

**ORDINANCE NO. 2018-12**

An Ordinance of the Town of Whitestown, Indiana approving the (i) Statement of Investment Policy, Objectives & Guidelines regarding Town Funds, (ii) Debt Management Policy of the Town and (iii) Reserves and Liquidity Policy of the Town

WHEREAS, Indiana Code 36-4-10-2 provides that the Clerk-Treasurer of the Town of Whitestown, Indiana (the "Town") is the fiscal officer of the Town; and

WHEREAS, Section 1 of Indiana Code 5-13-9 (the "Municipal Investment Act") provides that the fiscal officer of the Town and the Town Council of the Town (the "Town Council") may invest any Town funds in accordance with the Municipal Investment Act; and

WHEREAS, Section 5.6(3)(B)(ii) of the Municipal Investment Act provides that any investment of Town funds shall not be for a period of longer than two (2) years from the date of purchase of the investment unless the Town has in effect an investment policy adopted by the fiscal body of the Town in accordance with Section 5.7 of the Municipal Investment Act; and

WHEREAS, Section 5.7 of the Municipal Investment Act provides that the Town Council, as the fiscal body of the Town, may adopt an investment policy authorizing the investment of public funds of the Town for more than two (2) years and not more than five (5) years, which policy must: (1) be in writing; (2) be adopted at a public meeting; (3) provide for the investment of public funds with the approval of the investing officer; (4) provide that the investments must be made in accordance with the Indiana Code 5-13; (5) limit the total investments outstanding under Section 5.7 of the Municipal Investment Act to not more than twenty-five percent (25%) of the total portfolio of public funds invested by the Town, including balances in transaction accounts; and (6) state a date on which the policy expires, which may not be more than four (4) years after the date on which the policy takes effect; and

WHEREAS, Section 5.7(c) of the Municipal Investment Act provides that a fiscal body that has adopted a written investment policy under Subsection 5.7(a) of the Municipal Investment Act may adopt an ordinance authorizing its investing officer to make investments having a stated final maturity that is: (1) more than two (2) years but (2) not more than five (5) years after the date of purchase or entry into a repurchase agreement and that such ordinance and the power to make an investment described in Subsection 5.7(c) expire on the date on which the policy expires, which may not be more than four (4) years after the date on which the policy takes effect; and

WHEREAS, the Municipal Investment Act provides that an investment that complies with Section 5.7 of the Municipal Investment Act when the investment is made remains legal even if: (1) the investment policy has expired; or (2) a subsequent decrease in the total portfolio of public funds invested by the Town, including balances in transaction accounts, causes the percentage of investments outstanding under Section 5.7 of the Municipal Investment Act to exceed twenty-five percent (25%) of the total portfolio of public funds invested by the Town; and

WHEREAS, the Town may contract with a federally regulated investment advisor or other institutional money manager to make investments under Section 5.7 of the Municipal Investment Act; and

WHEREAS, Town Council now desires to approve the Statement of Investment Policy, Objectives & Guidelines (the "Investment Policy") in the form presented to this meeting and to take certain other actions related thereto as set forth herein; and

WHEREAS, in connection with the Investment Policy, the Town Council has been advised that it would be appropriate for the Town to consider approval of a debt management policy relating to the administration and issuance of debt by the Town and the Town Council finds that the Debt Management Policy (the "Debt Management Policy") in the form presented to this meeting should be approved; and

WHEREAS, further in connection with the Investment Policy, the Town Council has been advised that it would be appropriate for the Town to consider approval of a reserve and liquidity policy relating to the maintenance of proper reserves and cash liquidity for the Town and the Town Council finds that the Reserves and Liquidity Policy (the "Reserves and Liquidity Policy") in the form presented to this meeting should be approved;

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF WHITESTOWN, INDIANA THAT:

Section 1. The Investment Policy in the form attached hereto as Exhibit A is hereby approved.

Section 2. The Clerk-Treasurer of the Town is hereby designated as the investment officer of the Town. The Clerk-Treasurer is hereby authorized, with the advice of the Town Manager and the Town's municipal advisor, to contract with a federally regulated investment advisor or other institutional manager to make investments on behalf of the Town, provided such investment advisor or other institutional manager shall only make such investments in accordance with the Investment Policy.

