

## **NOTICE**

This City of Kettering Code section is not the official version and is provided only for the convenience of the public. The only official version of the City of Kettering Code is available through the office of the Clerk of Council, located in the City of Kettering Government Center, 3600 Shroyer Road, Kettering, Ohio 45429.

This version may, occasionally, differ from the official version and should only be relied upon for general information purposes. Any errors or omissions should be reported to the Clerk of Council. In no event shall the City of Kettering be held liable for damages of any nature, direct or indirect, arising from the use of this service or reliance on this unofficial document.

**CHAPTER 139  
DEPARTMENT OF FINANCE**

139.01 Investment of Excess Funds	139.02 Use of GAAP for Appropriations
-----------------------------------	---------------------------------------

**CROSS REFERENCES**

Department established – see Charter, Article VI, §1

Director – see Charter, Article VI, §2

Council control of finances – see Ohio Revised Code 731.47

Director to make payments of claims – see Administrative Code 137.01

**139.01 INVESTMENT AND DEPOSIT POLICY**

Effective cash management is recognized as essential to good fiscal management. This is particularly true as mounting costs and expanding programs have placed ever increasing pressures on local government revenues. Investment returns on funds not immediately required can help to reduce this pressure. Effective cash management of these funds requires an investment and depository policy be well-founded and uncompromisingly applied. Bank management practices represent an important part of the overall treasury management function.

**139.01 .1 OBJECTIVES AND GUIDELINES**

The following investment objectives will be applied in the management of city funds.

- A. The primary objective of the City of Kettering's investment activities is the preservation of capital and the protection of investment principal.
- B. In investing public funds, the City will strive to maximize the return on the portfolio but will avoid assuming unreasonable investment risks.
- C. The City's investment portfolio will remain sufficiently liquid to enable the City to meet operating requirements which might be reasonably anticipated.

- D. The City will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.
- E. Investments 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.
- F. Banks vary in the services they provide, their service fees, interest rates on interim investments 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.

#### **139.01.2 CENTRAL DEPOSITORY**

If all deposits are concentrated in one central depository, the City is in a better position to require a broader range of services. When deposits are divided among several banks, the City's ability to acquire adequate services would be limited, and the effectiveness of the City's overall cash management program reduced. Therefore, all City deposits will be concentrated in one central depository and the request for proposals will indicate the City's intent to contract with one central depository.

#### **139.01.3 DELIVERY VS. PAYMENT**

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

#### **139.01.4 MATURITY**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

**139.01 .5 INVESTMENT DIVERSITY**

No more than 20% of the City's investment portfolio will be placed with any particular issuer of commercial paper, corporate bonds, bankers acceptance or money market mutual fund.

**139.01 .6 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

Securities shall be purchased only through financial institutions located within the fifty (50) United States or through "primary securities dealers" as designated by the Federal Reserve bank. A list of these authorized institutions and dealers will be maintained by the Director of Finance.

The Director of Finance:

- (A) May make additions to the authorized list when the investment and deposit policy requirements are met,
- (B) Shall make deletions from the list (1) if and as directed by ordinance of City Council, (2) upon failure of the financial institution to meet the foregoing investment and deposit policy requirements or (3) upon request of the financial institution or dealer; and
- (C) May make deletions from the list based on the following criteria or circumstances:
  - 1. Perceived financial difficulties of the financial institution or dealer;
  - 2. Consistent lack of competitiveness by the financial institution or dealer;
  - 3. Lack of experience or familiarity of the account representative in providing service to large institutional accounts; or
  - 4. When deemed in the best interest of the City.

**139.01.7 INSTRUMENTS AUTHORIZED**

- A. As used in this section, "derivative" means a financial instrument, contract, or obligation whose value or return is based upon or linked to another asset, 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 in Section 135.14 or 135.35 of the Ohio Revised Code with a variable interest rate payment, based upon a single interest payment or single index comprised of other investments provided for in Division (B)(1) or (2) of Section 135.14 of the Ohio Revised Code, is not a derivative, provided that such variable rate investment has a maximum maturity of two years.

- B. The Director of Finance may only invest, on behalf of and in the name of the City, in those instruments listed below at a price not exceeding the instrument's fair market value; the Director of Finance shall not invest in any derivative(s) of said instruments.

1. Government Securities

U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.

2. Non-Negotiable Interest Bearing Time Certificates of Deposit and Savings Accounts

Non-negotiable Interest Bearing Time Certificates of Deposit and savings accounts in federally-insured banks or savings and loan associations, organized under the laws of the United States, and chartered in and located within the fifty (50) United States, provided that such deposits are secured by collateral as prescribed herein.

Minimum criteria for banks and savings and loan associations shall be as follows:

- a. The institution shall meet the current FDIC requirements for a "Well-Capitalized" financial institution. Currently, the FDIC requirements for a well-capitalized institution are >5% Tier I Leverage Ratio (Tier 1 Capital as a percentage of Average Assets), >10% Total Capital Risk Ratio (Total Capital as a percentage of Risk Weighted Assets), and >6% Tier 1 Risk Ratio (Tier 1 Capital as a percentage of Risk Weighted Assets).
- b. The asset size shall be a minimum of \$50 million.
- c. The institution shall be profitable the sum of the last four quarters or year-to-date.

