

**ORDINANCE NO. 2021-5**

Introduced by Joel Hagy

**AN ORDINANCE ADOPTING AN INVESTMENT POLICY FOR THE CITY OF HURON AND DECLARING AN EMERGENCY.**

WHEREAS, Ordinance 1997-15 adopting the City's current Investment Policy was adopted on May 27, 1997; and

WHEREAS, the City desires to amend the Investment Policy to conform with current investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Huron, Ohio:

**Section 1.** That the policy set forth in Exhibit A attached hereto and made a part hereof shall be, and hereby is, adopted as the Investment Policy of the City of Huron.

**Section 2.** That the various municipal officers having authority over the investments of the City shall, henceforth, act in accordance with such policy.

**Section 3.** This Ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of the public, health, safety and general welfare and for further reason that the policy adopted herein is needed for the protection and preservation of public funds; wherefore, this Ordinance shall be in full force and effect from and immediately after its adoption and due authentication.



Sam Artino, Mayor

ATTEST: 23 FEB 2021  
Clerk of Council

Adopted: Jenni Wellbourn



## **INVESTMENT POLICY**

### **A. INTRODUCTION:**

An investment policy describes the parameters for investing government funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored. The document itself serves as a communication tool for the staff, elected officials, the public, rating agencies, bondholders, and any other stakeholders on investment guidelines and priorities. An investment policy enhances the quality of decision making and demonstrates a commitment to the fiduciary care of public funds, making it the most important element in a public funds investment program. The Government Finance Officers Association (GFOA) recommends that all governments establish a comprehensive written investment policy, which should be adopted by the governing body.

The intent of the Investment Policy of the City of Huron is to define the parameters of management that govern the City of Huron's investment program. The policy formalizes the framework for the City's investment activities and must be exercised to ensure effective and judicious fiscal and investment management of City funds. The guidelines are intended to be broad enough to allow the investment officer to function properly within the parameters for responsibility and authority, yet specific enough to adequately safeguard the investment assets.

### **B. POLICY:**

It is the policy of the City to invest public funds in a manner which will safely preserve portfolio principal, provide adequate liquidity to meet the City's cash flow needs, and optimize returns while conforming to federal, state, and other legal requirements, including Ohio Revised Code Chapter 135.

The City's Investment Policy shall be formally adopted by an ordinance or resolution of Council. The Investment Advisory Committee (IAC) shall formally review this Investment Policy every five years and make necessary revisions for Council consideration. The policies as stated herein may be changed only with the authorization of City Council.

### **C. SCOPE:**

The investment policy applies to all cash and financial investments of the various funds of the City of Huron as identified in the City's Annual Financial Report, with the exception of those financial assets and funds explicitly excluded from coverage by this policy for legal or operational reasons, such as the investment of employees' retirement funds.

Unless otherwise noted, City funds are commingled to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration thereof. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. The parameters for investment, separation of accounts, and the deposit of investment income shall be employed via Section 135.02 and 135.05 of the Administrative Code of the City of Huron.

All public moneys of the City of Huron not kept as a cash reserve in the vault or safe of the Finance Department treasury of the City as may be prescribed by the Finance Director, except as otherwise hereinafter provided, may be invested by the Finance Director in authorized investments described in Section F. The Finance Director is authorized to pool cash balances of several funds of the City for investment.

### **D. GENERAL OBJECTIVES**

The investment activity of the City of Huron shall be managed to accomplish the following objectives, in priority order:

- a. Safety: Preservation of Capital is the foremost objective of all investment activity for the City of Huron. Investments shall be undertaken in a manner that seeks to ensure preservation of capital within the City's investment portfolio.
- b. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements of the City 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.
- c. Yield: The City's investment portfolio shall be designed and managed with the objective of attaining a benchmark, market average rate of return throughout budgetary and economic cycles, within the context set forth in the safety and liquidity objectives set forth in this policy.



## E. STANDARDS OF CARE:

- a. Prudence: The standard of prudence to be applied to the City's portfolio shall be the industry standard "Prudent Person Rule", which states: 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.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that these deviations are reported in a timely fashion and that appropriate action is taken to prevent further adverse developments.

- b. Ethics and Conflict of Interest: The Director of Finance and other employees or officers of the City involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or which could impact their ability to make impartial investment decisions. The Director of Finance and other employees or officers of the City involved in the investment process shall disclose any material interests in financial institutions with which they conduct business within their jurisdiction, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment portfolio. The Director of Finance and other employees or officers of the City 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 Huron.
- c. Delegation of Authority: The Director of Finance is the Investment Officer charged with the responsibility for the purchase and sale of investments on behalf of the City and the execution of this investment policy. The Director of Finance shall establish written procedures for the operation of the investment program consistent with this policy, establish a system of controls to regulate the activities of subordinate officials, and shall be responsible for all transactions undertaken. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Director of Finance 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.

