

GENERAL ORDINANCE NO. 1, 2024

BEING AN ORDINANCE TO ADOPT AN INVESTMENT POLICY FOR THE CITY OF WABASH, INDIANA

WHEREAS, the City of Wabash maintains several accounts containing large amounts of taxpayer funds, grants, fees, and other liquid assets; and

WHEREAS, the City of Wabash needs to manage its accounts in a manner that provides for security and preservation of principal, appreciation and an appropriate rate of return, and liquidity and sufficient cash reserves to meet the ongoing financial needs of the City; and

WHEREAS, Indiana Code § 5-3 *et seq.* regulates the City's management of its cash reserves and investments and requires that the City adopt an investment policy to guide the management of its cash reserves and investments,

NOW THEREFORE BE IT ORDAINED THAT the Common Council for the City of Wabash, Indiana adopt the following Investment Policy to be followed by the City and its elected and hired employees to with:

Section 1. Purpose. A. OVERVIEW. The overall purpose of this policy is to provide investment objectives and guidelines for the management of public funds, to safeguard funds on behalf of the City, to assure the availability of funds when needed, to encourage investments that earn a competitive rate of return, and at all times, invest according to and consistent with state law, Ind. Code § 5-13-9 *et seq.*, as amended.

B. PRUDENCE. The City of Wabash, Indiana desires to maintain a prudent level of financial resources to guard it stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. This policy is intended to document the appropriate reserve level to protect the City's credit worthiness. All funds reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities, to address emergencies, and to address temporary revenue shortfall or provide stability during economic cycles. Sufficient reserve funds will be managed to provide adequate cash flow, stabilize the City's interest rates, and provide continuity in service delivery.

C. RESERVES. The objective of the City's reserve policy is to provide adequate working capital for cash flow and contingency purposes, while maintaining reasonable tax rates. This policy shall refer to both cash and investments owned by the City of Wabash, Indiana. All reserves shall be in accordance with all applicable Federal, State, City Policies, and the City Municipal Code (Code of Ordinances) requirements and law governing cash reserves. The City shall maintain adequate cash reserves in each fund to maintain a positive cash position at any time during a fiscal year.

D. REVIEW OF POLICY. The City's reserve policy is the guideline for City staff to use in creating and maintaining proper reserves for all City financial accounts. The policy shall be reviewed on an annual basis by the Clerk Treasurer. Any substantive modifications made to the policy must

first be recommended by the Clerk-Treasurer to the City's Board of Finance and, upon approval, be submitted to the Common Council for the City of Wabash, Indiana for adoption by ordinance.

E. LIQUIDITY. In addition to matters pertaining to reserves set forth hereinabove, the City's policy must also adhere to important liquidity requirements. Liquidity is the amount of cash and/or "near cash" (which refers to assets or security that can easily and quickly be converted to cash), available to be utilized to meet obligations and/or pay commitments. The marketability or ability to buy or sell an asset without incurring unacceptable large losses thus determines the liquidity of an asset or defines it as near cash. Liquid assets are those that can be converted to cash quickly if needed to meet financial obligations; examples of liquid assets generally include cash, general and other funds reserves, and municipal debt. For the City of Wabash to remain viable, it must have sufficient liquid assets to meet its obligations. This liquidity policy sets forth the minimum risk management measures that the City has to implement and adhere to in order to ensure that its current and future liquidity position is managed in a prudent manner. As such, these provisions provide guidance on the minimum liquidity level that the City has to maintain in order to comply with required State, County, and local regulations or laws. The Liquidity requirements include the following key elements:

(1) To comply with statutory requirements all City of Wabash funds and funds of its agents, reserves and provisions must be fully covered by unencumbered cash and investments.

(2) All commitments resulting from the legally entrenched rights and benefits employees have, with specific reference to the Council's commitment to staff retirement benefits, the employee health care fund, and other employee related funds.

(3) All reserves stated by the City on its Comprehensive Annual Financial Report (CAFR) that have been established for the purposes of providing an annual transparent report to the public.

(4) Cognizance also needs to be taken of the external loan commitments and the servicing of capital and interest on these loans; therefore, provision should be made the City of Wabash can meet its external loan/financial commitments together with the normal operational expenditure, as well as its liabilities to staff.

(5) All investments ceded as security against long term loans need to be excluded from total cash and investment balances for calculation of the minimum liquidity level required.

