

## EXHIBIT A

## SUMMIT COUNTY INVESTMENT POLICY

- I. **Introduction** - The purpose of this investment policy is to establish priorities and guidelines regarding the investment management of the County's operating funds [hereinafter referred to as the "Portfolio"]. Such priorities and guidelines are based upon Chapter 135.35 ORC, and prudent money management. **This investment policy, dated October 2, 2018**, has been approved by the Investing Authority and the County Investment Advisory Board (Chapter 179, Investment Advisory Board, Summit County Codified Ordinance). **The investment policy, approved on October 2, 2018**, is a revision of an originally approved policy, dated **January 30, 2017**. Sections of 135.35 ORC [totally or partially] may be used to describe eligible investments. In some sections, the policy places further limits upon the use eligible investments or investment transactions. The Fiscal Officer is referred to as the "Investing Authority". The County Investment Advisory Board is referred to as the "Board".
- II. **Standards of Prudence** - The standard of prudence to be applied by the Investing Authority 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."
- III. **Ethics and Conflicts of Interest** - Employees of the Investing Authority involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Members of the Investment Advisory Board and the County's investment advisor shall disclose any material financial interest in financial institutions and any large personal financial or investment positions that could be related to, or affected by, the performance of the County's portfolio.
- IV. **Investment Objectives** - The investment objectives of the County, in priority order, include:
- A. *Compliance with all Federal and State laws*
- B. *Safety of principal* - Safety of principal is the primary objective of the investment program. The investment of County funds shall be conducted in a manner that seeks to ensure the preservation of capital within the context of the following criteria:

## EXHIBIT A

### Credit Risk

Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest, or the failure of the issuer to make timely payments of principal or interest. Eligible investments, pursuant to Chapter 135.35 ORC, affected by credit risk include certificates of deposit, commercial paper, banker's acceptances, and corporate obligations. Credit risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that required, minimum credit quality ratings exist prior to the purchase of commercial paper, bankers acceptances, and corporate obligations; and (3) maintaining adequate collateralization of certificates of deposit and other deposit accounts pursuant to the method as determined by the Investing Authority.

### Market risk

The market value of securities in the County's portfolio will increase or decrease based upon changes in the general level of interest rates. The effects of market value fluctuations will be minimized by (1) maintaining adequate liquidity so that current obligations can be met without a sale of securities; (2) diversification of maturities; (3) diversification of assets.

C. *Liquidity* - The portfolio shall remain sufficiently liquid to meet all current obligations of the County. Minimum liquidity levels [as a percentage of the average portfolio] may be established in order to meet such current obligations. The Investing Authority may elect to separate the County's total investment fund balance into a liquidity portfolio, comprised of short-term investments and/or eligible money market funds; and a core portfolio comprised of various eligible securities with longer-term maturities.

D. *Yield* - The portfolio shall be managed to consistently attain a market rate of return throughout budgetary and economic cycles. The Investing Authority may compare the portfolio's return or yield to various benchmark(s), similar in nature to the characteristics of the County's portfolio. Whenever possible, and consistent with risk limitations and prudent investment management, the County shall seek to augment returns through the implementation of active portfolio management strategies.

V. Authorized Investments (itemized) - The Investing Authority may invest in the following:

A. U.S. Treasury Bills, Notes, and Bonds.

B. Federal agency securities including issues of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), and other agencies or instrumentalities of the

## EXHIBIT A

United States. Eligible investments include securities that may be "called" [by the issuer] prior to the final maturity date. Any eligible investment may be purchased at a premium or a discount. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

C. Commercial paper notes issued by companies incorporated under the laws of the United States; specific limitations apply as defined under Section 135.35 (A) (8) ORC.

D. Bankers acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations apply as defined under 135.35 (A) (8) ORC.

E. Certificates of deposit from any eligible institution mentioned in section 135.32 ORC.

F. No-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Division A(1), A(2), or (6) of section 135.143 under 135.35 ORC and repurchase agreements secured by such obligations. Eligible money market funds shall comply with 135.01(O) ORC, regarding limitations and restrictions.

G. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds. The investments made under division (A) (10) of Chapter 135.35 ORC shall not exceed in the aggregate two per cent of the County's total average portfolio. The Investing Authority shall invest under division (A) (10) of Chapter 135.35 ORC in a debt interest issued by a foreign nation only if the debt interest is backed by the full faith and credit of that foreign nation, there is no prior history of default, and the debt interest matures not later than five years after purchase. For purposes of division (A) (10) of Chapter 135.35 ORC, a debt interest is rated in the three highest categories by two nationally recognized standard rating services if either the debt interest itself or the issuer of the debt interest is rated, or is implicitly rated, at the time of purchase in the three highest categories by two nationally recognized standard rating services.

