

# ***Village of Johnstown***

599 South Main Street, 43031

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**Larry A. Heiser, CPA Finance Director**

## **INVESTMENT POLICY**

### **I. Purpose**

The purpose of this policy is to provide for the prudent management of all public funds in accordance with the stated investment philosophy of the Village finance director as fiscal officer (the "Fiscal Officer") for the Village of Johnstown. The Fiscal Officer and all staff members will adhere to this policy, and where this policy is silent default to Ohio Revised Code ("O.R.C.") Chapter one thirty five. In addition, the Fiscal Officer shall follow all other applicable laws and regulations at all times.

This policy has been approved and adopted by the Depository Commission, and a copy has been filed with the Auditor of the State of Ohio as required by O.R.C. sec. 135.14.

### **II. Investment Philosophy**

The Fiscal Officer and all other persons who are responsible for investing public funds have fiduciary responsibilities to the Village of Johnstown and the public. Such persons shall seek to follow an investment strategy based on the "prudent person" standard. The prudent person standard requires the Fiscal Officer and other fiduciaries to exercise the care, skill, and experience that a prudent person would use to manage his/her personal financial affairs. The prudent person standard requires the Fiscal Officer and other fiduciaries to seek investments, which will preserve principal while maximizing income.

### **III. Investment Objectives**

#### **A. Preservation of Principal**

The primary investment objective is preservation of principal to meet this objective, portfolio diversification will be established and maintained with a goal of generating portfolio income that exceeds any losses in individual security values. It is recognized that occasional losses are inevitable and such possibility will be considered in evaluating diversification decisions and investment strategy.

**B. Liquidity**

The second investment objective is maintenance of liquidity of assets. This objective will be met by preparing a draw schedule for anticipated expenditures and matching investment maturities with anticipated expenditures dates whenever possible. Once cash flow requirements have been satisfied, maturity date selection will be determined by market conditions and interest rate forecasts. No unmatched investment will have a maturity date more than (5) years from the settlement date. Investments made prior to December 1st, 2010 that do not have a maturity date will be kept for no more than five (5) years.

No investment will be made unless, at the time the invest is made, The Fiscal officer reasonably believes that the investment can be held until maturity. However, an investment may be sold prior to maturity if the Fiscal Officer determines that such sale is prudent.

**C. Income Maximization**

Income maximization is the third investment objective. To accomplish this objective, the investment portfolio will be managed with the goal of producing income returns within the acceptable risk parameters. High financial risk is unacceptable. Thus, moderate-income volatility will be permitted, but no investments which are expected to be subject to large interest rate fluctuations will be made.

**D. Minimize Cost of Services**

The fourth objective is to minimize transaction costs. To meet this objective, relationships with securities dealers, investment bankers, and other entities providing investment services will be carefully managed to secure high quality services while simultaneously minimizing costs.

**IV. Personal Conduct and Qualifications**

**A. Standards of Conduct**

The Fiscal Officer and staff must continually be aware of the fiduciary nature of their responsibility for investing the public funds under their control. All persons responsible for investment decisions or who are involved in the management of the Village of

Johnstown's assets shall comply with all applicable Ohio and federal statutes and regulations, the codes of conduct established by the National Association of Securities Dealers and the Securities and Exchange Commission, and the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research.

The Fiscal Officer and staff members are prohibited from having any direct or indirect interests in any of the investments made by the Fiscal Officer and from receiving payment, bonuses, or other compensation for investment services in excess of their regular compensation.

The Fiscal Officer may designate qualified staff members in his/her office to take responsibility for executing individual investment transactions.

**B. Continuing Education**

The Fiscal Officer will annually complete the continuing education programs provided by the Treasurer of State.

**V. Transactions**

A copy of this policy will be provided to all securities dealers, investment bankers, and other entities doing investment business with the Village of Johnstown. Other interested parties may receive a copy upon request.

This policy shall require that all entities conducting investment business with the Fiscal Officer shall sign the investment policy of the Village of Johnstown. All brokers, dealers, and financial institutions, described in division (M)(1) and division (N) of Ohio Revised Code section 135.14, initiating transactions with the Fiscal Officer by giving advice or making investment recommendations shall sign the treasurer's or governing board's investment policy thereby acknowledging their agreement to abide by the policy's contents. All brokers, dealers, and financial institutions, described in division (M)(1) of Ohio Revised Code section 135.14, executing transactions initiated by the Fiscal Officer or governing board, having read the policy's contents, shall sign the investment policy thereby acknowledging their comprehension and receipt.

