3600 Tremont Road | Upper Arlington, OH 43221
614-583-5030 | upperarlingtonoh.gov

8/6/2024 | 6:00 PM

Financial Policies Committee Meeting
Centennial Meeting Room

1. **Call to Order**
2. **Review Investment Policy**
   a. Proposed Changes to Investment Policy
3. **Review Debt Policy**
   a. Proposed Changes to Debt Policy
4. **Review Credit Card Policy**
   a. Proposed Changes to Credit Card Policy
5. **Review Financial Policies**
   a. Current Financial Policies
6. **Adjournment**

CHAPTER 221. - DEPOSITORIES AND INVESTMENTS

§ 221.01 - DEFINITIONS.

Active deposit: means a public deposit necessary to meet current demands on the treasury that is deposited in any of the following:

(A) A commercial account that is payable, in whole or in part, on demand.

(B) A negotiable order of withdrawal account.

(C) A money market deposit account.

Capital funds: means the sum of the following: the par value of the outstanding common capital stock, the par value of the outstanding preferred capital stock, the aggregate par value of all outstanding capital notes and debentures and the surplus.

Financial institution: means any eligible financial institution as defined in ORC § 135.03.

Interim moneys: means public moneys in the treasury of the city, which are not needed for immediate use and are available for investment.

Oversight agency: In the case of a bank means the superintendent of banks or the comptroller of the currency, and in the case of a savings and loan association, the superintendent of building and loan associations or the Federal Home Loan Bank Board.

Public deposit: means public moneys deposited in a public depository.

Public depository: means an institution which receives or holds any public deposits.

Public moneys: means all moneys in the city treasury or moneys coming lawfully into the possession or custody of the finance director.

§ 221.02 - INSTITUTIONS ELIGIBLE FOR ACTIVE DEPOSITS.

Any financial institution located in the City of Upper Arlington is an institution, which is eligible to become a public depository for active deposits.

§ 221.03 - INSTITUTIONS INELIGIBLE AS PUBLIC DEPOSITORIES.

No financial institution is eligible to become a public depository or to receive any new public deposits if:

(A) In the case of a bank, the bank or any of its directors, officers, employees or controlling shareholders is currently a party to an active final or temporary cease-and-desist order issued under ORC § 1125.08.

(B) In the case of an association, the association or any of its directors, officers, employees, or controlling shareholders is currently a party to an active final or temporary cease-and-desist order issued under ORC § 1155.02.

§ 221.04 - CONTRACT WITH THE DEPOSITORY FOR ACTIVE DEPOSITS.

Within sixty (60) days prior to the expiration of the depository contract, the finance director shall prepare and distribute a request for proposals (RFP) for obtaining bids for active deposits from eligible institutions. The RFP shall include qualifications required by the institution, descriptions of the accounts required, recent activity of the current accounts, provisions for investment of excess funds and such other information as is deemed necessary by the finance director.

Institutions desiring to submit proposals shall provide appropriate financial data as specified in the RFP, and shall provide a financial statement in sufficient detail as to show the capital funds of the applicant.

The RFP shall be mailed to each eligible institution, provided that if an institution has more than one (1) branch office in the City of Upper Arlington, the RFP need only be sent to one (1) of the branches.

The finance director shall evaluate all proposals and make a recommendation for the award of the depository for active deposits. After approval by city council, a contractual agreement shall be executed. The contract can be for a period of up to five (5) years.

§ 221.05 - INVESTMENT OF INTERIM MONEYS.

The finance director shall determine the amount of interim moneys available for deposit, based on the anticipated cash flow requirements. Interim moneys may be invested in securities maturing more than two (2) years from the date of purchase provided that the securities can be converted to cash through trade in a secondary market prior to maturity.

§ 221.06 - AUTHORIZED INVESTMENT INSTRUMENTS.

The following instruments are authorized for investment purposes:

(A) U.S. Treasury Bills, Notes, and Bonds; various federal agency securities including issues of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), Tennessee Valley Authority (TVA) and other agencies or instrumentalities of the United States. GNMA mortgage-backed, pass-through securities are considered as eligible investments of the city and are not derivative securities, as defined under ORC § 135.14(C). 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.

(B) General obligations or revenue bonds of any state of the United ~~of the~~ States~~ of Ohio~~.

(C) Bonds issued by local agencies of any state of the United States, including General obligations and bonds payable solely out of the revenues of any county, township, school district, municipal corporation, or other legally constituted taxing subdivision~~ of Ohio~~, which is not at the time of such investment, in default in the payment of principal on any of its obligations, provided that all of the following apply:

Commented [BL1]: See restrictions in #1 below. For example, OSU and OWDA issue revenue bonds and are not rated AAA.