Section 3. The Debt Management Policy in the form attached hereto as Exhibit B is hereby approved.

Section 4. The Reserves and Liquidity Policy in the form attached hereto as Exhibit C is hereby approved.

Section 5. If any section, paragraph or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Ordinance.

Section 6. All resolutions, ordinances and orders, or parts thereof, in conflict with the provision of this Ordinance, are, to the extent of such conflict, hereby repealed or amended.

Section 7. This Ordinance shall be in full force and effect immediately upon its passage.

Passed and adopted by the Town Council of the Town of Whitestown, Indiana on this 24<sup>th</sup> day of May, 2018.

TOWN OF WHITESTOWN, INDIANA  
TOWN COUNCIL



Eric Miller, President



Susan Austin, Council Member



Clinton Bohm, Council Member



Jeff Wishek, Council Member



Kevin Russell, Council Member

ATTEST:



Matt Sumner, Clerk-Treasurer

## EXHIBIT A

### Statement of Investment Policy, Objectives & Guidelines

#### **SECTION 1 - INVESTMENT OF TOWN FUNDS**

##### **A. SCOPE AND INTENT**

This document sets forth the investment policy of the Town of Whitestown, Indiana (the "Town"). This Statement of Investment Policy, Objectives & Guidelines (the "Investment Policy") applies to the investment of funds of the Town. The Town Council of the Town (the "Council") is responsible for fiduciary oversight of these invested funds. The Council has approved this Investment Policy in furtherance of its goal to meet the investment objectives listed in Section C hereof.

##### **B. PURPOSE OF THIS INVESTMENT POLICY**

This Investment Policy has been adopted by the Council in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Town assets.
3. Establish the relevant investment time horizon(s) for which the assets will be managed.
4. Manage assets according to prudent standards.
5. Establish a basis for evaluating investment results.
6. Adopt and implement the provisions of Indiana Code 5-13-9-1 et seq. (the "Municipal Investment Act") including, in particular, Section 5.7 of the Municipal Investment Act.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment of the assets toward the desired results while complying with Indiana Code. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

##### **C. OBJECTIVES OF THE INVESTMENT POLICY**

The primary objectives, in priority order, of the Town's investment program shall be:

1. Safety. Safety of principal shall be the foremost objective of the investment program. Investments shall be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk will be minimized both by diversification (limiting the potential for loss from any one issuer or any one type of security) and by limiting investments to the types of securities described in Section E hereof. Market risk will be minimized both by structuring the

portfolio so that investments generally mature in time to meet anticipated cash requirements (limiting the need to sell securities prior to maturity) and by investing primarily in shorter-term securities.

2. Liquidity. The investment portfolio shall be structured so that investments generally mature in time to meet anticipated cash requirements. Further, since all cash requirements cannot be anticipated, the portfolio shall consist primarily of cash equivalents and securities with active secondary or resale markets.

3. Yield. The investment portfolio shall be structured with the objective of attaining a market rate of return, taking into account the constraints of safety and liquidity described above. Return on investment is less important than safety and liquidity.

4. Full Investment. To the extent practicable, all funds shall be fully deployed as earning assets.

5. Minimal Turnover. Securities shall typically not be sold prior to maturity, with the following exceptions: (1) a declining-credit security can be sold early to minimize the potential loss of principal; (2) a security can be sold and replaced with another if such action improves the quality or yield of the portfolio; (3) a security can be sold early to meet liquidity needs.

#### **D. DELEGATION OF AUTHORITY**

The authority to operate and manage the investment program is granted to the Council which may delegate such authority to any investment officer(s) that the Council designates as such (together, the "Investment Officers"). The Council has designed the Clerk-Treasurer of the Town as an Investment Officer. The Clerk-Treasurer has been authorized by the Council, with the advice of the Town Manager and the Town's municipal advisor, to contract with a federally regulated investment advisor or other institutional manager to make investments on behalf of the Town, provided such investment advisor or other institutional manager shall only make such investments in accordance with this Investment Policy. In the event of any such contract, the term "Investment Officers" herein shall be deemed to mean and include such contracted for federally regulated investment advisor or other institutional manager. The Clerk-Treasurer, the Council and any additional Investment Officers, shall establish controls and procedures to implement this program which shall include regular quarterly reporting to the Council.

