



## INVESTMENT POLICY

### **Policy**

The VWPLD recognizes that cash is an earning asset. It is district policy to invest cash balances over amounts required to meet current financial obligations to achieve the highest rate of return consistent with the other primary objectives of preservation of principal and maintenance of adequate liquidity. The term treasurer as used in this policy will refer to the district treasurer or his/her designee as authorized by the board of trustees.

### **Purpose**

The investment of district funds is the responsibility of the board of trustees. The purpose of this investment policy is to indicate a conscious, formal effort by the board to develop, implement, and monitor the investment of district funds. It is always prudent for any government entity to have an investment policy in place for the purpose of safeguarding funds, equitably distributing the investments, and maximizing income. The VWPLD hereby promulgates the following policy.

**Scope of Investment Policy** : This investment policy applies to the investment activities of all funds under the jurisdiction of the district treasurer, who is hereby designated the district chief investment officer. This investment policy will also apply to any new funds or temporary funds placed under the jurisdiction of the treasurer. The Illinois Public Funds Investment Act (30 ILCS 235/1) will take precedence except where this policy is more restrictive.

**Objectives** : The purpose of this investment policy is to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of the district treasurer. The specific objectives of this investment policy are as follows:

- 1) Safety of principal. Safety of principal is the foremost objective of the investment program. Investments shall be taken in a manner that seeks to insure the preservation of capital in the portfolio.
- 2) Diversity of investment. To avoid unreasonable risks, diversification of the investment portfolio shall be consistent with the objectives in the investment policy.
- 3) The portfolio shall remain sufficiently liquid to meet all operating costs, which may be reasonably anticipated.
- 4) Return. The treasurer shall seek to attain a market average or better rate of return throughout budgetary and/or economic cycles, taking into account risk, cash flow, legal restriction on investment, and any other constraints.

The district's selection of portfolio management is passive.

### **Investment Guidelines** :

- 1) In maintaining its investment portfolio, the treasurer shall avoid any transaction that might impair public confidence.



- 2) Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio.
- 3) The treasurer will give consideration to the financial institution's positive community involvement when deciding on the financial institution to be used as a depository.
- 4) All funds will be invested for a period of one day or longer, depending on the requirement for the disbursement of funds.
- 5) All funds shall be deposited within ten working days at prevailing rates or better, in accordance with this policy and applicable law.
- 6) The treasurer will act in a manner consistent with the objectives of this policy.

**Responsibility** : The board shall be responsible for all transactions and shall establish a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the district. The board of trustees may delegate other individuals to carry out the investment activities and policies.

**Standard of Care** : 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 the capital as well as the possible income to be derived. The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the district treasurer's portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**Accounting** : The treasurer, or his or her designee, shall record all investment transactions. A report will be generated, at least quarterly, listing all active investments and transfers between banking and investment institutions. This report will be submitted to the board of trustees.

**Financial Institutions** : The board of trustees, with the advice of the district treasurer, will have the responsibility to select which financial institutions will be depositories for district funds. When choosing a financial institution, the treasurer will take into consideration security, size, location, condition, services, fees, and the community relations' involvement of the financial institution. All financial institutions having any type of financial relationships, deposits, investments, loans, etc. are required to provide a complete and current "call report" required by the appropriate regulatory authority each calendar quarter within 30 days of the "call" request date.



**Depositories – Demand Deposits** : Any financial institution selected by the district shall provide normal banking services including, but not limited to:

- Checking accounts,
- Wire transfers, and
- Safekeeping services.

The district will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the district will not maintain funds in any institution that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the district. Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the treasurer on an annual basis. Fees for services shall be substantiated by a monthly account analysis.

**Security Broker/Dealers and Investment Advisors** : The treasurer will have the responsibility to investigate and commend for approval to the board of trustees any security brokers/dealers or investment advisors he/she wishes to utilize. Such persons must possess the certifications commonly recognized in their industry, have sufficient credit, and agree to comply with this policy.

**Investment Vehicles** : The treasurer will use investments approved for governmental units as set forth in the most recent version of the Illinois Public Funds Investment Act. The district has approved the following for the investment of funds:

- 1) Bonds, notes, certificate of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as the principal and interest;
- 2) Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;
- 3) Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (201 ILCS 5/1 et seq.), provided that such investments may be made only in banks which are insured by the FDIC
- 4) Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (a) such obligations are rated at the time of purchase at the highest classifications established by at least two standard rating services and which mature no later than 270 days from the date of purchase, (b) such purchases do not exceed 10% of the corporation's outstanding obligations and (c) no more than one-third of the district's funds may be invested in short-term obligations of corporations;



5) Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to the agreements to repurchase such obligations;

6) Illinois Trust, IPDLAF+ Class and Illinois TERM

7) Illinois Public Treasurer's Investment Pool, Illinois Funds, created and administered by the State Treasurer of Illinois; or

8) Other securities, as authorized by the Illinois Public Funds Investment Act (30 ILCS 235/1 et seq.), provided, however, that the treasurer determines, in writing, that such investments are consistent with the district's investment risk constraints, as set forth in the investment policy.

**Maturity Restrictions** : The district recognizes that any portfolio of fixed rate securities is subject to interest-rate risk. The volatility of fixed-income markets makes the possibility of principal loss a key consideration in structuring portfolio maturities. Hence, in an attempt to limit the district's exposure to the possibility of loss due to interest-rate fluctuations, the district will commit no less than 80% of its funds to maturities of no more than three years from date of purchase. No more than 20% of funds may be invested in maturities of up to five years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase. The final maturity of investments made as legal reserves for bonded indebtedness shall not exceed the final maturity date of the bond issue to which they are pledged.

**Collateral** : The treasurer shall guarantee any funds in any single financial institution when the treasurer determines it to be in the best interest of safeguarding the funds on deposit. When collateral is required, 105% of the deposit will be required. Only the following collateral will be accepted:

- U.S. Government direct securities
- Obligations of Federal Instrumentalities
- Obligations of Vespasian Warner Public Library District
- Obligations of Federal Agencies
- Obligations of the State of Illinois

Acceptable collateral is identified in the Public Funds Investment Act.

**Ethics and Conflicts of Interest** : Officers 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment position that could be related to the performance of the investment portfolio. Employees and officers involved in the investment process shall refrain from



undertaking personal investment transactions with the same individual with which business is conducted on behalf of the district, absent approval of the board of trustees.

**Security Controls** : The treasurer is authorized to establish financial accounts for the office of treasurer with the advice and consent of the board of trustees. At all times the treasurer will be authorized to sign on financial accounts of the district. A second signature is also required.

Authorized signatories will not be permitted to reconcile bank accounts at any time.

**Safekeeping & Custody** : All security transactions, including collateral for repurchase agreements, entered into by the district shall be conducted on a deliver-versus-payment (“DVP”) basis. Securities will be held in the name of the VWPLD by a third party custodian, designated by the treasurer and evidenced by safekeeping receipts or Federal Reserve book-entry reporting.

**Miscellaneous** : This policy shall be reviewed from time to time by the treasurer with regards to the procedure’s effectiveness in meeting the district’s needs for safety, liquidity, rate of return, diversification, and general performance. The board of trustees must approve any changes to this policy.

**Conflict** : In the event of any conflict between this policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, the statutes and case law decisions shall govern.