

GENERAL ORDINANCE NO. 6, 2023

CITY CLERK

AN ORDINANCE TO AMEND CERTAIN PORTIONS OF CHAPTER 2 OF THE TERRE HAUTE CITY CODE BY ESTABLISHING AN INVESTMENT POLICY.

WHEREAS, the Common Council of the City of Terre Haute, Indiana (the "Council") desires to establish an Investment Policy for the City of Terre Haute, Indiana (the "City") and its various departments and utilities as required by the Indiana State Board of Accounts: and

WHEREAS, the Council remains committed to ensuring compliance with various accounting and financial reporting standards, including Generally Accepted Accounting Principles (GAAP), Governmental Accounting, Auditing, and Financial Reporting (GAAFR), and the Governmental Accounting Standards Board (GASB) and to meet any applicable State and Federal capital asset regulatory reporting requirements;

NOW THEREFORE, BE IT ORDAINED, by the Common Council of the City of Terre Haute, Indiana as follows:

SECTION 1. *Terre Haute City Code* shall be modified with the insertion of the following:

CHAPTER 2. CITY ADMINISTRATION

ARTICLE 9. FUNDS AND FISCAL PROCEDURES

...

Sec. 2-109-1 Investment Policy.

a. **Purpose.** The purpose of this investment policy (the "Policy") is to set forth the investment objectives and parameters for the management of public funds of the City of Terre Haute, Indiana (the "City"). This investment policy is designed to safeguard funds on behalf of the City, to assure the availability of funds when needed, and provide a competitive investment return.

b. **Scope.** This policy applies to the investment of all funds of the City including but not limited to, the general fund, special revenue funds, debt service funds, project funds and trust and agency funds.

The City may consolidate fund balances to increase investment earnings and to increase efficiencies with regard to investment pricing, banking fees and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

c. **General Objectives.** The primary objectives, in priority order, of investment activities shall be safety, liquidity, and return:

(1) **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. The objective will be to minimize credit risk and interest rate risk.

(a) **Credit Risk** - The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in Section VI of this Investment Policy.

(b) **Interest Rate Risk** - The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity.

(2) **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, a portion of the portfolio may be placed in money market mutual funds or government investment pools which offer same day liquidity for short-term funds.

(3) **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

d. **Standards of Care.**

(1) **Delegation of Authority.** The City Controller, hereinafter referred to as the Investment Officer, shall be responsible to oversee the day-to-day management of the City's investments pursuant to Indiana Code 36-4-10-4.5. Should the City elect to select an outside investment advisor, such advisor or firm must be registered under the Investment Advisor's Act of 1940.

(2) **Prudence.** The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing all funds of the City. The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

(3) **Ethics and Conflicts of Interest.** The Investment Officer 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 that could impair their ability to make impartial decisions. The Investment Officer and employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

e. **Authorized Financial Institutions and Broker/Dealers.**

(1) **Authorized Financial Institutions and Broker/Dealers.** A list will be maintained of local financial institutions that are approved depositories for the receipt of public funds according to the State Board for Depositories. The City may pass a resolution pursuant to IC 5-13-9-5 expanding the list of approved financial institutions to include all Indiana depositories approved for the receipt of public funds according to the Indiana State Board for Depositories.

In addition, the City will only use broker/dealers that meet the following requirements:

- Primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Capital of no less than \$10,000,000;
- Registered as a dealer under the Securities Exchange Act of 1934;
- A member of the National Association of Securities Dealers (NASD);
- Proof of state registration

f. **Suitable and Authorized Investments.** Consistent with Indiana Code 5-13-9, the following investments will be permitted by this Policy:

- (1) Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by any of the following:
 - (a) The United States Treasury.
 - (b) A federal agency.
 - (c) A federal instrumentality.
 - (d) A federal government sponsored enterprise.
- (2) Securities fully guaranteed and issued by any of the following:
 - (a) A federal agency.
 - (b) A federal instrumentality.
 - (c) A federal government sponsored enterprise.
- (3) Municipal securities issued by an Indiana local governmental entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase in accordance with IC 5-13-9.2.