The Standard of Care shall be as follows:

1. Prudence. Investments shall be made in accordance with the prudent person standard. This standard provides that an investor shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

Investment Officers acting in accordance with this investment policy statement and any written procedures and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expected

results are reported in a timely fashion and that appropriate action is taken to control adverse developments.

2. Ethics and Conflicts of Interest. Investment Officers shall refrain from personal business activity that could conflict with the proper execution and management of the Town's investment program, or that could impair their ability to make impartial decisions. Investment Officers should also maintain knowledge of all applicable laws, rules and regulations; and not knowingly violate, or participate or assist in the violation of, such laws, rules and regulations.

#### **E. INVESTMENT INSTRUMENTS**

1. The Town is only permitted to invest funds in those investments authorized by Indiana law, including but not limited to the Municipal Investment Act, which authorizations are hereby made a part of this policy. It is the policy of the Town and this Council to limit allowable investments to the following types of securities:

- (a) U.S. Treasury securities (e.g. bills, notes, bonds, SLGS, STRIPS, and TIPS), which are backed by the full faith and credit of the U.S. government.
- (b) Federal agency obligations (including both federally related institution securities and federally sponsored agency securities), including, but not limited to, Ginnie Mae, Fannie Mae, Freddie Mac, Farmer Mac, and Federal Home Loan Bank debt: Any full-faith-and-credit securities are permitted
- (c) Mortgage pass-through securities issued by Ginnie Mae, Fannie Mae or Freddie Mac: Any full-faith-and-credit securities are permitted
- (d) Municipal Securities issued by an Indiana local government entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation or special taxing district in Indiana, so long as the Issuer has not defaulted on any of its obligations within the past twenty years and the security is rated in one of the three highest rating categories by any one of Standard & Poor's, Moody's, or Fitch or, if the security is not rated by any one of Standard & Poor's, Moody's, or Fitch, securities of such Issuer having the same or materially similar pledged revenue source of re-payment have within the past two (2) years been rated in one of the three highest categories by any one of Standard & Poor's, Moody's, or Fitch. For avoidance of doubt, the three highest categories would include ratings in the AAA, AA and A categories, including any modifiers of + or — in the case of Standard & Poor's or Fitch and 1, 2 or 3 in the case of Moody's.
- (e) Repurchase agreements, if at least 105% collateralized by any of the above
- (f) Money market mutual funds regulated by the Securities and Exchange Commission

- (i) Only open-end no-load funds are permitted (i.e. no commission or fee shall be charged on purchases or sales of shares)
  - (ii) Permitted funds will be those that limit assets of the fund to U.S. Treasury securities, federal agency securities, and repurchase agreements collateralized by the same; or that are rated in the highest rating category by one of the Rating Agencies
  - (iii) These funds seek to maintain a stable net asset value of \$1.00 per share
  - (iv) By definition these funds will meet the requirements for portfolio maturity, portfolio quality, and portfolio diversification in Rule 2a-7 under the Investment Company Act of 1940
- (g) Time deposits in state or nationally chartered banks (who are designated as a depository under Section 5 of the Municipal Investment Act) whose deposits are insured by the Federal Deposit Insurance Corporation. For deposits exceeding \$250,000, the bank holding the deposit must be an approved depository of the Indiana Board for Depositories.
2. Additional securities may be added to the above approved list with the approval of the Council.
3. Investments are not permitted in certain derivatives, nor in certain mutual funds which invest primarily in such securities. Investments specifically prohibited are those characterized as being illiquid, highly volatile and difficult to value. Prohibited securities include, but are not limited to, mortgage derivatives such as Z-bonds, PAC-2s and Re-REMICS.

