Statement of Investment Policy, Objectives & Guidelines

for City Funds Received from Water and Wastewater Asset Sale
amended effective as of the date of adoption of Ordinance 14-__

Prepared by: City of Westfield, Indiana

A. SCOPE AND INTENT

This document sets forth the investment policy of the City of Westfield, Indiana ("City"). This Statement of Investment Policy, Objectives & Guidelines (the "Investment Policy") applies to the investment of funds received from the sale of the Water and Wastewater Assets to Citizen's Energy Group. The Common Council of the City (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 City 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 City'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, together with any investment officer(s) that the Council designates as such (together, the "Investment Officers"). The Clerk-Treasurer, the Council and any additional Investment Officers, which may include third party investment advisors, 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 City'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 City 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 City 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 ~~(20)~~ 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, with balances not to exceed $250,000 per institution.

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 City 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 City'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 City letterhead.

2. Book Entry – The City 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 City.

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 City 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 City 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 City or the appropriate trustee).

4. Delivery vs. Payment – All securities will be held in accounts in the name of the City 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 City.

I. INVESTMENT POLICY DURATION AND REVIEW

1. Expiration – This Investment Policy expires ~~four (4) years after the date of adoption of Ordinance 13-33~~on December 9, 2017.

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**, as amended, was approved by Ordinance ~~13-33~~14-__ on ~~____________________, 2013~~____________, 2014 by the Council.

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Summary Report

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	Document	Location
Original	Statement of Investment Policy, Objectives & Guidelines - City of Westfield, Indiana_5541732_4	INDYWORKSITE:INDY (5541732,4:)
Revised	Statement of Investment Policy, Objectives & Guidelines - City of Westfield, Indiana_5541732_5	INDYWORKSITE:INDY (5541732,5:)

	Number of Changes	Markup
Insertions	7	Sample Text
Deletions	6	~~Sample Text~~
Moved from	0	~~Sample Text~~
Moved to	0	Sample Text
Total	**13**	