

# COLUMBUS REGIONAL AIRPORT AUTHORITY

## Investment Policy

### A. AUTHORIZATION AND IMPLEMENTATION

#### 1. Entity

This investment policy has been adopted to govern the investment activities of the Columbus Regional Airport Authority (the "Authority").

#### 2. Legal Authority

The Authority is a port authority created under Chapter 4582 of the Ohio Revised Code ("ORC"). Its investment activities are governed by that Section, Chapter 135 ORC (the "Uniform Depository Act") and, in the case of bond proceeds, by the Master Indenture of Trust and any Supplemental Indentures of Trust adopted by the Authority in connection with the issuance of its airport revenue bonds (collectively, the "Indenture").

#### 3. Oversight

This investment policy has been approved by the Finance Committee of the Board of Directors and subsequently approved by the Authority's full Board of Directors. The Authority's investment activities shall be reviewed periodically by the Finance Committee in accordance with Section D of this investment policy.

#### 4. Day-to-Day Implementation

This investment policy shall be implemented on a day-to-day basis under the direction of the Authority's Vice President/Chief Financial Officer acting as Treasurer, who shall in turn authorize not more than two other persons to make investment decisions for the Authority. The persons so authorized by the Vice President/Chief Financial Officer shall be identified in writing to the Finance Committee. Additionally, the Authority's designated investment advisor shall be authorized to make investment decisions, including the execution of investment transactions on behalf of the Authority.

#### 5. Revisions to this Investment Policy

This investment policy shall be reviewed by the Finance Committee at least annually. Revisions to this policy shall be approved by resolution of the Authority's Board of Directors.

## **B. INVESTMENT STANDARDS**

### **1. Philosophy**

- a. Except where specifically directed by the Uniform Depository Act, the general investment policies of the Authority will be guided by the "prudent investor" rule. Those with investment responsibilities for funds are fiduciaries and, as such, shall exercise the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

### **2. Internal Investment Advisory Committee**

- a. The Uniform Depository Act will be adhered to at all times. There shall be an Internal Investment Advisory Committee consisting of up to five (5) members. The membership of the Investment Advisory Committee will be approved by the Finance Committee, and may be modified by the Treasurer with prior approval of the Finance Committee.
- b. The Committee shall meet at least quarterly, and at such additional times as deemed necessary upon request of any member of the Internal Investment Advisory Committee.

### **3. Personal Conduct**

- a. The Finance Committee and the Internal Investment Advisory Committee is acutely aware of the responsibilities involved in administering the investment assets of the Authority. Therefore, the integrity of everyone involved in making investment decisions must be unquestioned.
- b. Members of the Finance Committee, and the Internal Investment Advisory Committee may not have direct or indirect interest in the gains or profits of any investment made by the Authority and may not receive any pay or emolument for services other than as designated compensation and authorized expenses.
- c. All persons responsible for investment decisions or who are involved in the management of the Authority's assets shall be governed in their personal investment activity by the codes of conduct established by the applicable state statutes, the National Association of Securities Dealers (broker/dealers), and the Securities and Exchange Commission (registered investment advisors).

### **4. Objectives**

The Authority's objectives in investing its funds shall be as follows, in the following order of priority:

- a. Preservation of Principal (Safety): The Authority's funds should be invested in a manner so that the risk of suffering a loss in principal is minimized. The following shall be considered within the context of principal preservation:

*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, pursuant to Section 135.14 ORC, affected by credit risk include certificates of deposit, commercial paper, bankers' acceptances, and counterparties involved in repurchase agreements. For purposes of this policy, U.S. Treasury obligations, obligations guaranteed by the U.S. Treasury, and federal agency securities are not considered to have credit risk. Credit risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that required, minimum credit quality ratings as described by nationally recognized rating organizations and agencies exist prior to the purchase of commercial paper and bankers acceptances; and (3) maintaining adequate collateralization of CD's, pursuant to the method as determined by the Authority.