~~(1) The debt is payable from the general revenues and backed by the full faith and credit of the political subdivision~~

~~(2)~~(1) The debt is rated at the time of purchase in the three highest classifications of at least one nationally recognized rating agency and purchased through a registered securities broker or dealer.

~~(3)~~(2) The aggregate value of the bonds/obligations does not exceed twenty percent (20%) of the portfolio.

(4) ~~The City is not the sole buyer of the issue.~~

4)~~5)~~ The bonds or other obligations mature within ~~five~~ten years from the date of settlement.

(D) Certificates of deposit issued by institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Certificates of deposit shall be collateralized using eligible securities or instruments as defined under ORC § 135.18 or 135.181. The selection of ORC § 135.18 or 135.181 for purposes of collateralization, shall be determined by the finance director. Under either method, the finance director may require an additional percentage of eligible collateral to compensate for any depreciation of market value of such pledged collateral, less any portion insured by the FDIC.

(E) Repurchase agreements with any eligible institution mentioned in ORC § 135.03, or any eligible securities dealer pursuant to ORC § 135.14(M). Repurchase agreements transacted with eligible securities dealers shall be executed on a delivery versus payment basis. Eligible repurchase agreement collateral is restricted to securities listed in C.O. § 221.06(A), limited to final maturity dates of ten (10) years. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase agreement amount by at least two (2) percent and marked to market daily. Term repurchase agreements shall be limited to a maximum of thirty (30) days.

(F) Banker's acceptances issued by any domestic bank rated in the highest category by one of two nationally recognized rating agencies.

(G) No load money market mutual funds consisting exclusively of obligations described in ORC § 135.14(B)(1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in ORC § 135.03.

(H) Commercial paper notes issued by an entity that is defined in ORC § 1705.01(D) and that has assets exceeding five hundred million dollars ($500,000,000.00), 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 (2) nationally recognized standard rating services.

Commented [BL2]: Allows us purchase our own debt or neighboring community.

Commented [BL3]: Per ORC 135.14.

(2) The aggregate value of the notes does not exceed ten (10) percent 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.

(4) The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five (5) percent of interim moneys available for investment at the time of purchase.

(I) Medium term notes issued by a corporation, domiciled within the United States and having assets in excess of $500 million, provided that such medium term notes have a maximum maturity of five (5) years and are rated, at the time of purchase, by Standard & Poor's, Moody's or Fitch under the following limitations:

Standard & Poor's	Moody's	Fitch
A+(2-yr max maturity)	A1(2-yr max maturity)	A+(2-yr max maturity)
A(2-yr max maturity)	A2(2-yr max maturity)	A(2-yr max maturity)
A-(2-yr max maturity)	A3(2-yr max maturity)	A-(2-yr max maturity)
AA+(3-yr max maturity)	Aa1(3-yr max maturity)	AA+(3-yr max maturity)
AA(3-yr max maturity)	Aa2(3-yr max maturity)	AA(3-yr max maturity)
AA-(3-yr max maturity)	Aa3(3-yr max maturity)	AA-(3-yr max maturity)
AAA(maturities > 3 years)	Aaa(maturities>3-years)	AAA(maturities > 3 years)

If a security has a split rating, the higher of the two (2) ratings shall be used to determine the eligibility for investment purposes. In no event shall a corporate security, at the time of purchase, be rated less than A- by Standard & Poor's or less than an A3 by Moody's.

(J) The state treasurer's investment pool (STAR OHIO), pursuant to ORC § 135.45.

(Ord. No. 38-2016, § 1, 7-11-2016 ; Ord. No. 75-2018 , § 1, 10-22-2018)

§ 221.07 - LIMITATIONS ON INVESTMENTS.

(A) Limitations on investments of any single institution or issuer:

(1) The city's investment with any individual issuer shall not constitute more than five percent (5%) of such issuer's total outstanding issue in banker's acceptances, commercial paper or corporate medium term notes.

(2) The total value of certificates of deposit, purchased from any individual financial institution, shall not exceed three percent (3%) of that institutions total time deposits, provided that such total deposits do not exceed five percent (5%) of the city's average portfolio at the time of purchase.

(B) Limitations on the investment of interim funds: The aggregate investments in bankers acceptances and commercial paper shall not exceed forty percent (40%) of the city's average portfolio, at the time of purchase.