#### **F. INVESTMENT PARAMETERS**

1. Maximum Maturity. To the extent possible, investments will be matched with anticipated cash flow requirements. Subject to the limitations of Section 5.7 of the Municipal Investment Act, the Town shall not invest in securities maturing on a date which is more than two (2) years from the date of purchase, provided, however, (i) not more than 25% of the Town's investment of its total portfolio of public funds may be invested for more than two (2) years but not more than five (5) years from the date of purchase; and (ii) that funds which are not public funds such as, but not limited to, indentured reserve funds are not subject to the foregoing maturity limitations and may exceed five (5) years if the maturities of such investments precede the expected use of such funds.
2. Average Maturity. The average weighted maturity of the portfolio should not typically exceed three years.
3. Diversification. Investments shall be diversified by type of security and issuer. Except for cash equivalents and U.S. Treasury securities, the total portfolio shall consist of no more than 40% of any single type of security or single name (e.g., City of Indianapolis).

#### **G. SAFEKEEPING AND CUSTODY**

1. All investment transactions, including, but not limited to, those completed by telephone, shall be supported in writing and approved by an Investment Officer. Written communication may be made by facsimile on Town letterhead.

2. Book Entry. The Town shall strive to invest in book-entry securities, thus avoiding physical delivery of securities. No securities shall be physically stored or kept in the offices of the Town.

3. Custodial Safekeeping. Securities purchased from any bank or dealer, including collateral when appropriate, shall generally be placed with the appropriate trustee or with an independent third party for safekeeping.

Any security that is able to be wired over the FedWire will be kept safe in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.

Any security not able to be wired over the FedWire, that is held by the Depository Trust Corporation (DTC), shall be held in the name of the Town or trustee, if applicable, through the appropriate custodial bank.

Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for the Town or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by the Town or the appropriate trustee).

4. Delivery vs. Payment. All securities will be held in accounts in the name of the Town or the appropriate trustee. Securities will be deposited prior to the release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

## H. PERFORMANCE AND REPORTING

1. Annual Report. The Investment Officers shall prepare an investment report at least annually which shall provide a clear picture of the status of the portfolio and transactions made over the preceding year. Such report shall be designed to allow the Council to ascertain whether the investment activities during the reporting period have conformed to this Investment Policy.

2. Performance. The portfolio should achieve a market rate of return during a market environment of stable interest rates. Portfolio performance shall be compared at least annually to the yield on 3-month, 6-month and 1-year U.S. Treasury obligations. Such performance comparison may be included in the quarterly report of the Town.

## I. INVESTMENT POLICY DURATION AND REVIEW

1. Expiration. This Investment Policy expires on May 1, 2022.

2. Periodic Review. To assure continued relevance of the policies, objectives, guidelines, as established in this Investment Policy, the Council plans to review this investment statement at least every year.

This Investment Policy was approved by Ordinance No. 2018-\_\_\_\_, adopted on May 24, 2018 by the Council.

## EXHIBIT B

### **Town of Whitestown, Indiana Debt Management Policy**

#### **1. Policy Statement**

It is the policy of the Town of Whitestown, Indiana (the “Town”) to appropriately and advantageously issue public debt in response to the ongoing capital needs of the Town and its agencies. All debt will be issued in accordance with all applicable Federal, State, Town Policies, and the Town Ordinances requirements and laws governing the issuance of public debt.

The Town’s debt policy is the guideline for Town staff to use in issuing debt. The policy shall be reviewed on an annual basis by the Clerk-Treasurer of the Town (the “Clerk-Treasurer”) and the Town Manager of the Town (the “Town Manager”). Any substantive modifications made to the policy must be approved by the Town Council and will be submitted accordingly and updated by the Clerk-Treasurer and Town Manager.

#### **2. Authority**

Under the authority granted by the Indiana State Code Title 5, State and Local Administration, Title 36, Local Government; the Whitestown Ordinances; and the Town Council; the Town is authorized to incur debt for funding capital acquisitions, capital improvement projects, capital equipment, and for economic development projects or purposes. It is the Town Council’s intent to responsibly use this authority in order to fulfill the objectives of the Town and its agencies and departments.

Management responsibility for the Town’s debt program is hereby delegated to the Clerk-Treasurer and Town Manager. 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 and Town Manger to monitor and manage debt on behalf of the Town. Only the fiscal bodies of the Town, which are the Town Council or its agencies as specifically mentioned in this document, are authorized to issue debt.

#### **3. Ethics and Conflict of Interest**

Officers and employees involved in the debt issuance process shall refrain from personal business activity that could conflict with proper execution of the debt program, or which could impair their ability to make impartial debt issuance decisions.

