



## **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 4582.21, et seq., of the Ohio Revised Code ("ORC"). Its investment activities are governed by that chapter, Chapter 135 of 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 F 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 Chief Financial Officer acting as Fiscal Officer, who shall in turn authorize not more than two other persons to make investment decisions for the Authority. The persons so authorized by the 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 Chief Financial Officer 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.

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, United States Treasury obligations, obligations guaranteed by the United States Treasury, and federal agency securities are not considered to have credit risk. Credit risk will be minimized by (i) diversifying assets by issuer; (ii) 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 (iii) maintaining adequate collateralization of CD's, pursuant to the method 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 (i) maintaining adequate liquidity so that current obligations (i.e., anticipated cash flow requirements) can be met without a sale of securities; (ii) diversification of maturities; (iii) 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 United States Treasury issues, issues guaranteed by the United States Treasury, federal agency issues, eligible money market mutual funds, and the Ohio Treasurer's investment pool, STAROHIO. The portfolio shall contain less than five percent (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 in a manner 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.

**C. Permitted Investments and Guidelines**

- 1. Bond Proceeds

The Authority's bond proceeds shall be invested only in the instruments specified in the Indenture.

2. Other Funds of the Authority

The Authority's other funds shall be invested only in instruments permitted by Section 135.14 ORC as follows:

- a. United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Government National Mortgage Association (GNMA). 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.
- c. Bonds and other obligations of this state, or the political subdivisions of this state, permitted by Section 135.14(B)(4), provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:

(i) The bonds or other obligations are payable from general revenues of the political subdivision and backed by the full faith and credit of the political subdivision.

(ii) The bonds or other obligations are rated at the time of purchase in the three (3) highest classifications established by at least one (1) nationally recognized standard rating service and purchased through a registered securities broker or dealer.

(iii) The aggregate value of the bonds or other obligations does not exceed twenty percent (20%) of interim moneys available for investment at the time of purchase.

(iv) The Authority is not the sole purchaser of the bonds or other obligations at original issuance.

No investment shall be made under 135.14 (B)(4) of the Ohio Revised Code unless the Chief Financial Officer or such other designated person(s) of the Authority has completed additional training for making the investments authorized by 135.14 (B)(4) ORC. The type and amount of additional training shall be approved by the treasurer of the state and may be conducted by or provided under the supervision of the treasurer of the state as provided in Section 135.14 (B)(4) ORC.

- d. Up to forty percent (40%) of interim moneys available for investment in either of the following as permitted by Section 135.14(B)(7):

(i) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Ohio Revised Code and that has assets exceeding five hundred million dollars (\$500,000,000), to which notes all of the following apply:

(a) The notes are rated at the time of purchase in the highest classification established by at least two (2) nationally recognized standard rating services.

(b) The aggregate value of the notes does not exceed ten percent (10%) of the aggregate value of the outstanding commercial paper of the issuing corporation.

(c) The notes mature not later than two hundred seventy (270) days after purchase.

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

(ii) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than one hundred eighty (180) days after purchase.

No investment shall be made pursuant to 135.14 (B)(7) of the ORC unless the Chief Financial Officer or such other designated person(s) of the Authority has completed additional training for making the investments authorized by 135.14 (B)(7) of the ORC. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state as provided in Section 135.14(B)(7) ORC.

e. Certificates of deposit from any eligible institution mentioned in Section 135.03 ORC.

f. 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 135.14 ORC and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the ORC. Eligible money market funds shall comply with ORC sections 135.01 (O) and 135.03, regarding limitations and restrictions.

g. Repurchase agreements with any eligible institution mentioned in Section 135.03 ORC, or any eligible securities dealer pursuant to 135.14 (M) except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery versus 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 (2%) 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, the Authority and the eligible dealer will sign a master repurchase agreement.

- h. The state treasurer's investment pool [STAR OHIO], pursuant to Section 135.45 ORC, or any other investment options offered by the State Treasurer.

### 3. Final Maturity

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.

### 4. 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.

## D. Maturity Limitations

### 1. General Approach

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:

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

### 2. Specific Maturity Limitations

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.

