CITY OF WABASH
INVESTMENT POLICY
Adopted January 12, 2026

I. PURPOSE

This statement is intended to provide guidelines for the prudent investment of the City of Wabash's surplus, grant and operating money (when applicable) in its treasury (hereinafter "Investment Cash") and to outline policies for maximizing the efficiency of the City's Investment Cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled Investment Cash.

II. POLICY

It is the policy of the City of Wabash to invest public funds in a manner which will provide a sound investment return with maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. The City of Wabash's investment policy has three objectives: (1) protect principal, (2) provide for liquidity needs, and (3) obtain the most reasonable rate of return possible within the first two objectives. The City operates its investment activities under the "prudent investor" standard (see discussion below). This affords a broad spectrum of investment opportunities so long as the investment is deemed prudent and is permissible under current and local law.

III. SCOPE

This investment police applies to all liquid financial assets of the City of Wabash.

IV. PRUDENT INVESTOR STANDARD

All persons authorized to make investments decisions on behalf of the City are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, prudence, and diligence considering existing circumstances, general economic conditions and the anticipated needs of the City. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate-of-return.

The Clerk-Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

V. OBJECTIVES

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest Investment Cash to the fullest extent possible. The City strives to obtain the most reasonable yield possible as long as investments meet the criteria for safety and liquidity.

Safety

Safety of principal is the foremost objective of the investment program. Investments of the City should be undertaken in a manner which seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Risk associated with an investment refers to the potential loss of principal, interest or a combination of both. The City shall seek to preserve principal by mitigating the two types of risk – credit risk and market risk.

Credit Risk – Defined as the risk of loss due to failure of the issuer of a security. Credit risk shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the City's cash flow.

Market Risk – Defined as market value fluctuations due to overall changes in the general level of interest rates. Market risk shall be mitigated by limiting the weighted average maturity of the City's investments portfolio to three and one-half years, the maximum maturity of any one security to five years, and structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity.

Liquidity

The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. This goal shall be achieved by maintaining a prudent portion of the City's portfolio in liquid, short-term instruments which can readily be converted to cash if necessary.

Return on Investment

The City's investment portfolio shall be designed with the objective of attaining a sound rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. The City will attempt to obtain the most reasonable yield possible when selecting an investment, provided the criteria for safety and liquidity are met.

VI. DELEGATION OF AUTHORITY

In accordance with Indiana Code 36-4-10-2(c), the City Clerk-Treasurer of a third class city, (Wabash is considered a third class city under Indiana statutes) is considered the fiscal officer of the City and pursuant to Indiana Code 36-4-10-4.5 the fiscal officer of a third class city has, among other duties, the duty to manage the City's finances and accounts and to make investments of the City's funds.

VII. PUBLIC TRUST

All participants in the investment process shall act as custodians of public funds. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

VIII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Additionally, the City Clerk-Treasurer and other key finance personnel are required to file annually those applicable disclosures, financial and otherwise, as required by the Indiana Code including, but not limited to, any nepotism reports and reports concerning conflicts of interest as required by Indiana Code 36-1-20.2 *et seq.* and Indiana Code 36-1-21 *et seq.*

IX. QUALIFIED BROKER/DEALERS

The City shall transact business only with qualified banks, savings and loans, and broker/dealers. Investment staff shall investigate dealers who wish to do business with the City to determine that they are adequately capitalized, have no pending legal action against the firm or the individual broker and that they participate in markets appropriate to the City's needs.

The City shall send a copy of the current investment policy to all brokers/dealers approved to do business with the City. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy.

X. AUTHORIZED INVESTMENTS

Investment of City funds is governed by and conducted in accordance with Indiana Code 5-13 *et seq.* Within the context of code limitations, the following investments and their respective additional limitations are authorized:

1. <u>United State Treasury Bills, Bonds, and Notes</u> are those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio which can be invested in this category.

