

BUTLER COUNTY FINANCE AUTHORITY



Finance Authority Board of Directors

Brad Evans, Chairperson
Robert Schmidt, Vice-Chairperson
Tim Egloff
Brian William Fox
Denise Quinn
Matthew Bockhorst
Dona Canaan

Board of County Commissioners

T.C. Rogers, President
Cindy Carpenter, Vice President
Donald Dixon

INVESTMENT AND BANKING PRACTICES POLICY

This Investment and Banking Practices Policy (this “Policy”) of the Butler County Finance Authority (the “Finance Authority”) is intended to establish objectives, policies, guidelines and practices of the members of the Board of Directors of the Finance Authority (the “Board”) and other officers and staff of the Finance Authority with respect to the investment and banking activities of the Finance Authority. All such activities shall be carried out in a prudent manner and in compliance with applicable federal, state and local laws and regulations, including, but not limited to, Chapter 135 of the Ohio Revised Code (the “Depository Act”).

ARTICLE I

SCOPE OF THE POLICY

1. The Finance Authority has two types of funds, as follows: (1) operating funds which are subject to all public fund requirements of the Depository Act (the “Operating Funds”); and (2) funds held in trust for the purpose of securing Finance Authority bonds, which are not subject to the requirements of the Depository Act (the “Trust Funds”). This Policy addresses only the Operating Funds subject to the Depository Act. The Trust Funds shall be handled, deposited, withdrawn and invested only pursuant to the terms of the applicable bond documents related to Finance Authority bonds under which the Trust Funds are established.

ARTICLE II

OBJECTIVES

1. **Investment Objectives.** The Finance Authority’s primary objective in investing the Operating Funds is to assure the safety of principal. The Finance Authority’s secondary objectives are to provide adequate liquidity and maximize investment income without undue risk exposure. All investments shall be limited to those which the Board, officers and employees have the capacity and experience to assess and administer.

2. **Banking Practice Objectives.** The Finance Authority’s objective with respect to its banking practices is to maintain appropriate internal controls related to the handling of Finance Authority’s cash receipts, deposits, and withdrawals of the Operating Funds to support operations of the Finance Authority, the authorization of certain individuals to transact with the Finance Authority’s bank accounts, and to avoid fraudulent or otherwise improper use of the Operating Funds.

ARTICLE III

RESPONSIBILITIES RELATED TO DEPOSITS AND INVESTMENTS

1. **Investment Officer.** The Fiscal Officer of the Finance Authority, or a designee thereof approved by the Board, shall be the Investment Officer. The Investment Officer will make deposit or investment decisions with respect to the Operating Funds in consultation with the President and the Board and any other officers or employees of the Finance Authority that the President and the Board shall designate.

The Investment Officer shall be responsible for the safekeeping of all documents evidencing a deposit made or

investment acquired by the Investment Officer. The Investment Officer shall further be required to complete the continuing education requirements contained in Section 135.22 of the Ohio Revised Code.

2. **Investment Advisors.** The Finance Authority may retain the services of one or more registered investment advisors to assist the Investment Officer and the Board with respect to investment decisions. Any investment advisor so retained shall meet the following qualifications: (a) the advisor must be licensed by the Ohio Division of Securities under Section 1707.141 of the Ohio Revised Code or registered with United States Securities and Exchange Commission; and (b) the advisor must possess experience in public funds investment management, specifically in the area of state and local government investment portfolios.
3. **Qualified Dealers and Financial Institutions.** Except for investments described in Section 4.2(e) or 4.2(f) of this Policy, all investments shall be made through one of the following: (a) a member of the Financial Industry Regulatory Authority; or (b) an institution regulated by the Ohio Superintendent of Financial Institutions, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the Board of Governors of the Federal Reserve System.
4. **Designation of Public Depositories.** In accordance with Section 135.12 of the Ohio Revised Code, the Board of the Finance Authority, from time to time, but at least every five (5) years, meet to designate the public depositories of the Operating Funds of the Finance Authority.
5. **Payment for Investments.** Payment for any investments made under this Policy shall be made only upon delivery of the securities to the Investment Officer, his or her agent, or a qualified trustee, or, if the securities are not represented by a certificate, upon the Investment Officer's receipt of confirmation of transfer to the custodian.
6. **Annual Review.** The Board shall establish a periodic review process of this Policy. The review shall include an internal review for compliance with all existing policies and procedures.