3. 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>
United States Treasury	100%
Federal Agency (Fixed rate)	100%
Federal Agency (Callable)	75%
Federal Agency (Variable Rate)	20%
STAR Ohio	100%
Commercial paper/bankers acceptances	40% *
Obligations of the State/Political Subdivisions of the State	20% *
Repurchase agreements	15%
Certificates of Deposit	10%

\* Statutory limitations

Except for statutory limitations, deviations from the above percentages may be changed upon the approval of the Finance Committee. The percentage calculation methodology shall be approved by the Chief Financial Officer.

4. 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.

5. 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 1111.11 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. Under no circumstances will brokers or broker/dealer firms act as an investment advisor or in a similar capacity as an investment advisor, either directly or indirectly, if such broker/dealers participate in transaction business (purchase and sale of securities) with the Authority or the Authority's designated 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 Chief Financial Officer, the Authority's investment advisor shall provide details of the completed swap transaction.

## **E. PRACTICES AND PROCEDURES**

### **1. Settlement**

All purchases and sales of investment securities shall be on a delivery versus 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 United States Treasury Regulations related to tax-exempt bonds.

**F. 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. Investment Accounting and Portfolio Reporting

The Authority 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 to the Chief Financial Officer and other designated persons of the Authority, 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.

Any premium paid over par may be amortized equally during the life of the investment as a deduction from semi-annual or annual interest payment(s) received each year, or such premium paid may be amortized at the final maturity date of the investment. Any discount from par will be recognized at the final maturity date of the investment.

3. Investment Transaction Communication

Investment transactions will be communicated by email transmission to the Chief Financial Officer and/or other designated persons of the Authority. A purchase or sale of securities will be represented by transaction advices issued by the Authority's designated investment advisor which will describe the transaction, including par value, coupon (if any), maturity date, and cost. An electronic advice will also be transmitted to the Authority's designated custodian bank and will serve as an authorization to the custodian to receive or deliver securities versus payment. Confirmation advices, representing the purchase or sale of securities, will be issued by eligible broker/dealer firms and sent to the Chief financial Officer and/or other designated persons of the Authority. Copies of such advices will also be sent to the Authority's investment advisor.

4. Reports to the Finance Committee

The 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 in all CRAA accounts. The Authority's staff shall be responsible for including all other investment balances, not reported as investment assets of the core portfolio(s), within the calculation of the GASB 31 and GASB 40 reports. The Authority's staff and/or the Authority's designated investment advisor shall also comply with GASB 72 regarding the hierarchy of inputs (Level 1, Level 2, or Level 3) that pertain to the valuation techniques used to measure fair value. Investment accounts that pertain to such GASB statements include the Authority's General Account and other accounts that may be established from time to time by the Authority. GASB compliance statements shall be issued after the end of each calendar year.

5. 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.

6. Certification of Investment Advisor

On an annual basis, the Investment Advisor will provide a written statement ("Certification") to the Authority's Chief Financial Officer indicating that such Investment Advisor has complied with all requirements set forth in section D.5.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 sixty (60) days after the end of each calendar year.

**Revised Effective December 1, 2016:**

**Columbus Regional Airport Authority:**

  
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Randy Bush  
Chief Financial Officer

Date: 11/28/16

  
\_\_\_\_\_  
Elaine Roberts  
President & CEO

Date: 11/30/16



**Signature Section  
Brokers/Dealers and Financial Institutions**

**Note: To be completed and filed with the Investing Authority**

The following officers/representatives have signed this approved investment policy for the Columbus Regional Airport Authority on behalf of the broker/dealer firm, financial institution, or investment advisor, as an acknowledgement of receipt and comprehension.

\_\_\_\_\_  
Name of broker/dealer firm or financial institution (print)

\_\_\_\_\_  
Name of registered representative(s) of broker/dealer firm  
or officer(s) of financial institution (print)

\_\_\_\_\_  
Signature(s) of registered representative(s) of broker dealer firm  
or officer(s) of financial institution

\_\_\_\_\_  
Name of Registered Investment Advisor (print)

\_\_\_\_\_  
Signature of Investment Advisor

Date: \_\_\_\_\_