While every effort will be made to obtain appropriate discounts investment firms will be selected to achieve the best possible transaction execution. The fact that a particular firm provides statistical and market information and services will be considered in the selection process. All investments, except for investments in securities described in divisions (B)(5) and (6) of Ohio Revised Code section 135.14 and for investments by a municipal corporation in the issues of such municipal corporation, shall be made only through a member of the national association of securities dealers, through a bank, savings bank, or savings and loan association regulated by the superintendent of financial institutions, or through an institution regulated by the comptroller of the currency, federal deposit insurance corporation, or board of governors of the federal reserve system.

All investment firms selected shall be qualified to do business in the State of Ohio, have all appropriate licenses, be in good with their appropriate regulating body as listed above. The Fiscal Officer shall maintain a list of approved investment firms. Review of investment firm's capital and disciplinary standing will be conducted on an annual basis by the Fiscal Officer, and necessary changes in the list of approved investment firms will be approved by the Fiscal Officer.

All securities orders shall be placed according to accepted investment practices. All receipts confirming securities transactions will include the trade date, CUSIP number, par value, maturity, interest rate, price, yield, settlement date, description of securities purchased, investment firm, amount due, and third-party custodial information. Confirmation receipts will be received within three (3) business days after the trade, and payment for investments shall only be made upon receipt of the securities.

All securities dealers, investment bankers and other entities providing investment services to the Village of Johnstown are prohibited from having any direct or indirect interests in any of the investments made by the Fiscal officer and from receiving payment, bonuses, or other compensation. As used in this policy, "regular compensation" includes the reasonable and agreed-upon fees, commissions, and other compensation customarily associated with securities transactions earned by outside securities dealers, investment bankers, and other entities providing investment services to the Village of Johnstown.

## **VI. Authorized Investments**

The following investments constitute a nonexclusive list of appropriate investments.

- A. The Ohio Subdivision fund ("Star Ohio) set forth in O.R.C.sec. 135.45
- B. Bills, notes, bonds, and other securities issued by the United States Treasury.
- C. Obligations guaranteed by the United States.
- D. Securities issued directly by federal agencies or instrumentalities.
- E. Repurchase agreements whereby a securities dealer of public depository agrees to repurchase securities provided they require the dealer or public depository to provide the par value of securities subject to the repurchase agreement and to deliver the securities into the custody of the Fiscal Officer. Repurchase agreements with dealers must be transacted on a delivery versus payment basis, and term repurchase agreements may not exceed thirty (30) days. Securities subject to a term repurchase agreement must be marked to market on a daily basis.
- F. Bonds and other obligations of the State.
- G. Time certificates of deposit, savings accounts, and deposit accounts in any public depository.
- H. No-load money market mutual funds consisting exclusively of obligations described in division (B)(1) or (2) of section 135.14 of the Ohio Revised Code and repurchase agreements secured by such obligations, provided that investments in securities described in section 135.14 of the Ohio Revised Code are made only through eligible institutions mentioned in section 135.03 of the Revised Code.

## **VII. Prohibited Investments**

The following investments and investment practices are prohibited:

- A. Investment in derivatives or in no-load money market mutual funds that invest in derivatives. Derivative is defined by O.R.C. sec. 135.01(0) as any financial instrument based upon or linked to another asset or index that is separate from the financial instrument itself. Any security that is based upon an issue of the

United States Treasury or an obligation of a federal agency or instrumentality, the State of Ohio, or any political subdivision of the State is not considered to be a derivative even though it has a variable interest rate based upon a single interest payment or single index consisting of other securities issued or guaranteed by the United States, provided that such variable interest rate investment has a maximum maturity of two years.

- B. Investments in stripped principal or interest obligations.
- C. Investments in a fund established by another county, subdivision, treasurer, or governing board for the purpose of investing the public funds of other subdivisions, other than STAR Ohio and funds established to acquire, construct, lease or operate a municipal utility.
- D. Repurchase agreements whereby the Fiscal Officer agrees to repurchase securities (reverse repos).
- E. Sale of taxable notes for the purpose of arbitrage.
- F. Use of current investment assets as collateral to purchase other assets.
- G. Contracting to sell securities that have not yet been acquired on speculation that bond will decline.

#### **VIII. Collateralization of Deposits**

All deposits of public funds will be collateralized pursuant to O.R.C. sec 135.18, 135.18.1 and 135.37

In the event of a default by a public depository, the Fiscal Officer will provide Thirty (30) days notice in a newspaper of general circulation in Franklin county before the obligations securing the public deposits are sold. Purchasers at the default sale will receive absolute title to the securities. Any proceeds received in excess of the amount in default will be paid to the defaulting depository.

#### **IX. Reporting**

The Fiscal Officer shall maintain a record of all purchases and sales and an inventory of all obligations acquired. The inventory shall include a description of each obligation, including its type, cost, par value, maturity date, settlement date and coupon rate, if applicable.

