

**CITY OF XENIA, OHIO
ORDINANCE 2023 – 10**

**ADOPTING AND APPROVING A DEPOSIT AND INVESTMENT POLICY AS REQUIRED BY
CITY CHARTER SECTION 9.03 AND SECTION 250.03(a) OF THE XENIA CITY CODE**

WHEREAS, Section 9.03 of the City Charter requires this Council to adopt, by ordinance, a Deposit and Investment Policy governing the deposit of public funds and the investment of public moneys; and

WHEREAS, Section 250.03(a) of the City’s Administrative Code, as contained in the Xenia City Code, requires the Finance Director to make all deposits and investments of City funds in accordance with the required Policy.

NOW, THEREFORE, THE CITY OF XENIA HEREBY ORDAINS, a majority of the members of Council present concurring, that:

Section 1. The City of Xenia Deposit and Investment Policy, attached hereto as Exhibit A, is hereby approved and adopted, as required by City Charter Section 9.03.

Section 2. The Finance Director shall make all deposits and investments of public funds and moneys in accordance with said Policy, and is hereby directed to file a copy of the City’s Deposit and Investment Policy, and any amendments thereto, with the Auditor of the State of Ohio, as required under Section 250.03(a) of the Xenia City Code.

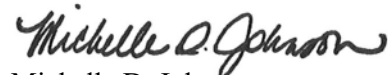
Section 3. It is found that all formal actions of this Council concerning and relating to the adoption of this Ordinance were adopted in an open meeting of this Council, and that all deliberations of this Council that resulted in this formal action were in meetings open to the public in compliance with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

Section 4. This Ordinance shall become effective on May 27, 2023.

Introduced: April 13, 2023

Adopted: April 27, 2023

Attest:



Michelle D. Johnson
City Clerk



Wesley E. Smith
Vice President, Xenia City Council

CITY OF XENIA DEPOSIT AND INVESTMENT POLICY

Article I. Policy Statement.

It is the policy of the City of Xenia, Ohio to deposit and invest public funds in a manner that will provide the maximum safety with the highest investment return while meeting the daily cash flow demands of the City and conforming to all federal, state, and local statutes governing the investment of public funds. It is the intent of this Policy to supersede the Ohio Uniform Depository Act except as otherwise provided herein. This Policy has been adopted by the Xenia City Council, by ordinance, as required by City Charter Section 9.03.

Article II. Scope.

- (A) Application. This Deposit and Investment Policy (“the Policy”) applies to all funds contained in the reporting entity of the City, except for those monies whose investment and deposit are otherwise controlled by an independent board, advisory council, or trustee as required by certain mortgage bond indentures or agreements.
- (B) Investments. The Finance Director is authorized to pool cash balances from the several different funds of the City for investment purposes and is further authorized to invest those monies that are not immediately needed, in accordance with Chapter 250 of the City’s Administrative Code. The distribution of proceeds from investments shall be governed by City ordinance, state and federal law, and this Policy (see Exhibit A). The Uniform Depository Act (ORC Chapter 135) shall apply only when City ordinance or this Policy is silent as to matter addressed in the Uniform Depository Act.

Article III. Policy Objectives.

- (A) Objectives. The following investment and deposit objectives will be applied in the management of all City funds:
 - (1) The primary objective of the City’s Deposit and Investment Program (“the Program”) is the preservation of capital and the protection of investment principal.
 - (2) The City’s investment portfolio will remain sufficiently liquid to enable the City to meet operating requirements that can be reasonably anticipated.
 - (3) The Program will conform with all federal requirements and will conform with all state laws, except as otherwise provided in this Policy.
 - (4) The City will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.
 - (5) In investing public funds, the City will strive to maximize the return on the portfolio but will avoid assuming unreasonable investment risks.
- (B) Deposits. Banks vary in the services they provide, their service fees, interest rates on interim deposits, and the minimum compensating balances required for demand-deposit accounts. The

City's objective is to obtain good banking services while minimizing the cost of banking services to the City.

Article IV. Delegation of Authority.