(1) The aggregate total of all corporate medium term notes shall not exceed fifteen percent (15%) of the average portfolio, based upon purchase cost or book value, at the time of purchase. Commercial paper and bankers acceptances shall not be considered when calculating the maximum holdings in any single issuer.

(2) The use of derivative securities, as defined in ORC § 135.14 (C), is expressly prohibited.

(3) Collateralized mortgage obligations (CMOs) of any kind are expressly prohibited.

~~(C)~~ All eligible investments will mature within five (5) years from the date of settlement, unless the investment is matched to a specific obligation or debt of the city, and the investment is specifically approved by the finance director.

§ 221.08 - COLLATERALIZATION OF CERTIFICATES OF DEPOSIT.

(A) Securities pledged as collateral by any institution shall be delivered to a qualified trustee approved by the finance director. The finance director shall accept the written receipt of the trustee describing the securities which have been deposited with the trustee by the institution, a copy of which shall also be delivered to the institution.

If the institution fails to pay over any part of a deposit due the city, the finance director shall have the option to sell the securities delivered to the finance director, in a manner determined by the finance director. If the securities are on deposit with a trustee, the finance director may request the trustee to deliver the securities to the finance director, and the finance director shall have the option to sell the collateral. When a sale of securities has been made, the finance director shall deliver the securities versus payment, whereupon the absolute ownership of the securities shall pass to the purchasers. Any surplus remaining after deducting the principal amount and accrued interest due the city and any expenses of the sale shall be paid to the institution.

(B) When the institution has deposited eligible securities with a trustee for safekeeping, the institution may at any time substitute or exchange eligible securities having a current market value equal to or greater than the current market value of the securities then on deposit and for which they are to be substituted or exchanged without specific authorization only if:

(1) The finance director has authorized the institution to make such substitution or exchange on a continuing basis during a specified period without prior approval of each substitution or exchange. Such authorization may be effected by the finance director sending to the trustee a written notice stating that substitution may be effected on a continuing basis during a specified period which shall not

extend beyond the end of the period of designation during which the notice is given. The trustee may rely upon such notice, and upon the period of authorization stated therein.

(2) No continuing authorization for substitution or exchange has been given by the finance director, the institution notifies the trustee and the finance director of the intended substitution or exchange, and the finance director fails to object to the trustee within ten (10) business days after the date appearing on the notice of proposed substitution. The notice to the finance director and to the trustee shall be in writing and delivered personally or by certified or registered letter with a return receipt requested. The trustee may assume in such case that the notice has been delivered to the finance director.

(3) The finance director gives written authorization for a substitution or exchange of specific securities. The institution shall notify the finance director of any substitution or exchange under C.O. § 221.08(B)(1) or (B)(2). Upon request from the finance director, the trustee shall furnish a statement of the securities pledged against such deposits.

(C) In lieu of the pledging requirements prescribed in C.O. § 221.08(B) above, the finance director may accept collateral in the form of a pool of securities pledged by the financial institution, provided that:

(1) Securities committed to the pool must have a market value at least equal to one hundred ten percent (110%) of the total amount of all public moneys on deposit with the institution secured by the pooled securities, including the portion covered by federal deposit insurance.

(2) The securities eligible for deposit in the pool shall be those described in C.O. §§ 221.06(A) through (C).

(3) The securities are deposited with a qualified trustee as described in C.O. § 221.08(A), and the fees and expenses of the trustees shall be paid by the depository.

(4) Each subdivision shall have an undivided security interest in the pool of securities in the proportion that the total amount of the subdivision's public moneys secured by the pool bears to the total amount of the deposits so secured.

If the depository fails to pay over any part of the deposits due the city, the finance director shall give written notice to the trustee, and at the same time, shall send a copy of the notice to the institution. Upon receipt of the notice, the trustee shall transfer to the finance director for public sale such of the pooled securities as may be necessary to produce an amount equal to the deposits due the city and not paid over, less the portion of deposits covered by the Federal Deposit Insurance Corporation, plus any accrued interest due on the deposits. When a sale of securities has been made, the finance director shall deliver the securities versus payment, whereupon the absolute ownership of such securities shall pass to the purchasers. Any surplus after deducting the amount due the city and expenses of the sale shall be paid to the institution.

The institution may at any time substitute, exchange or release eligible securities deposited with the trustee, provided such substitution, exchange or release does not reduce the total value of securities to an amount less than one hundred ten percent (110%) of the total amount of public deposits in the pool.

