

**INVESTMENT POLICY  
CLEVELAND MUNICIPAL SCHOOL DISTRICT**

**I. Introduction**

The purpose of this investment policy is to establish priorities and guidelines regarding the investment management of the funds of the Cleveland Municipal School District [hereinafter referred to as the "District" or the "District's Portfolio"]. Such priorities and guidelines are based upon Chapters 135.14 and 135.142 of the Ohio Revised Code and prudent money management. This policy includes [totally or partially] sections of the statute in order to describe eligible investments. In some sections, the policy places further limits upon the use eligible investments or investment transactions.

**II. Investment Objectives**

The investment objectives of the District, in priority order, include:

**A. Compliance with all Federal and State Laws**

**B. Safety of Principal**

Safety of principal is the most important objective. The investment of District funds shall be conducted in a manner that seeks to ensure the preservation of capital within the context of the following criteria:

! Market risk (interest rate risk)

The market value of securities in the Districts' 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 to pay current obligations;
- (2) diversification of maturities;
- (3) diversification of assets.

! 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 affected by credit risk include certificates of deposit, commercial paper, and bankers' acceptances. 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 and bankers acceptances; and (3) maintaining adequate collateralization of certificates of deposit.

### **C. Liquidity**

The portfolio shall remain sufficiently liquid to meet all current obligations of the District. Minimum liquidity levels [as a percentage of average investable funds] may be established in order to meet all current obligations without having to sell securities. The portfolio may also be structured so that securities mature concurrently with cash needs.

### **D. Yield**

The District's portfolio shall be managed to consistently attain a market rate of return throughout budgetary and economic cycles. Whenever possible, and consistent with risk limitations and prudent investment management, the District will seek to augment returns above the market average rate of return through the implementation of active portfolio management strategies.

## **III. Authorized Investments (itemized)**

- X U.S. Treasury Bills, Notes, and Bonds; various federal agency securities including issues of Federal National Mortgage Assn. (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Assn. (SLMA), Government National Mortgage Association (GNMA), and other agencies or instrumentalities of the 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.
- X Commercial paper issues of companies incorporated under the laws of the United States or any state, provided that such companies have assets in excess of \$500 million; eligible commercial paper shall also be rated in the highest classification [at the time of purchase] by at least two standard rating services. The final maturity of commercial paper shall be no longer than 180 days from the date of purchase.
- X Bankers acceptances issued by any bank domiciled in the State of Ohio or bankers acceptances issued by any domestic bank rated in the highest

category by one of two nationally recognized rating agencies. The final maturity of a bankers' acceptance shall be no longer than 180 days.

- X Note: The maximum allowable percentage of commercial paper and bankers acceptances is defined under Section 135.142 ORC. The District Chief Financial Officer and his/her designee and/or agents shall complete the additional training required for making the type of investments authorized under ORC Section 135.142.
- X Interim deposits in the eligible institutions applying for interim moneys provided in section 135.08 ORC.
- X No-load money market mutual funds, as defined in 135.14(B)(5), 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 B(1) or B(2) under 135.14 ORC, and repurchase agreements secured by such obligations. Eligible money market funds shall comply with 135.01 ORC, regarding limitations and restrictions.
- X Repurchase agreements with any eligible institution mentioned in section 135.03 ORC, or any eligible securities dealer pursuant to division (M) of this section, except that such eligible securities dealers shall be *restricted to primary government securities dealers*. Repurchase agreements executed with eligible broker/dealers will settle on a delivery vs. payment basis with repurchase collateral held at a qualified custodian or agent, designated by the District. Eligible repurchase collateral is restricted to securities listed in division (B)(1) or (B)(2) under 135.14 ORC. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase amount by at least 2%. Prior to the execution of any repurchase transaction, a master repurchase agreement will be signed by the District and the eligible parties.
- X The state treasurer's investment pool [STAR OHIO], pursuant to 135.45 ORC.
- X The use of derivative securities, as defined in 135.14 (C), is expressly prohibited.
- X All eligible investments will mature within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the District, and the investment is specifically approved by the District Chief Financial Officer.

#### **IV. Safekeeping and Custody**

Securities purchased for the District will be held in safekeeping by a qualified trustee [hereinafter referred to as the "Custodian"], as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian will be evidenced by a monthly statement describing such securities. The custodian may safe-keep the District'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 District.

#### **V. School District Board**

An investment report will be prepared on a quarterly basis and made available to the District's Board. The report will include the following specific areas: the investment inventory, transactions for the period, and realized income. Changes/modifications to the investment policy shall be submitted to the District's Board members for approval. Any amended policy that has been approved by the Board members of the District shall be filed with the Auditor or State.