Employees and debt issuance officials shall disclose to the Clerk-Treasurer and Town Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial positions that could be related to the Town’s debt portfolio.

All matters of conflict of interest and ethics shall be governed and handled in accordance with the Town policies on such matters.

#### **4. Prudence**

Debt shall be issued with extreme judgment and care; and under all circumstances all persons involved shall use prudence, discretion and intelligence as they would exercise in the management of their own affairs. The standard of prudence to be used by debt issuance officials shall be the “prudent person” standard and shall be applied in the context of managing an overall debt portfolio.

Debt managers acting in accordance with the debt policy and written procedures and exercising due diligence shall be relieved of personal liability for an individual’s security credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The “prudent person” is expected to be a reasonably well informed person and should always consult with the Clerk-Treasurer and Town Manager before any such related matter is entered into or others agreed upon.

#### **5. Scope**

This debt policy applies to debt issued directly by the Town and debt issued on behalf of the Town by its agencies. Among the Town’s agencies authorized to issue debt are the following: Whitestown Municipal Facilities Building Corporation, Whitestown Economic Development Commission, Whitestown Redevelopment Commission, Whitestown Redevelopment District, and Whitestown Redevelopment Authority.

This debt policy shall be all-inclusive of debt issued by the Town to include, but not be limited to: general obligation debt, Tax Increment Financing (TIF) debt, Redevelopment District debt, governmental purpose revenue debt for public enterprises – sewer and stormwater, other revenue debt, economic development related debt, lease obligations, and all forms of debt having an annual appropriation of Town revenues. Additionally, this policy governs the use of any swap transactions used in conjunction with the Town’s debt program.

This debt policy contains certain elements on procedures and practices to achieve the objectives of the policy and to ensure that professional standards are defined and met in the policy’s implementation.

To ensure sound issuing of debt, the Town will use a debt issuance checklist before issuing any debt to ensure compliance. The Town will also use a post issuance compliance checklist once such debt has been issued. Both checklists that are used will comply with the GFOA (Government Finance Officers Association) best practices in this area.

## 6. Objectives

- a. To preserve the public trust and ensure current decisions positively impact future citizens. The Town shall achieve this objective by:
  - i. Providing ongoing information to elected officials, senior management and the public on the status of the Town's debt program;
  - ii. Evaluating each debt issue in accordance with this policy, as to its individual and cumulative impact;
  - iii. Adhering to Federal and State code, Town Policies, and the Town ordinances.
  
- b. To minimize borrowing costs. The Town shall minimize borrowing costs by:
  - i. Working with spending authorities to ensure that the tax-exempt status of bonds issued on that basis are maintained;
  - ii. Striving to obtain the highest credit ratings possible within the overall objectives of the Town;
  - iii. Ensuring that the type of debt and debt structure selected employ criteria that ensure the advantageous marketing of each issue.
  
- c. To preserve access to capital markets. The Town shall preserve access to the capital markets by:
  - i. Providing information to the general municipal market and its agents including regular continuing disclosure to its investors.
  
- d. Maintaining future debt capacity. To ensure future financial flexibility. The Town shall ensure financial flexibility by:
  - i. Maintaining debt levels within manageable ranges to ensure parameters are within state and local compliance.
  - ii. Using cost/benefit analysis to set optional prepayment provisions, which ensure proactive management of outstanding obligations.
  - iii. Managing callable dates and repayment terms for potential renegotiations and increased flexibility.

## 7. Guidelines for Use

Debt is a financing tool which should be judiciously used when the Town has legal, financial and market debt capacities and will be considered when some or all of the following conditions exist:

- a. Estimated future revenue is sufficient to ensure the repayment of the debt obligation;
- b. Other financing options have been explored and are not viable for the timely or economic acquisition or completion of a capital project;
- c. A capital project is mandated by federal or state authorities with no other viable funding option available; and

- d. The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on the expected useful life of the project and the Town's ability to pay debt service.

Debt will not be used to fund ongoing operating expenses of the Town. Any Town debt issued in support of a development project shall first be reviewed and approved by the Town's Economic Development Team, including the Clerk-Treasurer and Town Manager.

