTION 1.03 DEFINITIONS

- (a) Active deposits shall mean a deposit of the City's Public Moneys payable or withdrawable, in whole or in part, on demand, or a deposit in a negotiable order of withdraw account as authorized in the Consumer Checking Account Equity Act of 1980, 94 Stat. 146, 12 U.S.C.A. 1832 (a).
- (b) Finance Director shall mean the Finance Director, or any duly appointed acting Finance Director of the City.
- (c) Eligible Depository or Eligible Depositories shall mean any institution or institutions mentioned in Ohio Revised Code Section 135.03 that has an office situated within Ohio, whose accounts are insured by the federal government or an agency thereof.
- (d) Public Moneys shall mean all moneys in the Treasury of the City or moneys coming lawfully into the possession of the City Finance Director.