3. Bankers Acceptances

Bankers Acceptances which are eligible for purchase by the Federal Reserve system and which are issued by institutions which are ranked nationally as being in the top one hundred (100) in asset and deposit size within their industry.

4. Repurchase Agreements

Repurchase Agreements whose underlying purchased securities consist of lawful investments allowed for repurchase agreements under Chapter 135 of the Ohio Revised Code.

5. Commercial Paper / Corporate Bonds

Commercial notes of any United States company provided that such notes are rated "prime" (P-1) by Moody's Investors Service or (A-1) by Standard & Poor's.

Collateralized commercial paper, commercial notes, medium term corporate notes or bonds of any United States company provided that such instruments are rated "prime" (P-1) by Moody's Investors Service or (A-1) by Standard & Poor's for short-term ratings or Single "A" rated or better for long term.

6. Money Market Funds

Money market and mutual funds whose portfolios consist of the foregoing instruments (1-5).

7. NOW Accounts

Negotiable order of withdrawal ("NOW") accounts, Super NOW Accounts, or any other similar account authorized by the Federal Reserve's Depository Institutions' Deregulation Committee.

8. State of Ohio Treasurer's Investment Pool

The investment pool for Ohio subdivisions established by Ohio Revised Code Section 135.45 as amended.

**139.01.8 COLLATERALIZATION OF NON-NEGOTIABLE INTEREST BEARING TIME CERTIFICATES OF DEPOSIT AND SAVINGS ACCOUNTS**

All deposits of City funds in non-negotiable interest bearing time certificates of deposit made by the City and all savings accounts or now accounts of the City shall be secured by collateral in accordance with Section 135.18 or 135.181 of the Ohio Revised Code as amended.

**139.01.9 COMPETITIVE BIDDING**

The purpose of competitive bidding is to strengthen the investment program in terms of level and consistency of performance. All purchases of securities will be bid competitively and to the extent practical all investments will be placed with vendors yielding the highest returns to the City. The right is reserved to reject the bid yielding the highest return of interest on any investments if inconsistent with the City investment strategy, i.e., maturity, risk, liquidity, etc.

Price and rate quotations on all trades may be obtained from sources within and outside the City. In the case of the sale of securities or the purchase of securities where all other factors are considered by the Director of Finance to be equal, placement will be made in favor of the banking institution situated within the City if two bids or more are the same.

As stated in this policy, the City will competitively bid and invest part or all of its surplus or excess funds outside the designated central depository bank. However, this practice will not limit the central depository bank from competitively bidding on the City's investment business as would any other financial institution.

**139.01 .10 REPORTING**

The Director of Finance shall provide regular reports (at least quarterly) to the City Manager and City Council about the City's investment activities. The report should include at least the details of the City's portfolio by instruments.

**139.01 .11 POOLING OF FUNDS**

The Director of Finance is authorized to pool cash balances from the several different funds of the City for investment purposes.

**139.02 APPROPRIATIONS AND SPECIAL REVENUE FUNDS.**

- A. Appropriation ordinances shall be prepared using generally accepted accounting principles ("GAAP").

- B. So long as required by official statements of the Governmental Accounting Standards Board ("GASB Statement 54" and subsequent), if a City of Kettering fund is to be classified as a special revenue fund, the proceeds of specific revenue sources must be restricted or committed to expenditure for specified purposes. As such, all currently classified special revenue funds shall be kept in the same classification and the following shall apply:
1. All gasoline tax receipts and vehicle license fees shall be expended 92.5% for maintenance of streets, alleys and public rights of way, and the remaining 7.5% shall be expended on State highways.
  2. All revenues derived from operation of any City-owned cemetery, including interest on Cemetery fund investments, shall be expended on operations of any City-owned cemetery.
  3. All revenue paid to the City for services of parks, recreation, and cultural arts activities, plus revenue received from rental of City-owned parks and recreation facilities shall be expended only for Parks, Recreation and Cultural Arts activities.
  4. All revenue derived from Frazee Pavilion activities, plus rental revenues for the Frazee Pavilion or any of its facilities shall be expended on Frazee Pavilion activities.
  5. All Frazee Pavilion contributions shall be expended on Frazee Pavilion capital expenditures.
  6. All contributions to the Kettering Memorial fund shall be expended on Fire Department activities.
  7. All contributions to the Christmas Day fund shall be expended on Christmas day celebrations.
  8. All revenues derived from any City-owned real or personal property that was conveyed to the City by the United States Air Force and was formerly part of or directly related to the DESC Facility (aka Gentile Air Force Station), including but not limited to the rental or sale of land and buildings, shall be expended on activities on City-owned property located within the boundaries of the former DESC facility.
- C. Pursuant to principles of GASB Statement 54, City Council authorizes the Finance Director to assign proceeds of revenue sources not previously specifically restricted and not previously specifically committed by the Council, to be expended for categorical purposes that the Director determines,



in the Director's professional opinion, to be the desire or direction of Council. All such Finance Director assignments shall be affirmed by adoption of a resolution of the City Council within eighteen (18) months following the date of City receipt of any such proceeds. Without such affirmation, such assignment shall be immediately considered null and void."

Legislative History: Ord. 533-57, passed 9-5-57; Ord. 3492-91, passed 5-14-91; Ord. 3852-00, passed 11-28-2000; Ord. 4146-09, passed 12-8-09.