ARTICLE IV

DEPOSIT AND INVESTMENT OF OPERATING FUNDS

1. **Liquidity Management.** For the Operating Funds, a minimum of the greater of: (a) [6] months' operating expenses, or (b) [12] months' projected net cash flow shall be retained in cash or Eligible Investments which provide immediate liquidity. Any Operating Funds above such amount above should be maintained in Eligible Investments (i) with a maturity of less than or equal to [18 months]; or (ii) that are immediately saleable and have a maturity of not greater than [30 months]. The most recent budget or forecast for the current year should be used to determine monthly operating expenses and projected net cash flows. Notwithstanding the foregoing, with the approval of the Board, the Investment Officer may invest funds in Eligible Investments with maturities greater than those specified in this paragraph, but in no case for a period longer than five (5) years (except Eligible Investments identified in Section 4.2(d) hereof, which may be for a period up to ten (10) years).
2. **Eligible Deposits and Investments.** The following deposits and investments shall be eligible for the investment of Operating Funds (collectively, "Eligible Investments"):
 - (a) Treasury bills, notes, bonds, or any other obligations or securities issued by the United States Treasury or any other obligations guaranteed as to principal and interest by the United States government (except stripped principal or interest obligations of such eligible obligations);
 - (b) 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, the Federal Home Loan Bank, the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association; provided, that all such securities shall be direct issuances of federal government agencies or instrumentalities;

(c) Certificates of deposit, savings accounts, or deposit accounts in eligible depositories that have 100% coverage from the Federal Deposit Insurance Corporation or are collateralized fully under the requirements of the Depository Act;

(d) Bonds and other obligations of the State of Ohio, or the political subdivisions of the State of Ohio; provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:¹

(i) such securities are payable from general revenues of and backed by the full faith and credit of the political subdivision;

(ii) such securities 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;

(iii) the aggregate value of such securities does not exceed twenty percent (20%) of moneys of the Finance Authority available for investment;

(iv) the Finance Authority is not the sole purchaser of such securities at original issuance; and

(v) such securities mature within ten (10) years from the date of settlement.

(e) No-load money market mutual funds consisting exclusively of United States Treasury or federal agency or instrumentality obligations, repurchase agreements secured by the United States Treasury, or federal agency obligations made through eligible institutions;

(f) STAR Ohio (State Treasury Asset Reserve of Ohio);

(g) Up to forty percent (40%) of Finance Authority moneys available for investment in either of the following:

(i) commercial paper notes issued by an entity that is defined in Sections 1705.01(D) or 1706.01(E) of the Ohio Revised Code and that has assets exceeding five hundred million dollars (\$500,000,000), to which notes all of the following apply:

1. the notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services;

2. the aggregate value of the notes does not exceed ten percent (10%) of the aggregate value of the outstanding commercial paper of the issuing corporation;

3. the notes mature not later than two hundred seventy (270) days after purchase; and

4. the investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent (5%) of Finance Authority moneys available for investment at the time of purchase; and

(ii) bankers acceptances of banks that are insured by the Federal Deposit Insurance Corporation and that mature not later than one hundred eighty (180) days after purchase.

¹ No such investment shall be made unless the Investment Officer has completed additional training for making such investments, as approved by and under the supervision of the State Treasurer.

[The Eligible Investments listed above reflect the eligible investments listed in Section 135.14(B) of the Ohio Revised Code as of the date this Policy was approved by the Board. For purposes of clarification, prior to the making of any investment decision, the Investment Officer shall consult with the provisions of Section 135.14(B) of the Ohio Revised Code (or its successor provision) and, if deemed necessary, counsel to the Board, to ensure that such investment qualifies as an Eligible Investment at such time. Pending any amendments to this Policy, in the event that Section 135.14(B) of the Ohio Revised Code is subsequently amended, the Investment Officer shall be permitted to invest Operating Funds in accordance with such amended provision even if such investment is not listed as an Eligible Investment above.]