The Finance Director, as Chief Financial Officer of the City, is appointed as the official with the power and authority to administer the Policy and the Program. The Finance Director shall be responsible for overseeing his or her Department's day to day activities regarding cash management and the Program. The Finance Director, or when delegated by the Finance Director, the Assistant Finance Director shall make all investment decisions. City officials acting in accordance with written procedures and this Policy and exercising due diligence (as defined by the Prudent Investor Rule) shall be relieved of personal responsibility for an individual security's credit risk or market price changes; provided, however, that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Article V. Prudent Investor Rule.

The deposit and investment of City funds shall be made with the exercise of that degree of 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.

Article VI. Conflict of Interest.

Officers and employees involved in the deposit and investment process shall refrain from personal business activity that could conflict with proper execution of the Program, or which could impair their ability to make impartial investment decisions on behalf of the City. Officers and employees involved in the deposit and investment of City funds shall disclose to the City's independent auditors any material financial interests in financial institutions that conduct business with the City and shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Officers and employees involved in the investment of City funds shall subordinate their personal investment transactions to those of the City, particularly regarding the time of purchases and sales. ORC 135.11 shall apply to both the Finance Director, or his or her designee, in relation to deposit and investment decisions.

Article VII. Monitoring and Adjusting the Portfolio.

The primary investment strategy for the City will be to purchase securities and hold them to maturity. Active management of the portfolio will only occur when no losses to the portfolio will be realized, and the benefits of active management outweigh the costs to pursue such strategy. To the extent possible, the City will attempt to match the term to maturity of its investments with anticipated cash flow requirements.

Article VIII. Internal Controls.

The Finance Director shall establish a system of controls to regulate the activities of employees involved with the cash management of the City. Such internal controls and compliance therewith shall be subject to review during the annual audit conducted by, or on behalf of, the Auditor of the State of Ohio.

Article IX. Investment Diversification.

To avoid incurring unreasonable risks inherent in overinvesting in specific investment instruments, financial institutions, and/or maturity lengths, the Finance Director shall diversify the active portfolio. The

active portfolio will be invested in more than one (1) type of financial instrument, in more than one (1) financial institution, and at different maturity lengths in accordance with the cash flow needs of the City. The Finance Director, or his/her designee, shall determine the structure of the active portfolio in accordance with the objectives of this Policy.

Article X. Competitive Solicitations.

- (A) Purpose. The purpose of competitive solicitations is to strengthen the Program in terms of level and consistency of performance. A minimum of four (4) quotations will be solicited and at least two (2) obtained when purchasing investments in the active portfolio. The Finance Director will look for the best proposal/quotation when selling (active management) any type of investment. The Finance Director shall have the right to reject any quotation yielding the highest return if it is inconsistent with the City's investment strategy (i.e., maturity, risk, diversification, liquidity, etc.).
- (B) Quotes. Quotations on all investment transactions may be obtained from authorized financial institutions both within and outside of the City. In cases where the Finance Director considers all other factors to be equal, the investment transaction will be made in favor of the institution who submitted their quotation first.

Article XI. Eligible Institutions.

The eligibility of financial institutions for public deposits and/or investments shall be determined in accordance with ORC Sections 135.03, 135.032 and 135.04, except as otherwise herein provided. When City deposits in an eligible financial institution exceed Federal Deposit Insurance Corporation ("FDIC") or National Credit Union Association ("NCUA") insurance coverage, the institution is required to have a written depository agreement with the City. The Finance Director and City Manager are hereby authorized to enter into these depository agreements on behalf of the City. The following represents the guidelines the City will use when determining the eligibility of financial institutions:

- (A) Eligible Depositories.
 - (1) The City may use certificate of deposit account registry services ("CDARS"), referenced in ORC Section 135.144, for interim deposits. Other investment strategies utilizing FDIC or NCUA insurance coverage are also permitted. The location and collateral requirements outlined in ORC Sections 135.03, 135.18, and 135.181 do not apply when the entirety of City deposits in an institution are covered by FDIC or NCUA insurance. In all other cases, the following criteria shall be met for a financial institution to be considered an eligible depository:
 - a. The financial institution shall be a national bank; a bank doing business under authority granted by the superintendent of financial institutions; a bank doing business under authority granted by the regulatory authority of another state with a location in Ohio; a federal savings association; or a savings and loan association or savings bank doing business under authority granted by the regulatory authority of another state with a location in Ohio;
 - b. The financial institution shall be situated in, or operating a full-service branch office within, a twenty (20-) -mile radius of the City of Xenia.
 - c. The financial institution shall participate in the Ohio Pooled Collateral System ("OPCS"), pledging collateral to the Ohio Treasurer of State to secure local government deposits. All City funds held by the depository will be secured by collateral in the OPCS system.

- (2) The Finance Director shall be responsible for the designation of depositories. There shall be no limit to the period for which a depository is designated. A financial institution or custodian can continue to serve the City as a depository in perpetuity until such a time as the Finance Director determines that a change would be of benefit to the City. To the extent practical and giving due consideration to the objective of financial institution diversification, the Finance Director will minimize the number of depositories for the efficient, effective, and economical deposit/investment of City funds.
 - (3) The Finance Director is authorized to issue a formal Request for Proposals for the central depository services should he or she deem it necessary for the efficient, effective, and economical cash management services for the City.
- (B) Broker or Dealers- Securities Purchases.
- (1) Securities shall be purchased only through a broker or dealer who is registered with the Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority (“FINRA”). The broker or dealer must be licensed to sell securities in the State of Ohio.
 - (2) The Finance Director or his or her designee should evaluate the information available via the FINRA website, which details the broker or dealer’s qualifications, registration, employment history, licensing, and disclosed events. A detailed FINRA report for each firm, broker and/or dealer should be kept on file in the Finance Department. A signed copy of this Policy, stating that the broker or dealer has read and understands the Policy, should also be kept on file. An annual review of each broker or dealer’s FINRA report should be conducted to ensure that no material changes in the broker or dealer’s eligibility have taken place.
 - (3) The Finance Director shall maintain a list of qualified brokers and dealers and may make additions to the list if the broker or dealer is properly registered, licensed, and a satisfactory review of the FINRA report is completed.
 - (4) The Finance Director shall make deletions from the list upon failure of a broker or dealer to meet this Policy’s requirements, or upon request of the broker or dealer. Such deletions from the list shall be based on the following criteria or circumstances:
 - a. Perceived financial difficulties of the broker or dealer;
 - b. Consistent lack of competitiveness by the broker or dealer;
 - c. Lack of experience or familiarity of the account representative in providing service to large institutional accounts;
 - d. When unfavorable disclosures are reported against the broker or dealer; and/or
 - e. When deemed in the best interests of the City by the Finance Director.

Article XII. Authorized Investments.

- (A) Permitted Investments. The following are authorized financial instruments for the investment of City funds. The Finance Director may invest on behalf of, and in the name of, the City in only the following instruments at a price not exceeding their fair market value:
- (1) *Direct Obligations of U.S. Treasury.* Including U.S. Treasury bills, notes, bonds, or any other obligation or security issued by the U.S. Treasury or guaranteed as to principal and interest by the United States.