(6) In addition, a level of cash available for normal operational expenditure needs to be held in cash to ensure that, notwithstanding fluctuations in the monthly income levels of City of Wabash, the City will be in a position to meet its financial requirements. In this respect, the average monthly operational expenditure needs to be used as a guide of the minimum buffer required. Two month's operational expenditure excluding debt impairments, depreciation and other non-cash expenses should be available for liquidity cover.

(7) The "golden rule" should be to ensure that the City of Wabash will have adequate liquid assets (those that can be made into cash within 24 hours, weekly or monthly as the requirements might be) to meet its short-term financial commitments.

Section 2. Authority. Under the authority granted by the Indiana State Code, Title 5, State and Local Administration, Title 36, Local Government; the Wabash Municipal Code (Code of Ordinances); and the Common Council of the City of Wabash, Indiana; the City of Wabash is authorized to maintain certain levels of fund reserves. It is the City Council's intent to responsibly use this authority in order to fulfill the objectives of the City of Wabash, Indiana and its agencies and departments. Management responsibility of the City's Investment and Reserve Policy is hereby delegated to the Clerk-Treasurer. Pursuant to the conditions, regulations, and procedures in this policy and aforementioned laws and policies, it shall be the sole responsibility of the Clerk-Treasurer to monitor and manage reserves on behalf of the City. Only the Common Council of the City of Wabash, Indiana is authorized to establish the maximum reserve levels. The authority to monitor and manage includes authority to invest city funds in authorized funds or any fund that state statutes, as amended, may deem or consider an authorized fund prior to expiration of this Investment Policy.

Section 3. Minimum Rating. Authorized funds in which the Clerk Treasurer invests city funds shall have attained at least the minimum rating required by state statutes, as amended.

Section 4. State Statutes. All investments made by the Clerk-Treasurer shall be made in accordance with Ind. Code § 5-13 *et seq.*

Section 5. Maturity Date. A. TERMS. The Clerk-Treasurer is hereby authorized to make investments up to five years in maturity. This policy authorizes longer term investments defined as more than two years but not more than five years after the date of purchase or entry into a repurchase agreement ("longer term investments").

B. LONGER-TERM INVESTMENTS. The Clerk-Treasurer shall limit total longer-term investments outstanding to not more than 25% of the city's total portfolio, including balances in the city's transaction accounts; however an investment is authorized and remains legal even if a subsequent decrease in the city's total portfolio of public funds invested, including balances in transaction accounts, causes the percentage of longer term investments outstanding to exceed 25% of the city's total portfolio.

Section 6. Ethics and Conflicts of Interest. The Clerk-Treasurer and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or which could impair their ability to make impartial decisions. The Clerk-Treasurer and employees involved in the investment process shall complete a Conflict of Interest form provided by the City Attorney affirming that the Clerk-Treasurer or employee does not have a pecuniary interest in the City's investments.

Section 7. Objectives. A. MAINTAIN FISCAL SOUNDNESS. The City will attempt to maintain a General Fund Cash balance of at least fifty percent (50%) of the projected property tax revenue. All revenue sources will be monitored and forecasted to the best of staff's ability to ensure

accurate and reliable information to the City Council. Adequate information on the financial impact of major, non-recurring expenditures will be given to the City Council prior to requesting action. To the extent that unusual contingencies exist as a result of state or federal aid uncertainties, or other highly variable factors, a balance larger than this minimum amount may be maintained. These funds will be used to avoid cash flow interruptions, generate interest income, avoid the needs for short-term borrowing, and assist in maintain a triple-A bond rating.

B. SUPPORTED BY A DIVERSE SOURCE OF REVENUES. The City will evaluate all City fees and charges for services in order to ensure that the current fee reflects the increased cost of executing those services. The sewer utility will be completely funded by sewer fees and these fees will reflect not only operating cost, but future capital replacement cost.

C. ANNUAL BUDGET WILL BE IMPLEMENTED USING SOUND BUDGETING PRACTICES. The annual budget of the City of Wabash will be based on and implemented by department goals and objectives for the fiscal year. Current operating revenues will be sufficient to support current operating expenditures. Department Heads will be responsible for managing their budget within the amount they have been appropriated. All City departments will share in the responsibility of meeting policy goals and ensuring long-term financial health.

D. FINANCIAL REVENUES WILL REMAIN SUFFICIENT TO SUPPORT PUBLIC SERVICES. Annual operations of the City will be funded by current revenues, in keeping with a balanced budget. The General Operating Fund will be supported by a balance tax structure. The City will follow an aggressive and professional policy of collecting applicable revenues. All future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements. The City will retain 50 percent of the combined annual projected property tax revenue as unreserved fund balance (available cash). Wastewater operations will be supported by user fees.