Employees who directly manage investments shall complete the necessary investment training as required by the State of Ohio at the City's cost. Staff shall be bonded in amounts appropriate to levels of responsibility and portfolio characteristics.

The City's Finance Committee shall serve as the IAC, with membership including all members of the Finance Committee, the City Manager, the Director of Finance, and the Law Director. The purpose of the Committee is to provide general oversight and act in an advisory capacity. The IAC will meet once each calendar quarter to review and evaluate previous investment activity, review the current status of all funds held by the city, discuss anticipated cash requirements, investment activities for the upcoming periods, and discuss overall investment strategy.

## **F. SUITABLE AND AUTHORIZED INVESTMENTS**

The Finance Director may invest in any of the following classifications of investments or securities, in accordance with Section 135.14 of the ORC. All deposits shall be collateralized pursuant to Chapter 135 of the ORC.

- a) U.S. Treasury Obligations, including 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, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States, excluding stripped principal or interest obligations of such issuances.
- b) Federal Agency Obligations, including bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, excluding striped principal or interest obligations of such issuances. All federal agency or instrumentality securities shall be direct issuances of the appropriate federal government agency or instrumentality.
- c) State of Ohio Local Government Investment Pool, including STAR Ohio and STAR Plus in accordance with ORC 135.45.
- d) Bonds, notes and other obligations of any municipal corporation, including the City of Huron, or any other local government agency in the State of Ohio (including, but not limited to townships, villages, and school districts), in accordance with ORC 135.14(B)(4).
- e) No-load money market mutual funds consisting exclusively of obligations under Section F(a) and F(b) of this policy.
- f) Time certificates of deposits, savings or deposit accounts in any eligible public depository in accordance with Section 135.144 of the ORC.
- g) Written repurchase agreements with any eligible institution in this policy or mentioned in Section 135.03 of the ORC, the Finance Director and such institution or dealer agrees unconditionally to repurchase within a period of not more than thirty (30) days any of the securities authorized in this policy. The market value of securities subject to a written repurchase agreement must exceed the principal value of the written repurchase agreement by at least two per cent and be marked to market daily. All securities purchased pursuant to this section shall be delivered into the custody of the Finance Director. A written repurchase



agreement with an eligible securities dealer shall be transacted on a delivery versus payment basis. The agreement shall contain the requirement that for each transaction pursuant to the agreement the participating institution or dealer shall provide all of the following information:

- (1) The par value of the securities;
- (2) The type, rate, and maturity date of the securities;
- (3) A numerical identifier generally accepted in the securities industry that designates the securities.

#### **G. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS:**

The Finance Director, with approval from the IAC, may use financial institutions, depositories, brokers or dealers to implement this Investment Policy. All authorized financial institutions, depositories, brokers or dealers must be a member of the National Association of Securities Dealers, Inc., and acknowledge receipt and comprehension of this Investment Policy.

#### **H. SAFEKEEPING, CUSTODY, AND INTERNAL CONTROLS:**

The Director of Finance shall establish and maintain an internal control structure designed to ensure that the assets of the City are protected against theft, loss or misuse.

Reports are maintained by the Finance Director and discussed annually with the IAC to monitor and control investments.

Investment strategies are discussed and approved by both the Finance Director and IAC. Interest is calculated by Finance Department personnel with secondary review/approval. Investment balances by bank are reconciled monthly by the Finance Department. The Finance Director reviews investment balances on an ongoing basis.

#### **I. RISK AND PERFORMANCE STANDARDS:**

The City's investment portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the City.

Any authorized investment pursuant to this Investment Policy shall mature within five (5) years from the date of settlement unless the authorized investment is matched to a specific obligation or debt of the City and will be held until its maturity. It is the responsibility of the Finance Director and IAC to comply with this Investment Policy and implement procedures for analysis of risk and investment portfolio performance.

**J. PROHIBITED PRACTICES:**

The following practices are expressly prohibited:

- A) Using investment assets as collateral for purchasing other assets.
- B) Issuing taxable notes for the purpose of arbitrage.
- C) Contracting to sell securities not yet acquired.

*This policy was reviewed and approved by the Finance Committee on February 8, 2021; and adopted by the City Council on February 23, 2021; Ordinance 2021-5.*