H. Repurchase agreements with any eligible institution mentioned in section 135.32 ORC, or any eligible securities dealer pursuant to division (J) of Chapter 135.35 ORC, except that such eligible securities dealers shall be *restricted to primary government securities dealers*. Repurchase agreements will settle on a

## EXHIBIT A

delivery vs. payment basis with repo collateral held in safekeeping by a third party custodian as agreed to by the Investing Authority. The market value of securities subject to a repurchase agreement must exceed the principal value of the repo amount by an amount as defined under the Ohio Revised Code. The Investing Authority reserves the right to require an additional percentage of collateral securing such repurchase agreements. Prior to the execution of any repo transaction with an eligible dealer, a master repurchase agreement will be signed by the Investing Authority and the eligible dealer.

- I. Securities lending agreements with any eligible institution mentioned in 135.32 ORC.
- J. The state treasurer's investment pool, pursuant to Section 135.45 ORC, or any other investment alternative offered by the Treasurer of State.
- K. Bonds and other obligations of this state, including various state agencies including but not limited to the Ohio Public Facilities Commission, and the obligations of any agency, department, or authority of Summit County, including the Summit County Land Bank; debt issuances may be executed as private placements between the Investing Authority and an agency, department, or authority of Summit County, including the Summit County Land Bank.
- L. Obligations of political subdivisions located totally or partially within Summit County will be evaluated on a case-by-case basis by the Investing Authority and the total for all purchases combined will not exceed five (5%) of the average portfolio at cost, as calculated by the Investing Authority.
- M. Notes issued by corporations with a maximum maturity of two years; specific limitations apply as provided for under 135.35 (A) (9) ORC. The percentage limitation (15% of the County's total average portfolio) does not include commercial paper or bankers acceptances.

The Fiscal Officer shall determine the method of calculating the average portfolio when percentage limitations must be determined for the investment in certain eligible investments.

VI. Prohibited Investments, Prohibited Transactions, and Other Limitations - The final maturity of all eligible investments is five years, unless the investment is matched to a specific obligation or debt of the County, and the investment is recommended by the Investing Authority and approved by the Board:

- Final maturities in excess of five years, except as provided under 135.35 (C) ORC.
- Derivative securities, as defined in 135.35 (B) ORC.
- The use of leverage.

## EXHIBIT A

- The issuance of taxable notes for the purpose of arbitrage.
- Other prohibited investments or transactions as defined in Section 135.35 ORC.

VII. Continuing Education - The Investing Authority shall require designated employees who are assigned investment responsibilities to attend continuing education classes or seminars each year. At a minimum, such designated persons shall earn at least twelve hours or credits of public sector investment topics or courses each year. The County will bear the cost of continuing education courses for employees of the Investing Authority.

VIII. Safekeeping and Custody - The Investing Authority shall be responsible for the safekeeping of investment assets of the County. Securities purchased for the County will be held in safekeeping by a qualified trustee [hereinafter referred to as the "Custodian"]. Securities held in safekeeping by the custodian will be evidenced by a monthly statement describing such securities. The custodian may safekeep the County's securities in (1) Federal Reserve Bank book entry form; (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank; or (3) Non-book entry (physical) securities held by the custodian or the custodian's correspondent bank. All securities transactions will settle using standard delivery-vs-payment (DVP) procedures. The records of the custodian shall identify such securities in the name of the Investing Authority. To maintain strict internal and external controls for the safekeeping of the County's investment assets, Summit County's investment assets shall not be held in safekeeping by a broker/dealer firm, and/or a firm acting on behalf of a broker/dealer to safe keep the County's investment assets. Nor shall a company and/or entity act as both investment advisor and broker/dealer to Summit County.

IX. The Investment Advisory Board ("Board") - Pursuant to County Codified Ordinance, Chapter 179, the Board is established to review the investments of the Investing Authority. The Board shall consist of the County Executive, the President of County Council and the County Fiscal Officer. Each member of the Board may appoint a designee. The Fiscal Officer shall act as the Chairman of the Board. Pursuant to Ohio Revised Code section 135.41 (C) the Investment Advisory Board shall meet at least once every three months.

X. Reporting [bracketed language refers to statutory terms] - The Investing Authority shall maintain an inventory of all obligations and securities. A description of each security includes type [issue/issuer], cost [original purchase cost or current book value], par value [maturity value], maturity date [receipt date of par value], settlement date [delivery versus payment date of purchased or sold securities], and any coupon [interest] rate. The investment report will also include a record of all security purchases and sales. The Investing Authority will maintain a monthly portfolio report and issue a quarterly portfolio report to the Board, detailing the *current* inventory of all securities,