2. <u>Federal Agency or United States government-sponsored enterprise obligations, participants or other instruments issued</u> by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Association (FHLMC) whose principal and interest is fully guaranteed by federal agencies or United State government-sponsored enterprises. There is no percentage limitation of the portfolio which can be invested in this category.

3. <u>TrustINdiana which is an investment pool authorized by Indiana Code 5-13-9-11 administered by the Treasurer of Indiana and created to allow the State and local units of government to pool investment funds in a fund that maximizes the primary goals required by all Indiana public funds, to-wit: safety, Liquidity, Diversification, and yield or return on investment.</u>

Investments detailed in items 4 through 12 are further restricted to a maximum of 15 percent of the City's Investment Cash, at the time of purchase, in any one issuer name unless further restricted by this policy. A five-year maximum maturity limitation is applicable unless further restricted by this policy.

4. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as bankers' acceptances. <u>Bankers' acceptances</u> purchased may not exceed 180 days to maturity or 40% of the City's Investment Cash at the time of purchase.

5. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating of P1/A1 or A1+/F1+ as provided for by Moody's Investor Service, Inc., Standard and Poor's Corporation, or Fitch Ratings. Additionally, the entity issuing the commercial paper must have long term credit rating of A2/A/A by one of either Moody's Investors Service, Inc., Standard and Poor's Corporation, or Fitch Ratings, respectively. Purchases of commercial paper may not exceed 25% of the City's Investment Cash, nor may those purchases exceed 270 days to maturity, nor represent more than 10% of the outstanding paper of the issuing corporation. Investment in any one institution may not exceed more than 10% of the City's Investment Cash at the time of the purchase.

6. Negotiable certificates of deposit issued by nationally or state charted banks or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 50% of the City's Investment Cash at the time of purchase.

7. Repurchase agreements which specify terms and conditions may be transacted with banks and brokers/dealers. Investment in repurchase agreements may not exceed 20% of the City's investment Cash at the date entered into. The maturity of the repurchase agreements shall not exceed 90 days. The market value of the securities used as collateral for the repurchase agreements shall be monitored by the investment staff and shall not be allowed to fall below 102% of the value of the repurchase agreement. A Master Repurchase Agreement must be executed with the bank or dealer prior to investing in a Repurchase Agreement.

8. Reverse repurchase agreements which specify terms and conditions may be transacted with broker/dealer and financial institutions but cannot exceed 20% of the portfolio value on the date entered into.

9. Medium Term Corporation Notes, with a maximum maturity of five years may be purchases. Securities eligible for investment shall be rated A2/A/A or better by at least one of either Moody's Investors Services, Standard and Poor's or Fitch Ratings, Inc., respectively. Purchase of medium-term notes may not exceed 30% of the City's Investment Cash at the time of purchase and no more than 15% of the City's Investment Cash, at the time of purchase, may be invested in notes issued by one corporation. Commercial paper holdings, as identified by item 6 in its section, should also be included when calculating the 15% limitation.

10. Shares of beneficial interest issued by diversified management companies (Money market and mutual funds) may have been more than 10% of total asset in any one mutual fund investing instrument as authorized above. Various daily cash funds administered for or by trustees, paying agents and custodial banks contracted by the City of Wabash may be purchased as allowed under Indiana State Code. Only funds holding U.S. Treasury or government agency obligations can be utilized. Investment in money market and mutual funds may not exceed 20% of the City's Investment Cash at the time of purchase.

11. Municipal Securities of any Indiana Local Agency including bonds, notes, warrants, or other indebtedness, provided the issuer has a minimum credit rating of A2/A/A by either Moody's Standard & Poor's or Fitch Ratings. The City may also purchase its own issued debt but may not resell its own debt before maturity without first obtaining a tax exempt redetermination opinion from legal counsel. Purchases of Municipal Securities shall not exceed 20% of the City's investment portfolio at the time of

purchase. Investment in any one issuer shall not exceed 5% at the time of purchase. Maturity shall be limited to a maximum of 60 months from the date of purchase.

