

**VILLAGE OF YELLOW SPRINGS
ORDINANCE 2019-05**

**Repealing Section 238.04 and Enacting New Section 238.04 of the Codified Ordinances of the
Village of Yellow Springs, Ohio**

Whereas, on March 15, 1999 Village Council passed Resolution 99-14 which authorized an Investment Policy for the Village, and

Whereas, Council wishes to amend said policy to assure that a minimum of one Council person is represented on the Investment Committee, and

Whereas, it is the recommendation of staff to amend said policy to include the Investment Committee in all investment decisions.

**NOW, THEREFORE, COUNCIL FOR THE VILLAGE OF YELLOW SPRINGS, OHIO
HEREBY ORDAINS THAT:**

Section 1. Section 238.04 is hereby repealed in its entirety.

Section 2. New Section 238.04 shall be enacted as set forth in Exhibit A, with deletions in ~~strikethrough~~ and changes in **bold**.

Section 4. This ordinance shall take effect and be in full force at the earliest date permitted by law.

Brian Housh, President

Passed: 3-4-2019

Attest: _____
Judy Kintner, Clerk of Council

ROLL CALL:

Brian Housh Y Marianne MacQueen Y Kevin Stokes Y

Lisa Kreeger Y Kineta Sanford Y

238.04 INVESTMENT POLICY.

(a) Introduction. The intent of the Investment Policy of the Village of Yellow Springs is to define the parameters within which funds are to be managed. In methods, procedures, and practices, the policy formalizes the framework for the Village of Yellow Springs investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the Village's funds. The guidelines are intended to be broad enough to allow the investment officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

(b) Governing Authority. The investment program shall be operated in conformance with federal, state, and other legal requirements, including R.C. § 135.14.

(c) Scope.

(1) This policy applies to activities of the Village of Yellow Springs with regard to investing the financial assets of all funds. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Ohio. The covered funds, and any new funds created by the Village of Yellow Springs, are defined in the Comprehensive Annual Financial Report.

(2) Except for funds in certain restricted and special funds, the Village commingles its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

(d) General Objectives. The primary objectives, in priority order, of investment activities shall be:

(1) Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal 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.

(3) Return. 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 of safety and liquidity needs.

(e) Standards of Care.

(1) Prudence.

A. 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. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from the expectations are reported in a timely fashion and appropriated action is taken to control adverse developments.

B. The "prudent person" standard states that:

"Investments shall be made with judgement 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."

(2) Ethics and Conflicts of Interest. Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interest in financial institutions with which they conduct business. Disclosure shall be made to the Village Manager. They shall further

disclose any person financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

(3) Delegation of Authority and Responsibilities.

A. Governing Body. The Village Council will retain ultimate fiduciary responsibility for the portfolios. The Council will receive quarterly investment reports, designate investment officers, and review the investment policy making any changes necessary by adoption.

B. Investment Officers.

1. Authority to manage the investment program is granted to the Treasurer as designated by Village Council. Whenever idle funds exist in the treasury of the Village they may be invested in a manner agreed upon by the Finance Director, the Village Manager, **the Investment Committee** and the Village Treasurer, in accordance with R.C. §§ 731.56 to 731.59.

2. Responsibility for the operation of the investment program is hereby delegated to the Treasurer who shall establish and maintain an inventory of all obligations and securities acquired by the Village. The inventory shall include the description of the security, type, cost, par value, maturity date, settlement date, and coupon rate. The Treasurer shall produce a quarterly portfolio report detailing the current inventory of all obligations and securities, and all transactions during the quarter, income received and investment expenses paid and other special reports as may be deemed necessary. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

C. Investment Committee. All investment decisions should be made jointly with a Finance Director, the Village Manager, **one-to-two Council members** and the Village Treasurer and should conform to all applicable laws and regulations governing the investment of public moneys.

D. Investment Advisor. The Village may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with the Village's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisors Act of 1940.

(f) Safekeeping and Custody.

(1) Delivery vs. Payment. All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the Village's safekeeping institution prior to the release of funds.

(2) Third-party Safekeeping. Securities will be held by an independent third-party safekeeping institution selected by the Village. All securities will be evidenced by safekeeping receipts in the Village's name. The safekeeping institution shall provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70 or SAS 70) prepared in accordance with the Statement on Standards for Attestation of Engagements (SSAE) No. 16 (effective June 15, 2011.)

(3) Internal Controls. Management shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the investment committee, where present, and with the independent auditor. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the Village.

(g) Permissible Investments. The Treasurer may invest in any instrument or security authorized in R.C. § 135.14, as amended. Permissible investments include:

(1) United States 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. Stripped principal or interest obligations of such eligible obligations are strictly prohibited.