*Market Risk (Interest Rate Risk) -*

The market value of securities in the portfolio will increase or decrease based upon changes in the general level of interest rates. Investments with longer maturity dates are subject to greater degrees of increases or decreases in market value as interest rates change. The effects of market value fluctuations will be mitigated by (1) maintaining adequate liquidity so that current obligations (i.e., anticipated cash flow requirements) can be met without a sale of securities; (2) diversification of maturities; (3) diversification of assets.

*Concentration of Risk –*

A risk of concentration refers to an exposure with the potential to produce losses large enough to threaten the Authority's financial health or ability to maintain its core operations. Risk concentrations can arise through a combination of exposures across broad categories. The potential for loss reflects the size of the position and the extent of any losses given a particular adverse circumstance. The Concentration of Risk category excludes U.S. Treasury issues, issues guaranteed by the U.S. Treasury, federal agency issues, eligible money market mutual funds, and the Ohio Treasurer's investment pool, STAROHIO. The portfolio shall contain less than 5%, based upon purchase cost, in any one issuer [with credit risk] as a percentage of the portfolio's book value (purchase cost), at the time of purchase.

- b. Liquidity: Funds should be invested which assures that liquid amounts are available when, and in the amounts needed, in order to minimize the possibility that it will be necessary to sell securities prior to their maturity in order to meet the Authority's disbursement requirements for operating and capital purposes;
- c. Yield: The Authority will seek to maximize the yield on its investments given the constraints of the first two priorities and the other restrictions contained in this section.

5. Permitted Investments

- a. Bond Proceeds: The Authority's bond proceeds shall be invested only in the instruments specified in the Indenture.
- b. Other Funds of the Authority: The Authority's other funds shall be invested only in instruments permitted by Section 135.14 ORC as follows:

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), 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.

Commercial paper notes issued by companies incorporated under the laws of the United States; specific limitations apply as defined under Section 135.14 (B) (7) ORC.

Bankers acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations apply as defined under Section 135.14 (B) (7) ORC.

Certificates of deposit from any eligible institution mentioned in Section 135.32 ORC.

No-load money market mutual funds 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 Section 135.14 ORC and repurchase agreements secured by such obligations. Eligible money market funds shall comply with Section 135.01 ORC, regarding limitations and restrictions.

Repurchase agreements with any eligible institution mentioned in Section 135.32 ORC, or any eligible securities dealer pursuant to division (J) of this Section, except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery vs. payment basis with collateral held in safekeeping by a third party custodian as agreed to by the Authority. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase agreement by at least two percent as defined under the Ohio Revised Code. The Authority reserves the right to require an additional percentage of collateral securing such repurchase agreements. Prior to the execution of any repurchase agreement with an eligible dealer, a master repurchase agreement will be signed by the Authority and the eligible dealer.

The state treasurer's investment pool [STAR OHIO], pursuant to Section 135.45 ORC.

The final maturity of all eligible investments is five years, pursuant to Section 135.14 (D) ORC, unless the investment is matched to a specific obligation or debt, and the investment is specifically approved by the Authority's Board of Directors.

- c. Collateralization Requirements: The Authority's public deposits shall be collateralized as required by Section 135.18 or Section 135.181 ORC. The Authority, at its option, may impose additional requirements with respect to the collateralization of any of its public deposits at such time or under such circumstances as it may deem additional requirements necessary or appropriate.

