

CITY OF FRANKLIN, OHIO
RESOLUTION 2021-66

ADOPTING THE CITY OF FRANKLIN INVESTMENT POLICY

WHEREAS, this Council, by Ordinance 2016-16, passed on November 21, 2016, repealed Chapter 126 of the Codified Ordinances, which contained the City's Investment Policy;

WHEREAS, in light of changes made to the State's Uniform Depository Act, the City Manager, Finance Director and Finance Committee have recommended a new Investment Policy be adopted; and

WHEREAS, this Council finds it desirable to adopt a new Investment Policy to reflect current standard procedures and Ohio Revised Code requirements,

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Franklin, Ohio, a majority of members of Council present concurring, that:

Section 1. The City of Franklin Investment Policy, as set forth in the attached Exhibit A, is hereby adopted. Said Investment Policy shall be kept on file in the office of the Finance Director.

Section 2. The Finance Director is hereby directed to file a copy of the attached Investment Policy with the Ohio Auditor of State's Office, as required by law.

Section 3. It is found that all formal actions of this Council concerning and relating to the adoption of this Ordinance were adopted in an open meeting of this Council, and that all deliberations of this Council that resulted in this formal action were in meetings open to the public in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code, and the Rules of Council.

Section 4. This Resolution shall become effective immediately upon its passage.

ADOPTED: November 15, 2021

ATTEST: Khristi Dunn
Khristi Dunn, Clerk of Council

APPROVED: Brent Centers
Brent Centers, Mayor

CERTIFICATE

I, the undersigned Clerk of Council for the Franklin City Council, do hereby certify that the foregoing is a true and correct copy of Resolution 2021-66 passed by that body on November 15, 2021.

Khristi Dunn
Khristi Dunn, Clerk of Council



CITY OF FRANKLIN

FINANCIAL POLICY

INVESTMENT POLICY

Policy

It is the policy of the City of Franklin, Ohio (“City”) to invest public funds in a manner that will provide the highest investment return while preserving principal and maintaining adequate daily cash flow for the City. Investment activities of the City will conform to federal, state, and/or local statutes governing the investment of public funds unless otherwise noted in this investment policy.

Scope

This investment policy applies to all funds of the City as represented in the Comprehensive Annual Financial Report. City funds may be pooled for investment purposes. Unless otherwise restricted, all interest earnings will be credited to the General Fund.

Objectives

In order of importance, the primary objectives of the City’s investment activities are:

- **Safety** – Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
The City will minimize this risk by limiting investments to only the safest types of securities and by diversifying the investment portfolio both in type of investment and in financial institutions.
- **Liquidity** – Investments of the City shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
The City will minimize this risk by structuring the portfolio so that the City is able to meet all reasonably anticipated obligations in a timely manner.
- **Return on Investment**– The investment portfolio shall be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles taking into account the City’s risk constraints and cash flow characteristics.
The City will minimize this risk by restricting maturities of investments and by diversifying the length of maturities within the portfolio.

Securities shall generally be held until maturity, but if prudent, the portfolio may be actively managed to enhance overall interest income or minimize loss of principal.

Standards of Care

Prudence

The City hereby adopts the “prudent person rule” as the standard of prudence to be applied in the context of managing an overall portfolio. Investments shall be made with the same 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 probable safety of their principal as well as probable income to be derived.

Employees meeting the prudent person standard and acting in accordance with the City’s written procedures and this investment policy shall be relieved of personal responsibility for a specific security’s subsequent performance, provided appropriate action is taken in a timely manner to control adverse developments.

Delegation of Authority

Management responsibility for the investment program is hereby granted to the Finance Director, who shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with this Policy. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Finance Director.

Conflicts of Interest & Ethics

Elected officials and employees 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 investment decisions. Investment personnel shall disclose any material interests in financial institutions or firms that conduct business with the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the City.

Authorized Financial Dealers & Institutions

The Finance Department shall maintain a list of financial institutions and broker/dealers authorized to provide depository and/or investment services to the City. No public deposit shall be made except in a qualified public depository established by Chapter 135 of the Ohio Revised Code.

The Finance Director shall periodically review the financial conditions and registrations of qualified institutions and brokers/dealers. At the Finance Director’s discretion, a financial institution or firm may be removed from the authorized list if the institution or firm appears to no longer offer adequate safety for public funds.