- (2) *Obligations of Federal Agencies and Instrumentalities.* Bonds, notes debentures, or any other obligations or securities issued by a federal government agency or instrumentality including, but not limited to the Federal National Mortgage Association (“FNMA”), the Federal Home Loan Bank (“FHLB”), the Federal Farm Credit Bank (“FFCB”), the Federal Home Loan Mortgage Corporation (“FHLMC”), and the Government National Mortgage Association (“GNMA”).
 - (3) *Interim Deposits.* Interim Deposits, as defined in ORC Section 135.01, in eligible financial institutions. The Finance Director shall determine the periods for which such interim deposits are to be made.
 - (4) *State Bonds and Obligations.* Bonds and other obligations of the State of Ohio, or the political subdivisions of the State, provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:
 - a. The bonds or other obligations are payable from general revenues of the political subdivision and 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 (3) highest classifications established by at least one (1) nationally recognized standard rating service and purchased through a registered securities broker or dealer;
 - c. The aggregate value of the bonds or other obligations does not exceed twenty percent (20%) of interim money available for investment at the time of purchase;
 - d. The City is not the sole purchaser of the bonds or other obligations at original issuance;
 - e. The bonds or other obligations mature within ten (10) years from the date of settlement.
 - (5) *No-Load Money Market Funds.* No-load money market mutual funds consisting exclusively of obligations described in Division (A)(1) and (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
 - (6) *Ohio Subdivision Fund.* The Ohio Subdivision Fund, as described in ORC Section 135.45.
 - (7) *Certificates of Deposit.* Nonnegotiable, interest-bearing time certificates of deposit and/or negotiable, interest-bearing certificates of deposit covered by FDIC or NCUA insurance.
 - (8) *Savings Accounts.* Interest-bearing savings accounts covered by FDIC or NCUA insurance.
 - (9) *STAR Ohio.* The State Treasury Asset Reserve of Ohio (STAR Ohio).
 - (10) *Other Investments.* Any other investment authorized under ORC Section 135.14.
- (B) Prohibited Investments. Any investment instruments not specifically listed in this section are prohibited.
- (C) Maturity. Ninety (90) % of the City portfolio shall have a maturity date of no more than five (5) years. Up to ten (10) % of the City portfolio may be invested in instruments with a maturity greater than five (5) years with a maximum maturity of no more than ten (10) years. Under no circumstance should an investment maturity exceed ten (10) years.
- (D) Collection. Whenever an investment or deposit authorized by this Policy becomes mature and becomes due and payable, the Finance Director shall present them for payment according to their

tenor and shall collect the monies payable thereon. The monies so collected shall be treated as public monies.

Article XIII. Safekeeping and Custody.

- (A) Delivery of Investment Instruments. In order to minimize default-risk, the Finance Director will require delivery of investment instruments as follows:
 - (1) For government securities, certificates of deposit, and other authorized money market securities, book entry or physical securities shall be safekept by a third-party safekeeping agent, in the agent's Federal Reserve customer account, correspondent money center bank customer custody account, or in a Depository Trust Corporation (DTC) customer custody account. Each delivery and safekeeping shall be evidenced by a safekeeping receipt held by the Finance Director; provided, however, that the agent shall be required to report to the Finance Director, City Council, State Auditor, and/or an authorized outside auditor at any time, upon request, as to the identity, market value, and location of the document evidencing each security.
 - (2) For Star Ohio Accounts, every transaction from Star Ohio will be evidenced by a confirmation received in the Finance Department. Month end statements shall reflect the activity for the month and the balance for Star Ohio accounts.
- (B) Finance Director as Payee on Behalf of the City. If any investments or deposits purchased under the authority of this Policy are issuable to a designated payee or to the order of a designated payee, the name of the Finance Director and his or her title shall be so designated. If any such securities are registrable either as to principal or interest, or both, then such securities shall be registered in the name of the Finance Director as such.
- (C) Duty of Finance Director. The Finance Director shall be responsible for the safekeeping of all documents evidencing a deposit or investment acquired in accordance with this Policy, except as otherwise provided herein. Upon the retirement, resignation, removal from office, or other vacancy in the office of the Finance Director, the Finance Director or his or her legal representative shall transfer and deliver to the Finance Director's successor, or to the Assistant Finance Director, all documents evidencing a deposit or held by the Finance Director.

Article XIV. Collateralization of City Deposits.

- (A) Ohio Pooled Collateral Program. With the approval of the Finance Director, a depository may provide collateral for deposits of the City with a single pool of securities pledged toward all deposits of public funds held by the depository, in the manner provided in ORC Section 135.181.
- (B) Security for Repayment of Public Deposits. Unless secured in the manner provided in ORC Section 135.181, all deposits of the City shall be secured by pledged collateral in the manner provided in ORC Section 135.18.
- (C) Depository Agreements. The method of collateralization of City deposits shall be set forth in a written depository agreement between the City and the depository institution. The depository agreement, in accordance with requirements set forth by the Federal Depository Insurance Corporation, shall be:
 - (1) Executed by the depository institution and any person claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by the depository institution;

- (2) Approved by the board of directors of the depository institution or its loan committee, which approval shall be reflected in the minutes of said board or committee;
- (3) Be continuously, from the date of its execution, an official record of the depository institution; and
- (4) Be approved as to form by the City Law Director.