#### **VI. Portfolio Reporting**

The District shall maintain an inventory of all portfolio assets. A description of each security will include security type, issue/issuer, cost [original purchase cost or current book value], par value [maturity value], maturity date, 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. Regularly issued reports will include a monthly portfolio report and a quarterly portfolio report, detailing the *current* inventory of all securities, all investment transactions, any income received [maturities, interest payments, and sales], and any expenses paid. The report will also include the purchase yield of each security, the average-weighted yield and average-weighted maturity of the portfolio.

The portfolio report shall state the name(s) of any persons or entity effecting transactions on behalf of the investing authority.

#### **VII. Investment Advisors, Qualified Dealers and Financial Institutions**

The District may retain the services of one or more registered investment advisor. The investment advisor(s) will assist in the management of the District's portfolio and will share the responsibility for the investment and reinvestment of such investment assets, including the execution of investment transactions. Upon the request of the District's

Chief Financial Officer, the investment advisor will attend meetings and will discuss all aspects of the District's portfolio, including bond market conditions affecting the value of the District's investments. The investment advisor(s) will be required to issue monthly and quarterly portfolio reports as defined under section VI of this investment policy ["Portfolio Reporting"].

The investment advisor(s) may transact business (execute the purchase and/or sale of securities) with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities, to transact business in the State of Ohio.

All persons or entities transacting investment business with the District are required to sign the approved investment policy as an acknowledgment and understanding of the contents of said policy.

### **VIII. Sale of Securities Prior to Maturity**

Portfolio securities may be "redeemed or sold" prior to maturity under the following conditions:

- (1) To meet additional liquidity needs
- (2) To purchase another security to increase yield or current income
- (3) To purchase another security to lengthen or shorten maturity
- (4) To realize any capital gains and/or income
- (5) To increase investment quality

Such transactions may be referred to as a "sale and purchase" or a "bond swap". For purposes of this section, redeemed shall also mean "called" in the case of a callable security.

### **IX. Procedures for the Purchase and Sale of Securities**

Securities will be purchased or sold through approved broker/dealers on a "best price and execution" basis. All such investment transactions will be communicated by facsimile transmission to the Chief Financial Officer or to an authorized representative, designated by the Chief Financial Officer. A purchase or sale of securities will be represented by transaction advices issued by the District's investment advisor(s) which will describe the transaction, including par value, coupon (if any), maturity date, and cost. A facsimile transmission will also be sent to the Chief Financial Officer's designated custodian bank and will serve as an authorization to said custodian to receive or deliver securities versus payment. Confirmation advices, representing the purchase or sale of securities, will be issued by the eligible broker/dealer and sent to the investing authority. Copies of such advices will be sent to the District's investment advisor.

**X. Statements of Compliance**

This investment policy has been approved by the investing authority and the governing board and filed with the Auditor of State, pursuant to 135.14 (N)(1) ORC.

All brokers, dealers, and financial institutions executing transactions initiated by the Chief Financial Officer or the District's investment advisor(s) have signed the approved investment policy. Investment policies [signed by such brokers, dealers, and financial institutions] are filed with the Chief Financial Officer. The District's investment advisor(s) is registered with the Securities and Exchange Commission and possesses public funds investment management experience, specifically in the area of state and local government investment portfolios. The investment advisor(s) has/have additionally signed the approved investment policy and the signed policy is filed with the Chief Financial Officer.

Any amendments to this policy will be filed with the Auditor of State [Attn: Clerk of the Bureau, P.O. Box 1140, Columbus, OH, 43216-1140] within fifteen days of the effective date of the amendment.

[Adoption date: May 22, 2001]

LEGAL REFERENCES

ORC 135.01-135.21

**INVESTMENT POLICY  
CLEVELAND MUNICIPAL SCHOOL DISTRICT**

Pursuant to 135.14(N)(1) ORC, an approved investment policy, dated \_\_\_\_\_, has been filed with the State Auditor. The following is a resolution of the Cleveland Municipal School Board approving said investment policy. The investment policy will be filed with the Auditor of State within fifteen days of the effective date and will remain in effect unless modified by the School District Board.

**Approval of the Board Members**

The investment policy dated, \_\_\_\_\_ is hereby, approved:

_____	_____
Board Member	Date
_____	_____
Board Member	Date
_____	_____
Board Member	Date
_____	_____
Board Member	Date
_____	_____
Board Member	Date

**The revised investment policy has been approved by the Cleveland Municipal School District Board on this date of \_\_\_\_\_ and will be filed with the State Auditor within fifteen days.**

_____	_____
District Chief Financial Officer	Date