The institution will provide a detailed quarterly statement of the face value and market value of all securities pledged to the pool, and the dollar amount of deposits thereby secured.

§ 221.09 - APPORTIONMENT OF INVESTMENT EARNINGS.

All investment earnings shall be credited to the general fund, with the following exceptions:

(A) Balances in the solid waste management fund.

(B) Balances in the self-insurance fund.

(C) Any fund for which applicable laws require the crediting of interest.

Funds that are to be credited with investment earnings shall receive a proportionate share based on a method determined by the finance director.

(Ord. No. 38-2016, § 2, 7-11-2016)

§ 221.10 - REQUIREMENTS OF INVESTMENT ADVISORS.

All investment advisors contracted by the city to make investment recommendations must be given a copy of C.O. ch. 221 entitled, depositories and investments. Such advisors, having read the contents of C.O. ch. 221, must acknowledge, by letter, their comprehension and receipt of the policies contained within this chapter.

City of Upper Arlington
Debt Policy

PROPOSED AMENDED POLICY

Introduction

~~This Debt Policy is a companion document to the City's Capital Improvement Plan (CIP). The intent of this policy is to guide City officials as they consider the proper allocation of cash and debt funding to pay for ongoing capital improvements. The intent of the language in this policy is to summarize conditions that support using debt for capital improvements and to define best practices for minimizing debt payments and issuance costs, retaining the highest credit rating possible, and maintaining full and complete financial disclosure and reporting. The debt policy is considered necessary to help guide City officials as deemed appropriate to maintain sound financial management practices. This policy is also designed to be flexible in its application to allow for exceptions to the guidelines under changing and extraordinary circumstances.~~

This Debt Policy Statement is a companion document to the City's Capital Improvement Plan (CIP). The primary objective of this policy is to summarize certain conditions that support the use of debt, or cash, for capital improvements. The plan also provides guidance on best practices for debt issuance. The debt policy is a guide for City officials to reference as deemed appropriate to maintain sound financial management practices. This policy is designed to be flexible in its application, allowing exceptions to the guidelines under changing and extraordinary circumstances.

Overview

~~One of the primary decisions made regarding financing the City's CIP is to identify the preferred funding allocation for capital, whether to use cash on hand, or debt, including short-term notes and long-term bonds, as funding sources. This policy sets forth helpful guidelines for making these decisions. The guidelines are designed to be flexible to reflect the rapidly changing nature of the credit markets. These guidelines are described in Section 1 below. Section 2 of this policy establishes debt management administrative procedures.~~
One of the key decisions facing the City regarding financing the City's various capital funding projects is whether to use cash on hand, debt, or a combination of each as the funding source. Section A – Debt Guidelines, addresses that question. Section B covers routine Debt Administration.

SECTION 1

Capital Funding Sources – Guidelines for Allocating Payment Sources

Cash Funding

~~City policy encourages funding capital projects with cash, on a "pay as you go" basis, to the extent possible and prudent. The City allocates 28% of its income tax collections to the Capital Asset Management Fund for capital projects each year. The revenue is used first for annual debt payments, with the remaining amount available for cash funded projects. Cash funding is recommended~~ The policy call for cash funding ~~under the following circumstances:~~ This policy encourages City officials to fund capital projects with cash, on a "pay as you go" basis, to the extent possible and prudent. The policy calls for cash under the following circumstances:

a) To finance purchases of assets whose lives are five (5) years or less;

b) To finance recurring maintenance expenditures (e.g., street repair vs. street reconstruction);

c) ~~When market conditions are unstable or offer~~To manage unstable market conditions or historically high interest rates.

Debt Financing

Short-term debt financing:

~~This policy defines short-term debt as securities with final principal and interest payments due in one year or less from the date of issuance. Typically, this type of borrowing takes the form of "short-term" bond or revenue anticipation notes. Short-term bond anticipation notes may be issued as described below to facilitate a "pay as you go" financing program, or to provide interim funding for a "long-term bond" financing (similar to a construction loan).~~

This policy defines short-term debt as securities with final principal and interest payments coming due within one-year from the date of issuance. Typically, this type of borrowing takes the form of *"short-term"* bond or revenue anticipation notes (BANs). It is suitable to issue BANs as described below.

a) ~~Pay-As-You-Go: Certain projects in the capital plan are best suited for cash funding on a pay-as-you-go basis. Projects~~ ~~For example, projects~~ ~~with useful lives of less than five years~~~~, or projects of \$5 million or less~~ ~~are an example.~~ Pay-As-You-Go: Certain projects in the capital plan are best suited to cash funding on a pay-as-you-go basis, for example, projects with useful lives of less than five years, or projects of \$5 million, or less. For purposes of this policy, "pay-as-you-go" financing includes selling short-term notes with the expectation of paying the notes off in full within one year to five years of initial issuance.

b) Interim Funding for long-term bond financing: Short-term notes are also appropriately used in anticipation of refunding them at a future date with long-term bonds. Typically, such notes are referred to as "bond anticipation notes". Bond anticipation notes are most suitable as a temporary funding source before and in anticipation of the completion of a bond sale.