Article XV. Accounting Method.

The City shall maintain a cash deposit and investment pool for all funds. Each fund's share of cash deposits and investments shall be shown separately on the combined balance sheet as "cash and cash equivalents" and "investments," respectively. The determination of "cash and cash equivalents" and "investments" for balance sheet and note disclosure preparation will be done in accordance with current Government Accounting Standards Board Statements. Exhibit A attached to this Policy shall determine the distribution of interest proceeds into various City funds.

Article XVI. Reporting and Performance Standards.

The Finance Director will be responsible for providing regular, monthly investment reports to the City Council. A performance measurement benchmark for the investment portfolio will be determined each year by the Finance Director and shall be approved by the Finance and Budget Committee.

Article XVII. Miscellaneous.

- (A) Severability. In the event any provision of this Policy is held by a Court of competent jurisdiction to be in conflict with applicable law, such conflict shall not affect the other provisions of this Policy that can be given effect without the conflicting provision. To this end, the provisions of this Policy are declared severable.
- (B) Limitation. No legislative act or administrative action of the City Council shall be challenged by an assertion that the act or action was taken in violation of any provision of this Policy.
- (C) Review. This Policy shall be reviewed by the Finance Director at least every 5 years, and the Finance Director shall recommend any amendments or updates as he deems necessary or appropriate to the City Council.
- (D) Amendments. This Policy may be amended, or a new Policy adopted, by Ordinance approved by the City Council, as required by City Charter Section 9.03.

Legislative History:

Adopted by City Council by Ordinance 2023-10, enacted on April 27, 2023.

BROKER OR DEALER CERTIFICATION

I hereby certify that for each transaction we pledge to exercise due diligence in disclosing all the information for each party to agree to the details of the transaction. When recommending a transaction, we will have reasonable grounds for believing the transaction complies with this Policy and is suitable based upon information available from the issuer and based upon the facts disclosed by the City of Xenia. We have implemented investment procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City of Xenia, Ohio.

Signed: _____

Name: _____

Firm: _____

Title: _____

Date: _____

EXHIBIT A

Where Interest Is Received For Each Fund

<u>Fund Name (Cost Center #)</u>	<u>Cost Center Interest Is Received To</u>
General Fund (101, 198, 199, 203, 999)	361
Indigent Drivers Interlock & Alcohol Monitoring Fund (211)	211
Indigent Driver Alcohol Treatment Fund (212)	212
Alcohol Enforcement & Education Fund (213)	213
Municipal Court Probation Services Fund (214)	214
Street Fund (221, 228, 229)	221
State Route Repair Fund (222)	222
Property Improvements Fund (233, 236)	233
911 Fund (250)	250
Law Enforcement Trust Fund (251)	251
Drug Law Enforcement Fund (252)	252
Municipal Court Victim Advocate Fund (253)	253
One Ohio Fund (254)	254
Public Safety Fund (270)	270
Special Grants Fund (290)	290
Community Development Grants Fund (601, 603)	601
Economic Development Loan Programs Fund (602)	602
General Permanent Improvements Fund (361)	361
Issue 2 Improvements Fund (362)	361
Court Special Projects Fund (363)	363
Public Safety Permanent Improvement Fund (364)	364
Bond Retirement Fund (472,473)	472
Water Fund (611, 664)	664
Sewer Fund (612, 665)	665
Sanitation Services Fund (613, 666)	666
Stormwater Fund (614, 667)	667
Parking Revenue Fund (615)	615
Utility Billing Internal Service Fund (708)	708
City Garage Revenue Fund (709)	709
Information Technology Fund (710)	710
Insurance Fund (711)	711
Insurance Reserve Fund (901)	901
Unclaimed Funds (902)	361