

# **FLOSSMOOR PUBLIC LIBRARY**

## **INVESTMENT OF PUBLIC FUNDS POLICY**

### **POLICY**

It is the policy of the Flossmoor Public Library (the Library) to invest public funds in relatively risk-averse assets which will provide a reasonable rate of return while meeting the cash flow demands of the Library and conforming to all statutes governing the investment of public funds.

### **SCOPE**

The investment policy applies to the investment activities and financial assets of all funds of the Library including, but not limited to the operating, statutory reserve, bequests, special levy and special reserve funds. Monies from individual Library funds may be commingled for investment purposes.

### **PRUDENCE**

All Library investment activities shall use a “prudent person” standard of care. This standard shall be applied in the context of managing an overall portfolio and specifies 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. Investment officers, acting in accordance with this Policy and the written procedures of the Library, and exercising due diligence, shall be relieved of personal responsibility for a security’s risk or market price/value changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **RESPONSIBILITIES**

All investment policies and procedures of the Library will be in accordance with Illinois Law. The authority of the Library Board of Trustees to control and invest public funds is defined in the Illinois Public Funds Investment Act (30 ILCS 235/) and the investments permitted are described therein. Administration and execution of these policies are the responsibility of the Treasurer who is hereby designated as the Chief Investment Officer of the Library acting under the authority of the Library Board of Trustees.

### **DELEGATION OF AUTHORITY.**

The establishment and periodic review of the investment policy is the responsibility of the Library Board of Trustees. Management and administrative responsibility for the investment program is hereby delegated to the Chief Investment Officer. The Chief Investment Officer, and by designation, the Library Director, is responsible for establishing internal controls and written procedures for the operation of the investment program. All investment transactions undertaken by the Chief Investment Officer or designee shall be made in accordance with the terms of this Investment Policy.

### **OBJECTIVES**

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered in the priority listed:

- \* Legality (conforming with all legal requirements)
- \* Safety & Risk Avoidance (Ensure the preservation of capital and the mitigation of credit risk, custodial credit risk, and interest rate risk of portfolio)
- \* Diversity: (Diversify investments appropriate to nature and amount of funds as well as minimizing risks regarding said securities.)
- \* Liquidity (maintaining sufficient liquidity to meet current obligations and those reasonably to be anticipated)

- \* Yield (attaining a market rate of return on investments)
- \* Simplicity of management

## GUIDELINES

The following guidelines should be used to meet the general investment objectives:

- A) *Legality and Safety & Risk Avoidance:*  
Investments will be made only in securities guaranteed by the U.S. Government, in Federal Deposit Insurance Corporation (FDIC) insured institutions including Deposit Insurance Fund (DIF) of the FDIC, or National Credit Union Administration (NCUA) insured institutions. Deposit accounts in banks, savings and loan institutions or credit unions will not exceed the amount insured by FDIC/NCUA coverage (unless adequately collateralized in pursuant to Regulations of the Federal Reserve regarding custody and safekeeping of collateral).
- B) *Diversity:*  
Authorized investments include and will primarily consist of: Certificates of Deposit (CD's), Certificate of Deposit Account Registry's (CDARS) or like account registry services, Treasury Bills and other securities guaranteed by the U.S. Government, participation in the State of Illinois investment pool, Illinois funds, and any other investments allowed under State Law that satisfy the investment objectives of the Library.
- C) *Liquidity:*  
In general, investments should be managed to meet liquidity needs for the current month plus one month (based on forecasted needs) and any reasonably anticipated special needs. Investment maturities should not exceed three years.
- D) *Yield - Return on investment:*  
Within the constraints on Illinois law, considerations of safety, and this investment policy, every effort should be made to maximize return on investments made. All available funds will be placed in investments or kept in interest-bearing deposit accounts.
- E) *Simplicity of management:*  
The time required by library administrative staff to manage investments shall be kept to a minimum.