~~b) Bond anticipation notes are most suitable under the following conditions:~~

~~a) Notes are used as a temporary funding source prior to and in anticipation of the completion of a bond sale;~~

~~b) The immediate need for financing is less than $5 million.~~

Long-term debt financing:

~~The policy suggests using notes and bonds for long-term capital asset funding under the guidelines set forth below. No single guideline stands alone; they must all be considered under the then-current circumstances and in relation to the others. Also, the guidelines are instructive and not directive in nature, and are therefore intended to be flexible to react to the changing conditions of the capital markets.~~

It is policy to use BANs and bonds for long-term capital asset funding under the parameters set forth below - parameters should be considered under the current circumstances and in relation to the others.

The guidelines are as follows:

~~Variable rate bonds or short-term notes are standard funding sources for long-term financing under the following certain conditions: i) When either type of security is used for long-term financing, the City will schedule annual principal redemptions similar to the payments typically structured for a fixed-rate bond issue that conforms to the City's fixed-rate debt policy bond guidelines herein, and ii) To minimize overall interest rate risk, the principal amount of variable rate bonds and short-term notes outstanding at any one time will be generally restricted to not to exceed twenty percent (20%) of the City's overall outstanding debt.~~

a) Variable rate demand bonds (VRDBs) and short-term BANs are suitable to use for financing projects over $5 million and with useful lives beyond ten years under the following conditions:

i) When either is used for long-term financing, the City will schedule annual principal payments similar to a hypothetical fixed rate bond issue that satisfies the City's debt policy bond parameters herein, and

~~a)~~ ii) To minimize overall interest rate risk, the City's outstanding variable rate borrowings will not exceed twenty percent (20%) of the City's overall outstanding debt. (Short-term bond anticipation notes may be issued for an aggregate amount greater than 20% of the City's outstanding debt, but such notes will be refinanced as necessary within two years of issuance to meet the 20% target.)

~~Long-term bonds are recommended for projects with useful lives of ten years or longer and for amounts of $5 million or greater.~~

b) Capital Project Fund supported debt is acceptable when the ratio of available capital fund dollars to debt payments, projected forward seven years, does not fall below 2 to 1. (For purposes of this guideline, debt payments are defined as general obligation and income tax special revenue bond debt payments, including projected payments for the refunding of outstanding general obligation or income tax special revenue BANs.)

~~a)~~

~~b) Tax supported debt funding will be considered as long as the ratio of available capital fund dollars to all similarly funded debt payments, projected forward seven years, does not fall below two to one. (For purposes of this guideline, debt payments are defined as general obligation and income tax special revenue bond debt payments, including projected payments for the refunding of outstanding general obligation or income tax special revenue bond anticipation notes.)~~

c) Non-tax supported debt funding will be considered providing the ratio of available non-tax revenue to all similarly funded debt payments, projected five years forward, does not fall below 1.5 times projected bond payments.

d) Long-term fixed-rate bonds are ~~considered~~ especially appropriate~~recommended~~ when average long-term interest rates, as indicated by the Bond Buyer *General Obligation 20 Bond Index*, are at or below eighty-five percent of the twenty-year average index rate. Long-term bonds are ~~considered~~ less attractive when average rates for the index are at or above one hundred and fifteen percent of the twenty-year average.

e) Long-term general obligation, non-tax revenue, and special revenue bonds (such as income tax revenue bonds) are considered less appropriate when the City has reserves set aside for essential near-term capital funding needs and it is believed the issuance of any particular debt offering may significantly weaken the City's credit profile.

f) Long-term debt securitized by non-tax or assessment revenues, but not by the City's general obligation pledge, is appropriate for project funding where the tax or revenue burden rests primarily on a select group of taxpayers or beneficiaries, such as for project revenue bonds, special assessment projects, tax increment financings, or economic development projects. Prior to seeking legislative approval for these types of financings, the City's Financing Team will have formed an opinion that a particular financing would ultimately receive a rating of "A2" Moody's or "A" Standard & Poor or higher.

g) City officials will strive to structure the repayment of general obligation and special revenue income tax supported notes and bonds to achieve an aggregate pay-out ratio of all outstanding debt of this nature of ~~of~~ fifty percent (50%) or more of the stated maturity within the upcoming ten year period. Non-tax revenue, special assessment and other debt specifically issued to support economic development project agreements will mature in line with the life of the supported agreement, or sooner.

