

08/16/90

OHIO TURNPIKE COMMISSION

Resolution Adopting the Ohio Turnpike  
Commission's Investment Policy

WHEREAS, there is before the Commission a document setting forth a formal investment policy for the Ohio Turnpike Commission;

WHEREAS, this document is the result of the joint efforts of the members of the Audit/Legal Committee and has been reviewed and approved by fiscal counsel for the Commission;

WHEREAS, the Commission deems it desirable to adopt a formal investment policy and has reviewed the investment policy which is before it;

WHEREAS, the adoption of this policy has been recommended by the Audit/Legal Committee;

NOW, THEREFORE, BE IT

RESOLVED that the Ohio Turnpike Commission hereby adopts an investment policy, such policy being set forth in the document entitled, "Ohio Turnpike Commission Investment Policy" dated August 1990, and hereby authorizes and directs the executive director to take all action necessary to implement this policy; and

FURTHER RESOLVED that the secretary-treasurer of the Commission, the assistant secretary-treasurer of the Commission and the comptroller of the Commission are each designated as "authorized parties" as such term is used in the Commission's investment policy; and

FURTHER RESOLVED that the copy of this investment policy is attached to this resolution and incorporated herein by reference as if fully re-written herein.

(Resolution No. 9-1990 adopted August 16, 1990)

OHIO TURNPIKE COMMISSION  
INVESTMENT POLICY

AUGUST, 1990

This investment policy applies to the investments made of the Ohio Turnpike Commission's (Commission) moneys in all funds, unless specifically excluded. All investments shall be made in compliance with the applicable statutory laws of Ohio including Chapter 5537 of the Revised Code of Ohio and the Trust Agreement between the Ohio Turnpike Commission and Ameritrust Company National Association dated September 1, 1984, securing State of Ohio, Turnpike Refunding Revenue Bonds of 1984 and all supplements thereto (Trust Agreement). Any conflict between this policy and the statutory laws of Ohio and the Trust Agreement shall be resolved in favor of the statutory laws and the Trust Agreement.

OBJECTIVES

Investments shall be undertaken to ensure preservation and safety of capital in the overall portfolio. Investments purchased with moneys from the Revenue Fund, Capital Improvement Fund, and Fuel Tax Fund will include securities that will provide for an investment portfolio designed to attain a market average rate of return over the economic cycle with consideration of cash flow requirements of the funds.

The Ohio Turnpike Commission has adopted an "Employee Severance Anticipation Compensation Plan" (Severance Plan) and have made deposits pursuant to such plan, creating a fund (Severance Fund) to meet the anticipated obligations of the Plan. Investments of the Severance Fund are selected in a manner which seeks to ensure preservation of capital in addition to attempting to match the anticipated maturity date, June 1, 1992. Commission Resolution 2-1990 provides that a portion of the amount deposited in the Severance Fund, as well as the Plan's investment earnings, can and should be used to meet ongoing Commission financial obligations to employees resigning and terminating in good standing. The semiannual interest earnings from investment of the Severance Fund will be used to meet the financial obligations under Resolution 2-1990.

INVESTMENT AUTHORITY

Implementation of the Commission's investment policy shall be the responsibility of the Secretary-Treasurer of the Commission and/or the Assistant Secretary-Treasurer of the Commission. The day-to-day management, operation, and implementation of the policy shall be the responsibility of the Comptroller of the Commission. All of the above shall be collectively referred to as "Authorized Parties."

### INVESTMENT STANDARDS

All investments under the Commission's investment policy shall be in accordance with the Trust Agreement, Chapter 5537 of the Revised Code, all other applicable laws and regulations and all actions and agreements of the Commission.

All action by Authorized Parties under this policy shall be in compliance with the applicable ethics and interest in contract legislation of this state. None of the Authorized Parties nor members of the Commission shall be held accountable for any loss occasioned by sales or liquidations of investments or deposits at prices lower than their cost.

### INTERNAL CONTROLS

A system of internal accounting controls that safeguard assets and provides reasonable assurance of proper recording of all financial transactions has been established and will be followed in the implementation of the investment policy. The internal control procedures relevant to the investment transactions have been designed to prevent losses arising from fraud, collusion, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the Ohio Turnpike Commission.