12. Municipal Securities of the State of Indiana or any of the other 49 states in addition to Indiana , including bonds payable solely out of the revenues from a revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of the State of Indiana , or any of the other 49 states, in addition to Indiana, Provided the issuer has a minimum credit rating of A2/A/A by either Moody's, Standard & Poor's or Fitch Ratings.

Ineligible investments, those that are not described herein, including but not limited to, common stocks or long term (over five years in maturity) notes and bonds, are prohibited from use in this portfolio.

XI. INVESTMENT POOLS/MUTUAL FUNDS

Government sponsored pools and money market funds are excellent short-term cash management facilities. These pools/funds can provide safety, liquidity and yield in a single investment instrument. In addition, these funds provided additional diversity in that each share of the fund is a composite of the fund's entire portfolio of various maturity lengths, asset classes and specific investments.

XII. COLLATERALIZATION

Collateralization shall be required on two types of investments:

1. Certificates of Deposit in excess of the amount federally insured, and
2. Repurchase agreements.

For Certificates of Deposit in excess of the amount federally insured, the general collateralization level shall be 110% of the amount invested. If the security used for collateral is a mortgage backed security, the collateralization level shall be 150% of the amount invested (government code sec. 53652).

For repurchase agreements, the collateralization level shall be at least 102% of the market value of the agreement.

The collateral shall be held by an independent third party with whom the entity has a current custodial agreement, and the right of collateral substitution is granted. In order to conform with the provisions of the Federal bankruptcy code which provides for liquidation of securities held as collateral, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, medium term notes or securities that are the direct obligations of, or are fully guaranteed as to principal and interest by the United States or any agency of the United States.

XIII. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreement, entered into by the City shall be conducted on a delivery versus payment (DVP) basis, and shall be delivered to the City or the City's designated custodian upon payment by the City.

All securities that may be purchased, including collateral for repurchase agreements, shall be held by a third party custodian designated by the Treasurer. These securities shall be held in the City's name and control and third party custody shall be evidenced by safekeeping receipts. The third party custodian shall send the City, on a monthly basis, a statement of what is safely being kept and this statement shall be reconciled to the City's record on a monthly basis. Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

XIV. DIVERSIFICATION INVESTMENT

The City's investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks with regard to specific investment types. Within investment types, the City shall also maintain a mix of securities to avoid concentrations within individual financial institutions, geographic areas, industry types and maturity dates.

XV. MAXIMUM MATURITIES

To the extent possible, the City of Wabash, Indiana shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City shall not directly invest in securities maturing more than 5 years from the date of purchase.

XVI. INTERNAL CONTROL

The City Clerk-Treasurer shall conduct an annual review of the investment program. This process may include testing of the investment program by the City's external auditor to determine the extent of compliance with the Investment Policy.

All wire transfers initiated by the Finance Department will be confirmed to the appropriate financial institution. Proper documentation obtained from confirmations and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

XVII. PERFORMANCE STANDARDS

The City's investment portfolio shall be designed with the objective of attaining a sound rate of return throughout budgetary and economic cycles, considering the City's investment risk constraints and the cash flow characteristics of the portfolio.

XVIII. PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to attain returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives shall be achieved by use of the following strategies:

> **Active Portfolio Management**
> Through active fund and cash-flow management taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighed maturity of the City's Investment Cash.
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> **Portfolio Maturity Management**
> When structuring the maturity composition of the portfolio, the city shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates changes.
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> **Security Swaps**
> The City may take advantage of security swap opportunities to improve the overall portfolio yield. A swap which improves the portfolio yield may be selected even if the transactions result in an accounting loss. Documentation for swaps shall be included in the City's permanent investment file documents.

XIX. PERIODIC TREASURY REPORTS

The City Clerk-Treasurer shall review and render reports to the Mayor, Board of Works or City Council any time such are requested but shall only be required to do so once per month. The reports shall include the par value and cost of the investment, the type of investment, the name of the issuer, the coupon rate of interest, the maturity date, and the current market value.