3. **No Derivatives; Hold to Maturity.** Nothing in the classifications of Eligible Investments set forth above shall be construed to authorize any investment in a derivative. For purposes of this section, “derivative” means a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself. Any security, obligation, trust account, or other instrument that is created from an issue of the United States Treasury or is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument. An Eligible Investment described above with a variable interest rate payment, based upon a single interest payment or single index comprised of United States Treasury or federal agency or instrumentality obligations is not a derivative, provided that such variable rate investment has a maximum maturity of two (2) years.

In addition to the requirements stated herein, the Investment Officer shall not make any investment of the Operating Funds unless the Investment Officer reasonably expects that the investment can be held until its maturity.

ARTICLE V

BANKING PRACTICES

1. **General.** This Article sets forth certain requirements for opening, closing, updating and maintaining the Finance Authority’s bank accounts for the purpose of establishing adequate control procedures over Finance Authority assets and minimizing the Finance Authority’s risk of financial loss. In all cases, such banking activities shall be subject to and in compliance with the requirements of the Depository Act, including, but not limited to, the requirement that all awarded public deposits shall be with an eligible public depository and that such public depository shall comply with the applicable collateralization requirements with respect to such deposits.

2. **Role of Fiscal Officer.** The Fiscal Officer of the Finance Authority shall be primarily responsible for maintaining all records related to the Finance Authority’s bank accounts and shall periodically report such information to the Board and the President and provide such other information to the Board and the President that either may request from time to time. The Fiscal Officer shall be solely responsible for all activities related to the opening and closing of any bank accounts of the Finance Authority; provided, that no bank accounts shall be opened or closed unless authorized by the Board. The Fiscal Officer shall further be responsible for monthly reconciliations of each of the Finance Authority’s bank accounts. In accordance with Section 4582.41 of the Ohio Revised Code, the Fiscal Officer shall maintain a surety bond in an amount determined by the Board for the purpose of insuring the faithful performance of his or her official duties.

3. **Bank Account Access; Authorized Signers.** Unless otherwise directed by the Board, only the, the Chairperson, the Fiscal Officer and the President shall have access (including online banking system access) to view, monitor and transact with the Finance Authority’s bank accounts. All such bank accounts shall list the Fiscal Officer, the President, and the Chairperson and Vice-Chairperson of the Board as authorized signers (“Authorized Signers”). As a measure to prevent fraudulent or otherwise improper use of such accounts, no other Board member, officer or employee of the Finance Authority shall have access to such accounts; provided, that at the discretion of the Board or the President, any such officer or employee may be provided with access to such accounts on a “read-only” basis, without the ability to effect transactions with respect to such accounts.

4. **Payments.** All invoices submitted to the Finance Authority for payment shall be forwarded to the Fiscal Officer and copied to the President. The Fiscal Officer shall verify the accuracy of all such invoices and ensure that the invoice was properly issued for an authorized expense of the Finance Authority. Any wire transfer, check or draft upon a Finance Authority bank account pursuant to an invoice shall be signed or otherwise approved on behalf of the Finance Authority as follows:

- (a) up to **[\$5,000]**, by either of (i) the President, (ii) the Fiscal Officer or (iii) the Chairperson or Vice-Chairperson of the Board;
- (b) above **[\$5,000]** and up to **[\$10,000]**, by any combination of (i) the President, Chairperson or Vice-Chairperson of the Board, and (ii) the Fiscal Officer; and
- (c) above **[\$10,000]**, by the Chairperson and the Fiscal Officer.

In the event the payee with respect to any invoice is an officer or employee of the Finance Authority, or any officer or employee of the Finance Authority is intended to benefit from the payment of such invoice, such payment shall be approved, at a minimum, by the Chairperson of the Finance Authority, and otherwise in accordance with this Section 5.4.