All financial institutions, broker/dealers and investment advisors who desire to become qualified bidders for investment transactions with the City must supply the following, as appropriate:

- A letter from the individual providing the service that:
 - a) Certification of having received and understood the City’s investment policy, and agreement to comply with the Policy;

- b) Certifies that the firm and broker assigned to the City’s account have the required credentials and licenses with FINRA (<https://www.finra.org/about>), SEC, or appropriate agencies
- c) Confirms that the institution will notify the City if at any time the firm or broker is not in compliance with Securities and Exchange Commission Rule 15C3-1, the firm’s capital position drops substantially, or a material control weakness is identified by the firm’s independent auditor
 - Annual financial statement
 - Evidence of adequate insurance coverage
 - Signed depository agreement

Should the City contract with an external investment advisor, as detailed later in this investment policy, a managing officer of the investment advisory firm may sign the letter required above in lieu of a broker/dealer.

The Finance Committee shall review the bids submitted by depository candidates and make a recommendation to the City Council for final approval. Financial institutions and broker/dealers will be selected on the basis of their expertise in public cash management and their ability to provide service for the City’s investment portfolio.

Investment Advisors

The City may retain the services of a registered investment advisor who has experience in public funds investment management. The investment advisor shall manage the City’s portfolio, or a portion thereof, and shall be responsible for the negotiation and execution of transactions that invest and reinvest applicable City assets. All such investment transactions shall adhere to this investment policy.

Upon the request of the Finance Director or the City Manager, the investment advisor shall attend a Finance Committee or City Council meeting to discuss all aspects of the City’s portfolio, including market conditions affecting the value of the City’s investments. The investment advisor shall provide periodic reports detailing the performance of the City’s investment portfolio under his direction.

Investment advisors utilized by the City shall provide confirmation of receiving and understanding this investment policy. This confirmation must be included as part of the investment advisory contract.

Authorized Investments & Deposits

Active Deposits

As established by Chapter 135 of the Ohio Revised Code, an “active deposit” is a deposit of public funds used to meet the City’s current operating demands. Active deposits may be placed in:

- A commercial account that is payable or withdrawable, in whole or in part, on demand
- A negotiable order of withdrawal (NOW) account, or
- A money market deposit (MMD/MMA) account

Other Investments

For funds not classified as “active deposits,” the City may invest in any of the securities identified in Chapter 135 of the Ohio Revised Code. Investments not defined under ORC 135 but authorized pursuant to this investment policy are considered authorized investments of the City. These securities include but are not limited to:

- I. U.S. Treasury Obligations: 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.
- II. U.S. Government Agency or Instrumentality Securities: 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 Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), and Government National Mortgage Association (GNMA). All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
- III. Certificates of Deposit & Other Evidences of Deposit at Financial Institutions: Interest-bearing certificates of deposit, savings accounts, and other deposit accounts offered by a public depository eligible in accordance with Section 135.03 of the Ohio Revised Code. This type of investment includes the CDARS program and the STAR Plus program.
- IV. State and Local Government Securities: Bonds and other obligations of the State of Ohio, or any political subdivision of the State of Ohio, provided that all of the following apply:
 - a. The bonds or other obligations are payable from general revenues of the political subdivision and are backed by the full faith and credit of the political subdivision.
 - b. The bonds or other obligations are rated at the time of purchase in the three highest classifications established by at least one nationally recognized standard rating service and purchased through a registered securities broker or dealer.
 - c. The City is not the sole purchaser of the bonds or other obligations at original issuance.
 - d. **The bonds or other obligations mature within ten years from the date of settlement.**
- V. No-Load Money Market Mutual Funds: A mutual fund in which shares are sold without a commission or sales charge, consisting exclusively of obligations described in sections I and II above, and repurchase agreements secured by such obligations, provided that these investments are only made through eligible public depositories.
- VI. Ohio Subdivision Fund: The State Treasury Assets Reserve of Ohio (“STAR Ohio”) is a statewide investment pool managed by the Treasurer of the State of Ohio similar in concept to a money market fund.
- VII. Other Securities Offered by the Treasurer of the State of Ohio: Any other investment option offered to Ohio political subdivisions by the Treasurer of the State of Ohio. The

instruments of these pools must have the full faith and credit backing of the U.S. or be fully collateralized or insured.