SECTION 2

Recommended Administrative Procedures

Federal tax law - All tax-exempt financings must comply with the use of funds and expenditure timing restrictions set forth in federal tax law. In addition, the size and timing of notes or bonds may be affected by opportunities provided in the tax code, such as rebate exemptions ~~and so on~~. City officials will retain professional assistance to comply with federal law and assist in the preparation of rebate computations.

Note and Bond Maturities – Final bond maturities shall not exceed the average maximum useful life of the projects included in the financing as prescribed by Ohio bond law.

Debt instruments – The City will use the most efficient and economical debt instrument for its debt financings, including: voted general obligation notes and bonds; unvoted general obligation notes and bonds; non-tax revenue bonds; special assessment and tax increment notes and bonds; capital leases; special obligations; revenue bonds; or any other appropriate funding source provided for in the Ohio Revised Code. All of these instruments are considered "debt" for purposes of this policy.

Bond retirement fund – The City will attempt to maintain a bond retirement fund year-end balance equal to its maximum scheduled semi-annual debt payment.

Continuing Disclosure – The City will comply with its continuing disclosure obligations and its disclosure requirements as provided in its Continuing Disclosure Certificates associated with its various ~~outstanding~~ securities issuances. The City may retain a "disclosure agent" to assist with its compliance duties.

Refinancing Opportunities – City officials will work with the Municipal Advisor to monitor opportunities to refinance its outstanding bonds.

Bond Insurance – City officials will explore the value of purchasing bond insurance should the Finance Director, in consultation with the City's Municipal Advisor, determine that it is likely to benefit the city.~~for its bond sales but only when, and if, market conditions suggest that insurance would be beneficial.~~

Economic Development – City officials will consider opportunities to foster economic development by issuing debt. Economic development debt offerings typically include tax increment financings, special revenue bonds, non-tax revenue and special assessment notes and bonds. The City may also serve as the conduit issuer for industrial revenue bonds. The City may also participate in economic development focused transactions supported by City revenues but where the debt is issued by a conduit borrower, such as the Columbus Port Authority, for example.

Interest Rate Hedges – The City may consider using the interest rate hedges provided for under Ohio law to the extent they are appropriate for limiting future interest rate risk or lowering the overall debt payments for the City's outstanding debt. City Council will not be asked to authorize any hedges without first receiving a full disclosure of the possible risks and rewards. Under no circumstances will the City enter into derivative contracts exposing the City to "basis risk" as defined by general industry guidelines.

Professional Services – Underwriters and Municipal Advisors retained by the City in connection with the City's debt program shall provide full disclosure to the City of any formal or informal relationships or agreements that may ~~be in conflict with the best interest of the City~~conflict with the City's best interest. The City shall retain professionals in connection with its debt issuances based upon demonstrated qualifications, including past successful performance. Officials will review its relationships, or request statements of qualification, from qualified providers not less than every fifth year.

Review of Debt Policy - Upon Council organization, review of the Debt Policy shall occur in conjunction with the review of the Financial Policies.

Resolution of Reimbursement ~~-~~ – The Finance Director will present City Council with ~~A~~ a reimbursement resolution ~~of reimbursement shall be passed~~ at the beginning of any year in which the issuance of debt is anticipated (if needed).

SECTION 3

Conformance to City Code

The intent of these policies is to conform to the Upper Arlington City Code, which shall control in the event of consistency.

CREDIT CARD POLICY

City Council hereby adopts the following policy concerning City-issued credit cards.

- Positions authorized to use credit cards. Credit cards will be issued upon request of the Finance Director, or designee, for City Council members, cabinet level employees, department heads, and any supervisor or employee authorized by the department head.

- Issuance of cards. Requests for the issuance of a credit card are to be made, in writing, to Finance Director, or designee. Credit cards are "corporate" cards that are issued in the name of the City with the employee as an authorized user. Prior to issuing a card to an employee, the Finance Director will determine how the purchasing cards will be used by the employee in accordance with this Policy and the specific credit card limit for that cardholder.