Internal accounting control procedures shall be reviewed and updated, when necessary, by the Commission's Accounting and Auditing Department, as well as the Commission's outside auditing firm.

### INVESTMENTS

In accordance with the Trust Agreement, assets of all funds of the Commission governed by the Trust Agreement shall be invested only in the following, which shall also be the eligible investments of other funds of the Commission:

- (i) Any bonds, debentures, notes, participation certificates or other obligations which are, or which evidence undivided fractional or proportionate interests in, direct obligations of, or fully guaranteed as to principal and interest by, the United States of America or any agency or public body which is controlled or supervised by and acting as an instrumentality of the United States of America, including obligations issued or held in book entry form on the books of the U.S. Department of Treasury;

(ii) Bankers acceptances, certificates of deposit or time deposits of banks or trust companies, including the Trustee or any affiliate of the Trustee, which is a member of the FDIC and has a combined capital and surplus of at least \$50,000,000 in dollars of the United States of America (including any investment in pools of those bankers acceptances, certificates of deposit or time deposits owned by the bank or trust company);

(iii) Certificates of deposit of any savings and loan corporation or savings association or bank or trust company, including the Trustee or any affiliate of the Trustee, provided the certificates of deposit, to the extent not insured by the FDIC or FSLIC, are secured (a) by Eligible Investments described in clause (i) above having a market value (exclusive of accrued interest other than accrued interest paid upon the purchase thereof) at all times at least equal to the uninsured amount of such deposit, and which shall be placed in the custody of the Trustee or a depository by such savings and loan corporation or savings association or bank or trust company together with its undertaking, in form satisfactory to the Trustee, that the aggregate market value of the securities securing such certificates of deposit or time deposits will at all times be an amount which meets the requirements of this clause (a), or (b) in accordance with the requirements of Chapter 135 of the Revised Code for securing deposits of public moneys;

(iv) Any repurchase agreement (a) with any bank, including the Trustee and its affiliates, (b) which is secured by collateral of the type specified in (i) above which collateral (1) is in the possession of the Trustee or the Commission, or a third party acting solely as agent for the Trustee or the Commission, as the case may be, (2) is not subject to any third party claims, and (3) has a market value (determined at least once every 14 days) at least equal to the amount invested in the repurchase agreement, and (c) which permits the Trustee or the Commission, as the case may be, to liquidate the collateral immediately upon failure to maintain the collateral at the required level;

(v) General obligations of the State, provided that such general obligations are rated as "AA" or higher by a Rating Service;

(vi) Obligations of any state of the United States or any political subdivision of any state which are secured by obligations specified in (i) above and are rated "AAA" by a Rating Service; and

(vii) Interests in any money market fund or trust the investments of which are restricted to obligations of the types specified in (i) through (iv) above.

Investments in repurchase agreements can be made only pursuant to a properly executed Master Repurchase Agreement.

All securities shall be held in accordance with a properly executed Master Custodian Agreement.

#### REPORTING

The Comptroller shall submit a monthly listing, by fund, of all investment transactions, including purchases, early sales, maturities, and swaps to the Commission, to each of its members, and to the Assistant Secretary-Treasurer.

For new securities purchased, the report will contain the type of security purchased, the amount purchased, the purchase date, the maturity date, the cost and the yield to maturity.

For securities sold prior to maturity date, the report will list the type of security sold, the face amount sold, the purchase date, the maturity date, the actual sale date, the proceeds received, the gain or loss realized on the sale and the yield to maturity.

For securities that matured during the month, the report will list the type of security that matured, the face amount, the purchase date, the maturity date, the total proceeds received, the interest received, if applicable, and the yield earned.

For securities swapped (that is, securities sold prior to maturity in order to purchase another security that earns a higher yield) the report will list the type of security sold, the amount sold, the purchase date, the maturity date, the sale date, the proceeds received, the gain or loss realized, and the yield to maturity. For the new security purchased, the report will list the type of security purchased, the amount purchased, the cost, the purchase date, the maturity date and the yield to maturity.

In addition, the Comptroller's monthly report will contain a summary of investment revenue earned by fund for the month reported and investment revenue earned year to date by fund.