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage

Exhibit A to Ordinance 2019-05

Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency or instrumentality securities must be direct issuances of the federal agency or instrumentality.

(3) STAR Ohio is eligible as long as the fund maintains the highest letter rating provided by at least one nationally recognized standard rating service as outlined in R.C. § 135.45.

(4) STAR Plus eligible and is a fully FDIC Insured Bank Deposit program endorsed through the State Treasurer's Office.

(5) Bonds and other obligations of this state.

(6) Interim deposits (such as certificates of deposit) in the eligible institutions applying for interim moneys as provided in R.C. § 135.08.

(7) No-load money market mutual funds consisting exclusively of obligations described in divisions (g)(1) or (g)(2) of this policy and expressly excluding derivatives in accordance with R.C. § 135.14.

(8) Written repurchase agreements (repos) with any eligible public depository permitted in R.C. § 135.03.

(9) Reverse repurchase agreements are strictly prohibited.

(10) The Treasurer is authorized to invest up to a maximum of 40% of Village funds in either of the following;

A. Commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business, or general or limited partnership which has assets exceeding five hundred million dollars (\$500,000,000). Such notes must:

1. Be rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services;

2. Have an aggregate value that does not exceed 10% of the outstanding commercial paper of the issuing entity;

3. Mature not later than 270 days after purchase; and

4. Be limited to the aggregate of 5% of interim monies available for investment at the time of purchase, when issued by a single issuer.

B. Bankers' Acceptance of banks that are insured by the Federal Deposit Insurance Corporation (FDIC) and that mature no later than the extent permitted by Ohio Revised Code

C. No investment shall be made under divisions (10)A. and (10)B. above unless the Treasurer has completed additional training that has been approved by the Treasurer of State and is either conducted by or provided under the supervision of the Treasurer of State.

(h) Maturity Guidelines. To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions. The maximum maturity of any eligible instrument is five years from the settlement date, unless the investment is matched to a specified obligation or debt of the subdivision. Any investment made must be purchased with a reasonable expectation to be held to maturity.

(i) Prohibited Practices.

(1) Using current investments assets as collateral for purchasing other assets (leverage) is prohibited.

(2) Issuing taxable notes for purposes of arbitrage is prohibited.

(3) Contracting to sell securities not yet acquired is prohibited.

(j) Derivatives. Investments in derivatives are strictly prohibited. A derivative is defined in R.C. Chapter 135 as a financial instrument or contract or obligations whose value is based upon or linked to another asset or index or both, separate from the financial instrument, contract or obligation itself. However, any eligible investment with a variable interest rate payment based upon a single interest payment or single index comprised of other investments consisting of U.S. government or federal agency or instrumentality obligations is not considered a derivative if it matures in two years or less.

Exhibit A to Ordinance 2019-05

(k) Pooling. The pooling of funds by subdivisions is prohibited except as provided in R.C. § 715.02 or Sec. IV Article XVIII of the Ohio Constitution, and STAR Ohio and Star Plus.

(l) Eligible Institutions. Any financial institution located within the State of Ohio as defined by R.C. § 135.03 is eligible to serve as an approved depository and/or investment provider. Only securities dealers and brokers that are members of the National Association of Securities Dealers (NASD) are eligible to be an investment provider. Investment advisors must be an eligible financial institution as defined by R.C. § 135.03, or an advisor that is registered with the Securities and Exchange Commission.

(m) Training. The Village Treasurer is required to receive continuing investment training given annually by the Treasurer of the State or be limited to investing solely in interim deposits in eligible institutions as provided in R.C. § 135.8 and/or STAR Ohio and STAR Plus as outlined in divisions (g)(3) and (g)(4) above.

(n) Collateral. All the deposits shall be collateralized pursuant to R.C. Chapter 135. Letters of credit are eligible as specifically pledged collateral.

(o) Performance Standards/Evaluation. The performance of investments will be measured against the performance of a combination of benchmarks: Star Ohio and Star Plus (local Government Investment Pool) and a 3-year Treasury or Agency Index may be used. All fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

(p) Investment Policy Adoption. The Village's investment policy shall be adopted by resolution of the Village Council. The policy shall be reviewed annually by the Village Council and any modifications made thereto must be approved by the Village Council.

(q) Acknowledgments. Pursuant to R.C. Chapter 135, all brokers, dealers, and financial institutions initiating transactions with the investment authority by giving advice or making investment policy, or executing transactions initiated by the investment authority, must acknowledge their agreement to abide by the investment policy's consent.