- Restrictions on use. Credit cards are authorized for the following uses:

    1. Authorized travel, including airfare, conference registration, hotel, meals, and any miscellaneous travel expenses, in accordance with the City's Personnel Rules.
    2. Purchase of materials and supplies from vendors when purchase orders, vendor accounts, or petty cash are not available or practical. (Note: all procurement rules and reimbursement of expense rules will be applicable to purchases made with credit cards).
    3. Business meals, in accordance with the City's Personnel Rules.
    4. Other expenditures as deemed necessary as authorized and preapproved by the City Manager or Finance Director.

  In all instances, the City's tax exempt status should be provided to a vendor so that sales tax is not charged. If a vendor fails to waive the tax, the employee should document their effort to have the tax waived. The Finance Director is authorized to determine whether the City or the employee is responsible for the tax liability.

  City credit cards are to be used solely for City business as outlined above. Use of the credit card for personal items, personal use, or alcohol is prohibited.

- Management of credit cards. The Finance Director is responsible for administration of City credit cards to include, but not limited to, selection of the card provider, payment of credit card bills, managing issuance and cancellation of cards, and ensuring proper use.

- Compliance Officer. Council hereby appoints the Finance Director's Management ~~Assistant~~ Analyst as the Compliance Officer, unless otherwise determined by the City Manager. The Compliance Officer will quarterly review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

- Rewards. At least annually, the Finance Director, or designee, must report to City Council all rewards received based on the use of the City's credit card account.

- Itemized receipts required. Every purchase, including those made via the Internet, must have a **detailed itemized receipt**. A credit card signature slip with only the amount charged is not considered sufficient documentation.

  Business meal receipts must also include the name(s) of the person(s) attending and the business objective.

  In addition to a detailed itemized receipt, a copy of the authorized travel request form, if applicable, must accompany all travel related purchases (i.e., airfare, hotel, meals, etc.).

  All receipts and documentation, with appropriate vendor information, account codes, and authorization, must be submitted to the Finance Department on a monthly basis to assure timely processing and payment.

- Protection of credit cards. It is the authorized cardholder's responsibility to safeguard the card and credit card account number at all times. If a City cardholder suspects the loss, theft, or possibility of unauthorized use of the card, the employee shall immediately notify the Finance Director, or designee, and the cardholder's supervisor, in writing. If a card is reported as lost or stolen, the Finance Director, or designee, will contact the card provider and may cancel or replace the card.

- Cancelation of cards. Requests for cancelation of a card should be directed to the Finance Director, or designee. Upon separation from employment with the City, or if the Finance Director determines that the cardholder's position no longer qualifies for a City-issued card, the cardholder must immediately return the card to the Finance Director or designee.

- Maximum credit limit. Unless specifically authorized by the Finance Director or City Manager (for a limited time or for a specific expenditure), individual credit card accounts shall not exceed $10,000.

- Misuse of card. The use of a credit card account for expenses beyond those authorized by this Policy and/or any failure to comply with this Credit Card Policy or any additional directives issued pursuant to this Policy constitutes misuse of a credit card account. An officer or employee who misuses a credit card account is subject to discipline, including, but not limited to, loss of eligibility to use a City credit card, demotion, and/or termination. Further, the employee may be subject to civil liability and/or criminal proceedings as a result of this misuse.

- The City Manager, the Finance Director, and the City Attorney are hereby authorized to take all actions necessary to implement and administer this Policy.

_____________________________________ ____________________

Cardholder Signature Date

Financial Policies

These Financial Policies of the City of Upper Arlington, Ohio, are adopted by City Council to provide a framework within which the City is to conduct its fiscal operations. It is the anticipation of Council that the effect of fluctuations in the national, state and local economy on City services is to be managed through the creation and use of appropriate reserve funds.

Operating Management Policies

1. The City will develop budgets in which current expenditures, including transfers, cannot exceed current revenue and available resources. Additionally, unless directed by Council, current revenues must equal or exceed current expenditures. The City will avoid budgetary procedures that balance the budget at the expense of meeting future years' expenses, such as: postponing expenditures, accruing future years' revenues or funding current services with debt and/or drawing down the fund balance.

2. All appropriations that have not been expended or encumbered shall lapse at the end of the fiscal year. The City shall not increase appropriations for prior year encumbrances. Appropriations shall be for the current year only. An estimate of "lapsed" encumbrances should be included in the 5 year operating forecast.