## 8. Types of Debt Issuance/Debt Limits

The Town has numerous choices regarding types of debt available to meet its financing objectives. All such uses of debt are subject to legal requirements. Regarding direct debt, the Clerk-Treasurer and Town Manager will calculate the ratios for all new debt and use this to help guide the Town in making sound decisions of future debt issuance. These ratios shall include the following: debt per capita, debt to personal income, and debt to taxable property value. The following is a listing of the types of generally issued debt and general guidelines as to their use.

- a. General Obligation (G.O.) Bond – Full Faith and Credit. General obligation bonds provide the investor with a very secure Town transaction, because of the Town's pledge of its authority to levy property taxes for debt service. To be issued for projects which benefit the Town as a whole. Principal and interest to be paid from Town's debt levy assessed on all real and personal property.
- b. Revenue Bonds. Revenue bonds may be issued to fund capital improvements related to municipal enterprise functions (e.g., sewer/water/stormwater) or for special projects supported by discrete revenue sources. They are designed to be self-supporting through user fees or other special earmarked receipts or taxes and do not rely on the general taxing powers of the Town. Principal and interest is paid from net revenues from enterprise operations or directly from the earmarked revenue source.
- c. Capital Leases. The Town may issue tax-exempt and taxable leasehold revenue bonds and special limited obligation bonds (including redevelopment bonds) through not-for-profit municipal corporations or by using a trust structure. Projects are primarily to be limited to public purpose capital improvements. Principal and interest to be paid from project revenues or specific taxes. Capital leases are not considered an indebtedness of the Town according to state statute because the lease payments are subject to annual appropriation; however, from a variety of perspectives (e.g. credit, accounting, etc.) all or most of this type of debt may be considered an obligation of the Town.

- d. Developer Backed Bonds. These bonds receive their income payments (and hence their value) from Developers with projects within the Town, which are derived from and collateralized (or “backed”) by a specified pool of underlying assets provided by the Developer. The Town is not responsible for default or any other repayment of such debt, rather it is the Developer.
- e. Short Term/Bond Anticipation Notes (BAN’s). To borrow monies from non-Town sources to finance capital improvements in anticipation of issuing bonds to refinance the loan. All such loans shall become due within a reasonably short period of time not to exceed five (5) years from the date of incurring the loan obligation.
- f. Lease Financing. The Town may enter short-term lease-purchase agreements to finance capital improvements, including equipment with an expected useful life as defined by the Governmental Accounting Standards Board (GASB) of less than ten (10) years. Principal and interest to be paid from the operating budget or other dedicated resources of the department purchasing equipment or constructing capital improvement.
- g. Conduit Debt. The Town may issue bonds through conduit agencies provided that the projects financed have a general public purpose (e.g. infrastructure, economic development, housing, health facilities, etc.) consistent with the Town’s overall operating and capital plans. Principal and interest to be paid from project revenues or specific taxes.
- h. Low Interest Loan. The Town may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources. The Town’s fiscal bodies are authorized to make low interest loans from one Town fund to another Town fund for the shortest periods of time as possible, as determined by the approving fiscal body, Clerk-Treasurer and Town Manager. The Clerk-Treasurer or designee is required to assure that the loaning fund will have adequate cash balances to continue to meet current expenses after the loan is made and until repayment from the receiving fund.
- i. Tax Increment Financing (TIF). TIF provides for the temporary allocation to redevelopment districts of increased tax proceeds (known as “increment”) in an allocation area generated by increases in assessed value. Accordingly, TIF proceeds permits the Town to use increased tax revenues stimulated by redevelopment to pay for the capital improvements needed to induce the redevelopment. Depreciable personal property may be used as increment under limited circumstances.
- j. Swap Transactions. The Town will not enter into any swap transactions (i.e., interest rate swaps, forward swaps, swap options, basis swaps, caps, floors, collars, cancellation options or any similar hedge, derivative or synthetic instrument).

## 9. Debt Administration

- a. Post Issuance Compliance – The Clerk-Treasurer and Town Manager shall maintain procedures to ensure compliance with State and Federal regulations, and Town policy and ordinances. Such procedures will consider: Continuing Disclosure, Arbitrage Rebate, Private Use Limitations, Other Tax Compliance Requirements and Permitted Investments of bond proceeds.
- b. Refunding – The Clerk-Treasurer and Town Manager will conduct periodic review of outstanding debt to identify refunding opportunities and report in compliance with the reporting section of this policy.