The Fiscal Officer shall be responsible for preparing all checks or drafts to be made on a Finance Authority bank account pursuant to an invoice and shall maintain all blank checks in a secure location so as to prevent the misappropriation thereof. With respect to any wire transfer or similar electronic transfer of Finance Authority funds, the Fiscal Officer shall print and maintain all confirmations related to such transfer.

5. **Internal Fund Transfers.** With respect only to transfers of funds between two or more deposit or investment accounts of the Finance Authority, and specifically excluding any payments to be made pursuant to an invoice in accordance with Section 5.4 hereof (“Internal Fund Transfers”), the following officers shall be permitted to initiate Internal Fund Transfers in the amounts listed below with the approval of the officers listed below:

- (a) the President, or any Authorized Signer at the direction of the President, may initiate Internal Fund Transfers from the Finance Authority’s investment accounts to the Finance Authority’s primary checking account up to **[\$50,000]**; and
- (b) with the approval of the Chairperson, any Authorized Signer may initiate Internal Fund Transfers (i) from the Finance Authority’s investment accounts to the Finance Authority’s primary checking account above **[\$50,000]**; and (ii) from the Finance Authority’s primary checking account to the Finance Authority’s investment accounts in any amount.

6. **Reporting of Payments and Transfers.** The Fiscal Officer shall be responsible for reporting and accounting for all payments or transfers referenced in Sections 5.4 and 5.5 hereof to the Board at the immediately subsequent meeting of the Board.

ARTICLE VI

ETHICS AND CONFLICTS OF INTEREST

1. The Investment Officer and any other directors, officers, or employees of the Finance Authority involved in the investment of Finance Authority funds shall refrain from any personal business activity that could impair such person’s ability to make impartial deposit or investment decisions. Each director, officer, and employee shall disclose any material interest in any financial institution that conducts business with the Finance Authority, and each director, officer, and employee shall disclose any large personal financial or investment position that could be related to the performance of the Finance Authority’s investment portfolio.

ARTICLE VII

STATEMENTS OF COMPLIANCE

1. **Submission of Policy to the Auditor of State.** This Policy has been approved by the Board and will be filed with the Auditor of State, Attention: Clerk of the Bureau, P.O. Box 1140, Columbus, Ohio 43216-1140, or by electronic filing via the Finance Authority's eServices account with the Auditor of State. Any amendment to this Policy will be filed with the Auditor of State in the same manner within fifteen (15) days of the effective date of the amendment.

2. **Acknowledgement and Acceptance of Policy.** This Policy will be acknowledged and accepted by (i) each entity conducting investment business with the Finance Authority (except the Treasurer of State), (ii) each broker, dealer, or financial institution, described in Section 135.14(M)(1) of the Ohio Revised Code, initiating transactions with the Finance Authority, by giving advice or making investment recommendations, and (iii) each broker, dealer, or financial institution, described in Section 135.14(M)(1) of the Ohio Revised Code, executing transactions initiated by the Finance Authority. The form of such acknowledgement and acceptance is attached hereto *Exhibit A*. The Fiscal Officer will maintain in the Finance Authority's files a copy of this Policy and the signature page of each of the above entities acknowledging and accepting this Policy.

EXHIBIT A

FORM OF ACKNOWLEDGEMENT AND ACCEPTANCE

BUTLER COUNTY FINANCE AUTHORITY



Finance Authority Board of Directors

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**ACKNOWLEDGEMENT AND ACCEPTANCE OF
BUTLER COUNTY FINANCE AUTHORITY
INVESTMENT AND BANKING PRACTICES POLICY**

The undersigned, on behalf of _____ (the “Policy Participant”), hereby acknowledges and accepts the terms and provisions of the Investment and Banking Practices Policy adopted by the Board of Directors of the Butler County Finance Authority and presented to the Policy Participant as of the date written below.

By: _____
Name: _____
Title: _____
Date: _____