3. The operating budget will be compiled in a manner to maintain as close as possible the existing level of services to the City.

4. The General Fund undesignated fund balance cannot be used to fund newly created operating expenditures or projects that are ongoing in nature.

5. The City shall set fees and user charges for each enterprise fund at a level to support the direct and appropriate indirect cost of the activity unless by affirmative action, Council directs a transfer from the General Fund sufficient to support the costs of the activity. Indirect costs shall include the cost of annual depreciation of capital assets and the cost of debt service to procure capital assets, unless directed by Council.

6. Charges for services shall reflect the full cost of providing a specific service, including the cost of annual deprecation of capital assets and the cost of debt service to procure capital assets, unless directed by Council. The cost of providing specific services shall be recalculated periodically and the fees shall be adjusted accordingly.

7. Although the City's budget may be prepared on an annual or biennial basis, revenue and expenditure forecasts will be prepared for five years and will be updated annually to spot developing trends and provide early warning of future financial difficulties.

8. Alternative service delivery methods will be reviewed periodically to ensure that quality services are being provided at the most reasonable costs.

9. The City shall develop a program to integrate performance measurement and productivity indicators with the budget. Where appropriate, comparisons with comparable cities may be made to ensure that quality services are provided at competitive and economical costs.

10. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal and financial return on principal ensuring adequate liquidity to meet all necessary obligations.

11. Prior to applying for and accepting intergovernmental aid, the City shall examine the program to determine if it is consistent with the City's mission and financial policies.

12. Grants that require a matching commitment of City funds shall be evaluated on the availability of funding sources and on the merit of the grant program.

13. License and permit fees shall be reviewed at least annually to ensure that they match related processing and inspection services.

14. Vehicle and technology equipment, and other operating equipment replacement schedules shall be developed and updated annually, including proposed funding sources.

15. Fiscal impact analysis will be conducted when considering economic development incentives before a recommendation is brought to City Council.

Capital Improvement Program Management Policies

1. A ten-year capital improvement plan shall be developed and updated annually, with the goal of achieving the annual replacement cost of the infrastructure.

2. Capital improvement life cycle costs will be coordinated with the development of the operating budget. Future operating, maintenance and replacement costs associated with new capital improvements shall be estimated for inclusion in the operating budget.

3. An infrastructure replacement program shall be developed based on the useful life of each infrastructure category (i.e., street repaving, street replacement, water lines, etc.).

4. The long-term financing of capital improvements or equipment shall not exceed the useful life.

Reserve Policies

1. A Facilities Maintenance Reserve shall be established to ensure adequate funding for operating equipment replacement of City facilities (HVAC, roofing, etc.).

2. Self-insurance reserves will be maintained at a level, which, together with purchased insurance policies, will adequately indemnify the City's property and liability risk. A qualified risk management advisor will be retained on an annual basis in order to recommend appropriate funding levels.

3. Contingency reserves to be determined annually will be maintained to offset unanticipated revenue shortfalls and/or unexpected expenditure increases. Contingency reserves may also be used for unanticipated and/or inadequately budgeted events threatening the public health or safety. A reserve will be maintained in the General Fund. The reserve shall be equal to thirty percent of the current year General Fund operating budget.

Financial Accounting and Reporting Policies

1. The City's financial reporting systems shall be maintained in conformity with generally accepted accounting principles (GAAP), and the standards of the Governmental Accounting Standards Board (GASB).

2. An annual audit will be performed by the Auditor of State or an independent public accounting firm, with an audit opinion to be included in the City's published Annual Comprehensive Financial Report (ACFR).

3. The City's ACFR shall be submitted to the Government Finance Officers Association (GFOA) Certificate of Excellence in Financial Reporting Program. The ACFR should satisfy the criteria established by the GFOA.

4. The City's budget shall be submitted to the GFOA Distinguished Budget Presentation Program. The budget should satisfy the criteria established by the GFOA.

5. Financial systems shall be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.

6. Financial reporting to Council shall include monthly budget reports as well as special reports as deemed appropriate by Council, the Finance Director or the City Manager.

City Council Review

Upon Council organization, a Financial Policy Review subcommittee of Council will be named by the President. The subcommittee will conduct a review of all financial policies and the debt policy. Modifications adopted by majority vote of the subcommittee will be recommended to the full Council for consideration and adoption.

At all other times, the financial policies and the debt policy of the City may be modified by a majority vote of Council.

Conformance to City Code

The intent of these policies is to conform to the Upper Arlington City Code, which shall control in the event of consistency.