6. Maturity Limitations

The Authority's general approach shall be to purchase securities with the intent of holding them until maturity. At the same time, most amounts should be invested to a maturity date which coincides with, or is somewhat sooner than, the time when such funds are expected to be needed. The Authority shall not make any investment with the intention of selling or trading the security purchased prior to its maturity date. The intent to hold securities to maturity is not intended to prohibit the sale of securities prior to maturity, if such sales are based upon the following criteria:

- To meet additional liquidity needs.
- To purchase another security or securities in order to increase yield or current income.
- To purchase another security or securities in order to lengthen or shorten the average duration of the portfolio.
- To realize any capital gains and/or income
- To change the asset allocation

In addition, the following specific maturity limitations shall be followed:

- a. Bond Proceeds: Bond proceeds shall be invested in accordance with the maturity limitations contained in the Indenture. It should be noted that the Indenture specifies different maturity limitations for the amounts in the different funds and accounts created pursuant to the Indenture. The bond proceeds shall be invested in accordance with the liquidity requirements of a draw schedule which shall be provided to the investment advisor by the Authority. In no event will the maturity of securities, used to fund the draw schedule, exceed the final draw amount.
- b. Other Funds of the Authority: The other funds of the Authority shall be invested subject to the maturity limitations contained in Section 135.14 ORC.

7. Diversification

The Authority's investment portfolio will be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. The following limitations shall apply:

<u>Investments</u>	<u>Maximum % Allowed</u>
U.S. Treasury	100%
Federal Agency (Fixed rate)	100%
Federal Agency (Callable)	75%
Federal Agency (Variable Rate)	20%
STAR Ohio	100%
Commercial paper/bankers acceptances	25% *
Repurchase agreements	15%
Certificates of Deposit	10%

\* statutory limitations

Deviations from the above limitations may be changed upon the approval of the Finance Committee.

8. Prohibited Investments

The Authority shall be prohibited from investing in the following types of instruments:

- a. Derivatives as defined by Section 135.14 (C) ORC.
- b. Repurchase agreements under the terms of which the Authority agrees to sell securities owned by it to a purchaser and agrees with that purchaser to unconditionally repurchase those securities (Reverse Repurchase Agreements).
- c. Agreements whereby the Authority may take some market action in a fixed quantity of a specific security at a fixed price within a specified period of time (Options).
- d. Agreements whereby the Authority may make or take delivery of the object of the contract at a specified time and a specified price (Future Contracts).

This policy prohibits the use of the products in a. through d. above for investment purposes; it does not prohibit the purchase of one of the above products as part of a financial transaction where the transaction is not otherwise prohibited by law.

9. Risk Avoidance

The following practices shall be followed in order to avoid exposing the Authority's investments to an unnecessary or unacceptable level of risk:

- a. Financial Institution Default: Custodial risk occurs when, in the event of failure of counterparty, the value of investments or collateral securities in the possession of an outside party may not be recovered. To mitigate such custodian risk, the Authority shall appoint a custodian with trust powers in the State of Ohio pursuant to Section 1109.04 ORC, for the separate safekeeping of assets, including the delivery of collateral under a repurchase agreement. The Authority's custodian shall settle investment transactions on a strict delivery versus payment basis. In no event shall a broker/dealer hold the investment assets of the Authority. To avoid default risks with Ohio financial institutions with which the Authority deposits funds, the Authority shall determine, in advance of depositing amounts greater than federal insurance coverage, that each such depository meets the requirements of the Uniform Depository Act in terms of collateralization. The Authority may elect to select the method of collateralization, as defined under Section 135.181 ORC (pooling method) or Section 135.18 ORC (individual assignment method). Additionally, securities owned by the Authority will be held by the custodian in the name of the Authority.
- b. Investment Advisor and Selection of Broker/Dealers: The Authority is authorized to retain the services of a qualified investment advisor for the management of its funds. The investment advisor shall be registered with the Securities and Exchange Commission and will possess experience in the management of public funds, specifically in the area of state and local government funds. The investment advisor is authorized to manage the investment funds of the Authority, which includes the selection of eligible investment assets as defined under Section 135.14 ORC, and the selection of eligible broker/dealer firms based upon the criteria as determined by the investment advisor.