XX. LEGISLATIVE CHANGES

Any action by the Indiana General Assembly that further restricts allowable maturities, investment type or percentage allocations, shall be incorporated into the City of Wabash's Investment Policy and shall supersede any and all previous applicable language.

XXI. INTEREST EARNINGS

All interest earned and collected from investments authorized in this policy shall be allocated monthly to all pooled cash funds based on the cash balance in each fund as a percentage of the entire pooled portfolio.

XXII. LIMITING MARKET VALUE EROSION

It is the general policy of the City to limit the potential effects from erosion in market values by adhering to the following guidelines:

- All immediate and anticipated liquidity requirements shall be addressed prior to purchasing investments.
- Maturity dates for investments shall coincide with significant cash flow requirements, where possible, to assist with cash requirements at maturity.
- All securities shall be purchased with the intent to hold all investments to maturity. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity.

XXIII. STATEMENT OF INVESTMENT POLICY

The City of Wabash's Investment Policy shall be adopted by appropriate ordinance of the Common Council of the City of Wabash, Indiana. This investment policy shall be reviewed at least annually by the city's Board of Finance in the month of January to ensure the policy's consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to the Common Council of the City of Wabash, Indiana for approval.

XXIV. GLOSSARY OF TERMS

Bankers' Acceptance (BA) – A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker – A broker brings buyers and sellers together for a commission.

Certificate of Deposit – A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's typically negotiable. CD's may be eligible for FDIC insurance.

Collateral – Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public money.

Custody – A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP) – Delivery of securities with a simultaneous exchange of money for the securities.

Diversification – Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Federal Home Loan Banks (FHLB) – Government sponsored wholesome banks which lend funds and provide correspondent banking services to member commercial banks, thrifty institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC) – The FHLMC was created under the Federal Home Loan Mortgage Act, Title III of the Emergency Home Finance Act of 1970 as a stockholder owned government-sponsored enterprise. Freddie Mac, as the corporation is called, is charged with providing stability and assistance to the secondary home mortgage market by buying first mortgages and participation interests and reselling these securities in the form of guaranteed mortgage securities. Although agency obligations are not explicitly guaranteed by the federal government, the rating agencies believe that in the unlikely event of financial difficulties, the federal government will support the agency to the extent necessary to provide for full and timely payment on their securities.

Federal National Mortgage Association (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is private stockholder-owner corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal interest.

Government National Mortgage Association (GNMA) – Securities influencing the volume of bank credit guaranteed by GNMA and issues by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

Interest Rate – The annual yield earned on an investment, expressed as a percentage.

Liquidity – Refers to the ability to rapidly convert an investment into cash with minimal risk of losing some portion of principal and/or interest.

Master Repurchase Agreement – A written contract covering all future transactions between the parties to repurchase and/or reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will offer specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity – The date upon which the principal or stated value of an investment becomes due and payable.

Money Market –Short-term debt instruments (bills, commercial paper, banker's acceptance, etc.) are issued and traded.

Municipal Securities of Local Agencies – Debt securities issued by states, cities, counties and other government entities to fund day-to-day obligations and to finance capital projects. The purchase of municipal securities is a loan to the bond issuer in exchange for regular interest payments and the return of the original investment.

Prudent Investor – An investment standard. In some states the laws require that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Rate of Return – The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (RP or REPO) – A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

Reverse Repurchase Agreement (Reverse REPO) – A transaction where the seller (City) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Risk – Degree of uncertainty of return on an asset.

Treasury Bills – A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds – Long-term coupon-bearing U.S. Treasury securities issues as direct obligations of the U.S. Government and having initial maturities of more than ten years.

Treasury Notes – Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

Yield – The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income market price of the security.

Yield Maturity – The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Approved by the Board of Finance for the City of Wabash, Indiana this 12TH day of January 2026.