The Commission's monthly financial statements contain schedules of outstanding investments by fund as of month end. The schedules list the type of security purchased, the interest rate, the maturity date, the principal amount purchased, the cost, the amortization of the discount or premium and the current book value of the security. In addition, a schedule of investment revenue is included for each fund.

#### PERFORMANCE EVALUATION

As an integral part of the Commission's semiannual audit by an independent certified public accounting firm, a review of investment transactions will be performed.

In November of each year, the Comptroller will project investment revenue by fund for the following year. An internal evaluation of the investment program will be performed annually based on a comparison of projected revenue to the actual revenue earned.

#### BANK AND DEALER SELECTIONS

All investments shall be made only through a member of the National Association of Securities Dealers, Inc. or through an institution regulated by the Superintendent of Banks, Superintendent of Savings and Loan Associations, Comptroller of the Currency, Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, or Federal Home Loan Bank Board. Payment for securities shall be made only upon the delivery to the Commission of securities representing such investments. If the securities transferred are not represented by a certificate, payment shall be made by the Commission only upon receipt of confirmation of transfer from the custodian.

All purchases of securities will be made through an informal quotation process, whereby the Commission will obtain offerings from at least three eligible banks or dealer. Investment transactions will be executed with the bank or dealer offering the highest yield to the Commission after consideration of the fees to be charged for wiring of funds, if needed.

Certificates of deposit will be purchased through local banks that have pledged collateral to secure the certificates of deposit. When dealing with the Commission's Trustee and/or depository bank, the amount of collateral held in the Commission's name must secure all uninvested moneys in all funds, in addition to all investments in certificates of deposit purchased from the Trustee or depository bank.

## DIVERSIFICATION

It is the policy of the Commission to diversify the investment portfolio. Investments made with all funds shall be diversified to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Maturities selected shall provide for stability of revenue and liquidity as needed based on the specific fund type.

Liquidity for the Revenue Fund shall be assured through practices ensuring that sufficient funds are available for current expenditures including payroll, and for retaining the working capital reserve allowing for transfer of the remaining balance to the Capital Improvement Fund on a monthly basis. This transfer is made on the first working day of each month and consists of all moneys in the Revenue Fund as of the last working day of the prior month less the working capital reserve amount.

Throughout the month, short term investments can be made with moneys in the Revenue Fund not needed for current expenditures. The maturity date of these investments can not extend beyond the month end, with the exception of a part of the working capital reserve amount needed. Amounts up to Ninety Percent of the working capital reserve amount can be invested in a security maturing beyond month end depending on other cash requirements for current expenditures. The amount of funds to be deposited to the Revenue Fund on the day of the transfer to the Capital Improvement Fund must be considered in the investment decision.

Liquidity in both the Capital Improvement Fund and the Fuel Tax Fund shall be assured through practices ensuring that costs for acquisitions or construction of major capital facilities, for major repairs and replacements and for engineering expenses are covered when due through maturing investments or through the sale of marketable government obligations.

Through coordination with the Engineering department an estimate of the date invoices will be submitted for payment shall be obtained. Historically, the largest dollar amounts needed for payment for Capital Improvement and Fuel Tax Fund projects has been during the months of June, July, October and November. With consideration of the payment requirements, investments with funds from the Capital Improvement Fund and the Fuel Tax Fund are made in short term securities, generally not to exceed one year. For the months requiring the largest cash disbursements, an investment for \$1.0 million dollars or more maturing in each week of the month is desirable.

Liquidity in the Debt Service Fund shall be assured through practices ensuring that the payment of principal and interest on the long-term debt is covered. Liquidity for the interest payments, due June 1 and December 1, shall be maintained through certificate of deposit maturities or treasury bill maturities on or about the interest payment due dates.

Liquidity in the Severance Fund shall be assured through practices ensuring that moneys will be available for the purposes of that fund with the maturities of eligible investments to be due near the date of June 1, 1992. In order to comply with Resolution 2-1990, the semiannual interest earnings from securities purchased in the Severance Fund will be used to meet the financial obligations per this Resolution. If the interest earnings are insufficient to meet the obligations for termination benefits, a security in the Severance Fund can be sold prior to maturity date.