- c. Execution of Investment Transactions: The investment advisor is authorized to execute investment transactions 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. Investment transactions executed through broker/dealer firms or financial institutions shall be based upon a competitive process utilized by the investment advisor. All persons or entities transacting investment business with the Authority are required to sign the approved investment policy as an acknowledgment and understanding of the contents of said policy.
- d. Speculation: Securities shall be bought and sold in a manner that is consistent with the investment goals of this policy. No investments shall be made for the purpose of trading or speculation.
- e. Swaps of Securities: Realized losses on investments due to swaps of securities will be permitted only if a swap analysis indicates that the total dollar gain from the security to be purchased, over the remaining life of the security to be sold, will be greater than the loss on the security sold. Upon request of the Vice President/Chief Financial Officer, the Authority's investment advisor shall provide details of the completed swap transaction.

### C. PRACTICES AND PROCEDURES

#### 1. Settlement

All purchases and sales of investment securities shall be on a delivery vs. payment basis as defined by Section 135.35 (J) (2) ORC.

#### 2. Custody

The Authority's investment assets shall be secured through the use of a third-party custodial institution, including certificates of deposit with Ohio financial institutions. The Authority's safekeeping procedures shall be reviewed annually by the Authority's internal auditor.

#### 3. Competitive Purchases and Sales

The Authority or its investment advisor shall, to the maximum extent possible, employ a competitive process when buying or selling securities. When investing bond proceeds, the Authority shall comply with any additional requirements contained in the U.S. Treasury Regulations related to tax-exempt bonds.

### D. REPORTING REQUIREMENTS

#### 1. Daily Transaction Records

The Authority, or financial institution acting in its behalf, shall maintain a record of all investment transactions and activities. If such records are maintained by an outside party, the staff shall review them regularly to confirm their accuracy.

2. Reports to the Finance Committee

The Vice President/Chief Financial Officer shall prepare reports for the Finance Committee at least quarterly. Such reports shall summarize the investment activity which occurred during the past reporting period, and describe any unusual events in the investment activities which may have occurred. The report shall also present the amount of the Authority's funds which are available for investment, and a description of how such funds are invested. The Authority's staff and/or the Authority's designated investment advisor shall be responsible for the annual preparation of GASB 31 and GASB 40 reports pertaining to the core portfolio of securities. The Authority's staff shall be responsible for including all other investment balances, not reported as investment assets of the core portfolio, within the calculation of the GASB 31 and GASB 40 reports. Investment accounts that pertain to this requirement include the Authority's General Account and the PFC Account. GASB 31 and GASB 40 reports shall be issued after the end of each calendar year.

3. Information for Auditors

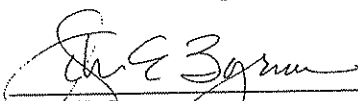
- a. The Authority's Internal Auditor: The staff shall provide such information related to the Authority's investment activities as may be requested from time to time by the Authority's internal auditor.
- b. Outside Auditors: The staff shall provide such information as may be requested by the Authority's outside auditors in connection with the preparation of the Authority's annual audited financial statements.

4. Certification of Investment Advisor

On an annual basis, the Investment Advisor will provide a written statement ("Certification") to the Authority's Treasurer indicating that such Investment Advisor has complied with all requirements set forth in section B.9.b. of this policy and that the Authority's investments have been managed in accordance with the approved investment policy and applicable law. The Certification shall also confirm that the Investment Advisor is registered with the Securities and Exchange Commission and possesses experience in the management of public funds, specifically in the area of state and local government funds. The Certification shall also state that such Investment Advisor is authorized to manage the investment funds of the Authority, on a fully discretionary basis, including the selection of eligible investment assets as defined under Section 135.14 ORC, and the selection of eligible broker/dealer firms based upon the criteria as determined by the Investment Advisor. The Investment Advisor will disclose the existence of any new or ongoing investigations or indictments by any local, state or federal agency. This certification shall be issued within 60 days after the end of each calendar year.

**Revised: February 28, 2006**

**Columbus Regional Airport Authority:**

  
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John E. Byrum  
Vice President/Chief Financial Officer

Date: 2/28/06

  
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Elaine Roberts  
President & CEO

Date: 2/28/06