- VIII. Repurchase Agreements: Repurchase agreements of a bank or savings and loan association organized under the laws of the U.S. or State of Ohio for negotiable direct obligations of the U.S. or U.S. federal agencies. Before transacting a repurchase agreement with a particular broker/dealer or eligible institution, the City must enter into a Master Repurchase Agreement with such broker or institution.
- IX. Commercial Paper: Commercial Paper rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services and not mature later than 270 days after purchase.
- X. Bankers' Acceptances: Bankers' acceptances of banks that are insured by the FDIC. Bankers' acceptances can only be purchased if the yield is greater than the U.S. Treasury obligations or federal agency issues.
- XI. Corporate Bonds: Bonds issued by a corporation organized and operated within the United States that has assets exceeding five hundred million dollars. Bonds issued must meet the following criteria:
- a. Two of the three ratings of at least: AA by Standard & Poor's, Aa2 by Moody's, and AA by Fitch at the time of purchase
 - b. Denominated in U.S. dollars

Prohibited Investments

Investments in stripped principal or interest obligations of eligible obligations, inverse floaters, and collateralized mortgage obligations are strictly prohibited. Additionally, the City shall not invest in securities that could expose the City to foreign currency risk.

Collateralization

Consistent with State law, the City requires all bank deposits to be federally insured or collateralized with eligible securities. The City, and all public depositories, shall comply with the collateralization requirements established in Chapter 135 of the Ohio Revised Code. Failure of an institution to abide by any of the provisions in this section is cause for immediate suspension of the institution as a qualified depository for any City funds. Each public depository with which the City has deposits shall provide a quarterly statement reflecting the securities pledged including the market value of such securities.

Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian designated by the Finance Director and evidenced by safekeeping receipts and a written custodial agreement.

Internal Control

The Finance Director shall establish a system of internal controls designed to protect City funds from loss, theft, or misuse. The Finance Director shall evaluate the cost of any control so that it does not exceed the benefits likely to be derived. Compliance with this investment policy and the established procedures shall be independently reviewed during annual audits by or on behalf of the Auditor of the State of Ohio.

Diversification

The City will diversify its investment portfolio to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific security type, or a specific issuer or broker. The Finance Director may invest in any instrument or security authorized in Chapter 135 of the Ohio Revised Code, as amended. A copy of the appropriate ORC section will be kept with this policy.

Maturities

To the extent possible, the maturity of investments will be matched to anticipated cash flow needs. Unless matched to a specific cash flow requirement or debt of the City, investments shall mature within five years from the date of purchase. **Exceptions to this maturity restriction may exist for certain eligible investments under ORC 135 and are allowable under this policy.**

Performance Standards

The investment portfolio shall be managed to consistently achieve a market rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and cash flow needs. Investments shall be made at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity, the City's "benchmark rate of return."

Reporting

At least annually, the Finance Director shall report to the Finance Committee on the current status of the City's investment portfolio. The report shall include information about all investments including the investments' compliance with the City's investment policy. Also, the report shall include any recommendations that the Finance Director has on amendments to this investment policy.

Training & Education

Consistent with Chapter 135 of the Ohio Revised Code, the Finance Director shall annually complete the public investment continuing education training requirements established by the Treasurer of the State of Ohio.

Investment of Dial Park Trust Funds

The original bequeathment of financial assets from the F.C. Dial estate to the City in 2008 included corporate stock in the following:

- General Electric – 4,800 shares
- Procter & Gamble – 14,400 shares
- Ohio Power – 5 shares
- IBM – 400 shares
- Smucker – 144 shares

Investments in corporate stock are inherently high in risk, and as such, are typically prohibited as an investment by a municipality. Historically, however, stocks perform well over the long term, and since this investment remained relatively stable before being gifted to the City, the Finance Director is hereby authorized to maintain the investment as it was originally gifted. All income earned on the original shares, however, shall be used as authorized by the F.C. Dial will or invested in authorized investments as described in the “Authorized Investments” section of this investment policy.

In accordance with the terms and conditions of the F.C. Dial Trust & Will, the income from the F.C. Dial estate shall only be used for the benefit and maintenance of the City’s parks. The expenditure of such income from the F.C. Dial estate for the benefit and maintenance of the City’s parks shall be as directed by the City’s Parks and Recreation Commission.

No part of the principal of the F.C. Dial estate shall be used for the maintenance of the City’s parks, except that the expenditure of an amount not to exceed \$5,000 from such principal may be used for the purchase of a site for additional park land. In such event, said park shall be known as the Dial Park, in accordance with the terms and conditions of the F.C. Dial Trust & Will.

Investment Policy Adoption

The City’s investment policy shall be adopted by legislation of the City Council, and any modifications must be further approved by City Council. A copy of the approved investment policy shall be filed with the Auditor of the State of Ohio.

Any investment currently held by the City that does not meet the guidelines of this policy shall be exempted from the requirements of this policy until the security reaches maturity or is otherwise liquidated. At that time, such monies shall be reinvested only as provided by this policy.

Updated **November 2021**