- (4) Money market mutual funds rated AAAM, or its equivalent, by Standard and Poor's Corporation or Aaa, or its equivalent, by Moody's Investors Service, Inc. in accordance with IC 5-13-9-2.5.
- (5) Repurchase agreements in accordance with IC 5-13-9-3
- (6) Transaction accounts, certificates of deposit and deposit accounts issued or offered by a designated depository of the City's political subdivision. The investing officer making a deposit in a certificate of deposit shall obtain quotes from each designated depository in accordance with IC 5-13-9-4.
- (7) Certificates of deposit authorized by a resolution of the City in accordance with IC 5-13-9-5 and 5-13-9-5.3.
- (8) Local government investment pools in accordance with IC 5-13-9-11.
- (9) Consistent with Indiana Code 36-1-7, the City may pass a resolution to enter into interlocal cooperation agreements for the joint exercise of powers, including the investment of public funds.

g. **Investment Parameters**

(1) **Maximum Maturities.** The City's investments must have a stated final maturity of not more than two years pursuant to IC 5-13-9-5.6. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

The City Council may adopt an ordinance, pursuant to IC 5-13-9-5.7, authorizing its Investment Officer to make investments having a stated final maturity that is more than two (2) years but not more than five (5) years after the date of purchase. The total investments of the City with maturities of two (2) to five (5) years outstanding at the time of purchase may not exceed twenty-five percent (25%) of its total portfolio of public funds invested, including balances in transaction accounts. Such ordinance expires on the date on which this Policy expires, which may not exceed four (4) years.

(2) **Competitive Bids.** The Investment Officer or its designee shall obtain competitive bids for investment with financial institutions in accordance with IC 5-13-9-4. The Investment Officer or its designee shall obtain bids from at least two brokers or financial institutions on all purchases of investment instruments on the secondary market. Overnight sweep investment instruments shall not be subject to this section.

h. **Policy Considerations**

(1) Adoption and Expiration. This Policy shall be adopted by the City Council at a public meeting and shall expire four (4) years from the date of adoption in accordance with IC 5-13-9-5.7.

(2) Exemption. Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

(3) Amendments. This policy shall be reviewed periodically. Any changes must be approved by the Investment Officer and the City Council.

SECTION 2. The illegality or invalidity, for any reason, of any of the sections of this ordinance, or parts thereof, shall invalidate only such section or sections as are so determined to be illegal or invalid, any such invalidity shall have no effect on the remaining sections of this ordinance.

SECTION 3. This ordinance supersedes all other ordinances or parts of ordinances regarding capital asset policies which are in conflict with its provisions, and any such ordinance is hereby repealed.

The expressed or implied repeal of amendment by this ordinance of any other ordinance or part of any other ordinance does not affect any rights or liabilities accrued, penalties incurred, or proceedings begun prior to the effected date of this ordinance. These rights, liabilities, and other proceedings all continued, and penalties shall be imposed and enforced under the repealed or amended ordinance as if this ordinance had not been adopted.

SECTION 4. This ordinance shall be in full force and effect from and after the date of its passage by the Common Council of Terre Haute, Indiana and approval of the Mayor and upon publication as required by law.

Introduced by: O. Earl Elliott O. Earl Elliott, Councilperson

Passed in open Council this 13th day of July, 2023.

Curtis DeBaun Curtis DeBaun, President

ATTEST: Michelle L. Edwards Michelle L. Edwards, City Clerk

Presented by me to the Mayor this 14th day of July, 2023.

Michelle L. Edwards Michelle L. Edwards, City Clerk

Approved by me, the Mayor, this 14th day of July, 2023.

Duke A. Bennett Duke A. Bennett, Mayor

ATTEST: Michelle L. Edwards Michelle L. Edwards, City Clerk