## 10. Limitation on Level of Debt to be Issued and Outstanding

- a. Constitutional and Statutory Limitations:  
As established per the Indiana Code, for direct debt the Town may not exceed 2% (percent) of 1/3 (one-third) of the net assessed value (AV) of the Town within the municipal boundaries. This limit is applicable for the Town's direct debt and the Redevelopment District direct debt respectively. Certain projects that are "controlled" projects (i.e., greater than five million dollars (\$5,000,000)) may be subject to a petition and remonstrance process and/or referendum process, as more particularly described in Indiana Code 6-1.1-20, as amended.
- b. Self-Imposed Debt Targets:  
The Town will strive for at least 1.25x debt service coverage on debt not supported by a property tax pledge, measured at the time of issuance of the debt (e.g., waterworks revenue bonds).

## 11. Retention of Consultants and Other Related Parties

The Town recognizes the nature of the municipal bond industry is such that specialized consultants may need to be retained. The Town will strive to retain those consultants who will best advise them on individual issues and the overall Town debt program in a manner, which will most advantageously position the Town on both a short and long-term basis.

All Town debt will be reviewed by Bond Counsel to ensure that the Town is meeting all statutory requirements.

## **12. Reporting**

The Clerk-Treasurer and Town Manager are charged with the responsibility of monitoring all Town debt and preparing quarterly debt reports. This debt report will also be updated when new debt is issued and when debt matures. Within the quarterly debt report, a summary of the Town's debt portfolio shall be included listing of all Town's outstanding debt by type including the outstanding principal amount for each. Additionally, the quarterly debt report shall also include a calculation of debt capacity for the Town's direct debt obligations.

This Debt Management Policy was approved by Ordinance No. 2018-\_\_\_\_, adopted on May 24, 2018 by the Town Council of the Town.

## EXHIBIT C

### **Town of Whitestown, Indiana Reserves and Liquidity Policy**

#### **I. RESERVES**

##### **1. Policy Statement**

The Town of Whitestown desires to maintain a prudent level of financial resources to guard its 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 Town's credit worthiness. All fund 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 Town's interest rates, and provide continuity in service delivery.

The objective of the Town'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 Town of Whitestown. All reserves shall be in accordance with all applicable Federal, State, Town Policies, and the Town Ordinance requirements and laws governing cash reserves. The Town shall maintain adequate cash reserves in each fund to maintain a positive cash position at any time during a fiscal year and at year-end.

The Town's reserve policy is the guideline for Town staff to use in creating and maintaining the proper reserves for all Town financial accounts. The policy shall be reviewed on an annual basis by the Clerk-Treasurer and Town Manager of the Town. Any substantive modifications made to the policy must be approved by the Town Council and will be submitted accordingly and updated by the Clerk-Treasurer and Town Manager.

##### **2. Authority**

Under the authority granted by the Indiana State Code Title 5, State and Local Administration, Title 36, Local Government; the Whitestown Ordinances; and the Whitestown Town Council; the Town of Whitestown is authorized to maintain certain levels of fund reserves. It is the Town Council's intent to responsibly use this authority in order to fulfill the objectives of the Town of Whitestown, Indiana and its agencies and departments.

Management responsibility for the Town's reserves policy is hereby delegated to the Clerk-Treasurer and Town Manager. 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 and Town Manager to monitor and manage reserves on behalf of the Town. Only the Whitestown Town Council is authorized to establish the maximum reserve levels.

### 3. Ethics and Conflict of Interest

Officers and employees involved in the reserves process shall refrain from personal business activity that could conflict with or which could impair their ability to make impartial financial decisions.

Employees and officials shall disclose to the Clerk-Treasurer and Town Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial positions that could be related to the Town's reserves or other financials portfolio.

All matters of conflict of interest and ethics shall be governed and handled in accordance with the Town of Whitestown, Indiana, policies on such matters.

### 4. Objectives

- a. Maintain fiscal soundness. The Town will attempt to maintain a General Fund Cash balance of at least ninety (90) days of the average daily expenditures for each year, updated on an annual basis. All revenue sources will be monitored and forecasted to the best of staff's ability to ensure accurate and reliable information to the Town Council. Adequate information on the financial impact of major, non-reoccurring expenditures will be given to the Town 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 maintaining the Town's then most current bond rating.