E. CAPITAL FUNDS. Appropriate capital fund reserves shall also be maintained for emergency improvements relating to new regulations, or emergency needs for capital repair or replacement.

Section 8. Approval of Clerk-Treasurer. All investment made pursuant to this Investment Policy must be approved by the Clerk-Treasurer. Investments made in accordance with this Investment Policy that are outstanding on or after the Expiration Date remain valid investments, and nothing herein shall be construed to render such investments improper or unlawful.

Section 9. Internal Control/External Review. The City Clerk-Treasurer is responsible for establishing and maintaining policies and procedures to assure that City assets are protected from loss, theft, or misuse. Such policies and procedures shall be discussed with and approved by the Mayor. The City Clerk-Treasurer shall review all proposed investments with the Mayor or mayoral designee before investing to maintain dual control, legal/ethical compliance, and to ensure both parties agree with the proposed investment. Annually, the City Clerk-Treasurer shall conduct an independent review by an external auditor to ensure compliance with policies and procedures.

Section 10. Investment Advisor. The Clerk-Treasurer is hereby authorized to contract with a federally regulated investment advisor or other institutional money manager to make investments under this Investment Policy.

Section 11. Certificates of Deposit (CD's). Certificates of deposits, transaction accounts, and other interest-bearing deposit accounts may be used for investment of City funds pursuant to Ind. Code § 5-13-9-5. The investment pool may be invested in negotiable CDs providing that market yields on CDs exceed treasury bills of comparable maturity and duration. All CD investments shall be insured by the FDIC; however, for institutions rated Prime-1, there is no limitation of total investment per institution. Total investment with a non-rated institution is limited to the lesser of 10% of the institution's capital and ninety days maximum maturity. Pursuant to state law, this Section expires two (2) years from the date this ordinance is adopted.

Section 12. Diversification of Investments. The City's investment portfolio shall be diversified by institution, investment instruments and maturity schedule to the extent practical and prudent. Maturities shall be time diversified over a schedule determined by known liability to achieve target duration or weighted average maturity for the portfolio based on the judgment of the City Controller.

Section 13. Reporting. A. INVENTORY. The City Clerk-Treasurer shall maintain an inventory of all obligations and securities and shall provide quarterly investments reports to the City's Board of Finance detailing the following information: types of investments, depository institutions, principal balances, maturity dates, rates of return, purchases, and sales.

B. REPORTS. The City Clerk-Treasurer shall make an annual written report to the Common Council of the City of Wabash, Indiana summarizing the City's investments during the previous calendar year. The report must contain the name of each financial institution, government agency or instrumentality, or other person with whom the City invested money during the previous calendar year (Ind. Code § 5-13-7). The Common Council of the City of Wabash, Indiana shall review the report and review the City's overall investment policy.

C. REVIEWS. The City Clerk-Treasurer or a designee shall review the investment policy at least annually in the last quarter of the calendar year and propose such changes necessary to safeguard funds on behalf of the City, assure the availability of funds when needed, and provide a competitive investment return. The proposed changes shall be submitted to the Board of Finance prior to its first meeting of the next calendar year and the Board of Finance shall take such action to review, change and propose the investment policy to be followed during that calendar year.

Section 14. Validity of this Policy. This Investment Policy is and shall be valid upon adoption and publication as required by Ind. Code §5-13-9-5.7 and shall expire on the earlier of the adoption of a new policy or January 31, 2021 ("Expiration Date"). The power to make investments under this Investment Policy terminates on the Expiration Date.

SECTION 15. All prior ordinances or parts thereof inconsistent with any provision of this ordinance are hereby repealed.

PASSED BY THE COMMON COUNCIL OF THE CITY OF WABASH, INDIANA THIS _____ DAY OF _____, 2024

By: _____
President of the Common Council

PRESENTED BY ME TO THE MAYOR OF THE CITY OF WABASH ON THE ____ DAY OF _____, 2024 AT THE HOUR OF _____ O'CLOCK ____ M.

Melanie Givens Penn, Clerk-Treasurer

THIS ORDINANCE WAS APPROVED AND SIGNED ON THE ____ DAY OF _____ 2020 AT THE HOUR OF ____ O'CLOCK ____ M.

Scott A. Long, Mayor

ATTEST:

Melanie Givens Penn, Clerk-Treasurer