- b. Supported by a diverse source of revenues. The Town will evaluate all Town fees and charges for services in order to ensure that the current fee reflects the increased cost of executing those services. The sewer and water utilities will be completely funded by sewer fees and water fees, respectively, and these fees will reflect not only operating costs, but future capital replacement costs.
- c. Annual budget will be implemented using sound budgeting practices. The annual budget of the Town of Whitestown will be based on and implemented by departmental 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 budgets within the amount they have been appropriated. All Town 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 Town will be funded by current revenues, in keeping with a balanced budget. The General Operating Fund will be supported by a balanced tax structure. The Town 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. For other funds receiving property taxes, the Town will retain ninety (90) days of the average daily expenditures for each year, updated annually, as unreserved fund balance (available cash). Wastewater and waterworks 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.

## **5. Annual Review**

An annual review of cash flow requirements and appropriate fund balances shall be undertaken to determine whether modifications are appropriate for the reserve policy.

## **II. LIQUIDITY**

### **1. Policy Statement**

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.

In order for the Town of Whitestown 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 Town 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, this policy is implemented to provide guidance on the minimum liquidity level that the Town has to maintain in order to comply with required State, County, and local regulations or laws.

### **2. Authority**

The liquidity policy follows the same guidelines and policy in this area as the “Reserves Policy” previously mentioned in this policy document.

### **3. Ethics and Conflict of Interest**

The liquidity policy follows the same guidelines and policy in this area as the “Ethics and Conflict of Interest” previously mentioned in this policy document.

### **4. Key Components of Minimum Required Liquidity**

The following constitutes the key elements to take into consideration when determining the liquidity requirement of the Town of Whitestown:

- a. To comply with statutory requirements all Town of Whitestown funds or funds of its agents, reserves and provisions must be fully covered by unencumbered cash and investments.
- b. 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.
- c. 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 that Town of Whitestown can meet its external loan/financial commitments together with the normal operational expenditure, as well as its liabilities to staff.
- d. 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.
- e. 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 Town of Whitestown, the Town 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.
- f. The “golden rule” should be to ensure that the Town of Whitestown will have adequate liquid assets (those that can be made into cash within 24 hours, weekly or monthly as the requirement might be) to meet its short term financial commitments.

### **5. Management and Oversight**

The minimum liquidity requirements must be determined, at least, on a monthly basis by the Clerk-Treasurer and reported to the Town Manager. Compliance with this policy will be monitored by the Town Manager. The Clerk-Treasurer shall present the liquidity compliance reports annually to the Town Council. Where compliance has been breached the Clerk-Treasurer must present an action plan to correct the non-compliance. The Town Manager must monitor the successful implementation of the corrective action plans and report progress to the Town Council.

The Town’s liquidity policy is the guideline for Town staff to use to ensure the Whitestown has sufficient liquid assets to meet its obligations. The policy shall be reviewed on an annual basis by the Clerk-Treasurer and Town Manager. Any substantive modifications made to the policy must be approved by the Town Council and will be submitted accordingly and updated by the Clerk-Treasurer and Town Manager.

## 6. Utility Related Policies

### User Rate Assessments

In order to ensure good risk management, the Town will examine the municipal water and sewer user rates of the Town annually. This will be done each year during the Town's municipal budget preparation which includes both the operating budget and the capital improvement plan (CIP) budget. The water and sewer user rates will be assessed to ensure ongoing operating revenues are adequate to meet the water and sewer utilities' respective needs.

### Cash Reserves

In order to ensure sufficient operating expenses, the Town's minimum reserve policy requires the respective water and sewer operating funds to have sufficient cash for a minimum of sixty (60) days operating expenses. However, as a best practice, the Town will strive at all times to maintain sufficient cash in these funds for at least ninety (90) days of operating expenses. In alignment with the general practices of this policy "Town of Whitestown, Indiana Reserves and Liquidity Policy" the Clerk-Treasurer will provide regular reports to the Town Manager and oversee the water and sewer related policies as set forth under *Section 5: Management and Oversight*.