## REPORTING

Investments, fund balances and the status of such accounts will be reported at each regularly scheduled meeting of the Library Board and at least quarterly include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date. At least annually, the Chief Investment Officer shall review this Policy for any needed modifications and report to the Board on the investment portfolio, its effectiveness in meeting the Library's need for safety, liquidity, rate of return, diversification and general performance. These reports will be available to the general public upon request.

## INTERNAL CONTROLS

In addition to these guidelines, the Chief Investment Officer shall establish a system of internal controls and written operational procedures designed to prevent loss, theft or misuse of funds.

## AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

Any investment advisors, money managers and financial institutions shall be considered and authorized only by the action of the Board of Library Trustees upon the recommendation of the Chief Investment Officer. The Chief Investment Officer will maintain a list of financial dealers and institutions authorized to provide investment services.

Participation and selection of financial institutions shall be subject to several provisions. First, the Library will not maintain funds in any financial banking institution that is not a member of the FDIC/NCUA. Second, all deposits of the Library in excess of the FDIC/NCUA limits must be collateralized. Finally, all financial institutions in which the Library invests shall provide annually their most recent audited financial statements.

#### COLLATERAL

Funds on deposit in excess of FDIC/NCUA limits are to be secured by some form of collateral. The Library shall accept any of the following assets as collateral:

- US Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Obligations of the State of Illinois
- General Obligation Bonds of Illinois Municipalities rated “A” or better
- Letters of credit as permitted by Public Funds Investment Act (30 ILCS 235/6(d)).
- Any other collateral identified in the Illinois Compiled Statutes as acceptable for use by the Treasurer of the State of Illinois.

The amount of collateral provided will be not less than 105% of the fair market value of the net amount of public funds secured. Pledged security shall be held in safekeeping by an independent third party custodian (depository) or by the Federal Reserve Bank. Financial institutions must enter into a written collateral agreement with the Library.

#### AUTHORIZED AND SUITABLE INVESTMENTS

Investments shall be made in accordance with Illinois Compiled Statutes (ILCS), Chapter 30, Section 235, “*Public Funds Investment Act*”. Authorized investments include the following:

- A) Bonds, notes, certificates of indebtedness, treasury bills, treasury strips, or other securities which are guaranteed by the full faith and credit of the United States of America (USA).
- B) Bonds, notes, debentures, or other similar obligations of the USA or its agencies.
- C) Interest bearing savings accounts, non-negotiable certificates of deposit, or any other investment constituting direct obligations of any financial institution as defined by the Illinois Banking Act and that is FDIC insured or collateralized.
- D) The Illinois Funds Investment Pool.
- E) The Illinois Metropolitan Investment Fund.
- F) Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C.A. §80a-1, et seq.), provided that the portfolio of the money market mutual fund is limited to obligations described in Section 2(a)(1) and (2) of the Public Funds Investment Act (30 ILCS 235/2(a)(1) and (2)).
- G) Any other investments allowed under State law “30 ILCS 235/1” that satisfy the investment objectives of the library, provided that the Board of Trustees of the Library shall authorize such other investments in advance of their purchase.

#### INVESTMENT RESTRICTIONS

Authorized investment officers shall not invest in derivative products and will not leverage assets through reverse repurchase agreements.

Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, the Library shall not purchase or invest in instruments which constitute

repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of the library unless the instruments and the transaction meet the requirements of Section 2(h) of the Illinois Public Funds Investment Act (30 ILCS 235/2(h)).

Repurchase agreements may be executed only with approved financial institutions or broker/dealers who meet the Library's established standards, which shall include a mutual execution of a Master Repurchase Agreement adopted by the Library.

### DIVERSIFICATION

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of Library assets, the portfolio shall not exceed the following diversification limits unless specifically authorized by the Library:

- A) The Library shall seek to achieve diversification in the portfolio by distributing investments among authorized investment categories.
- B) The investment portfolio shall at no time hold time deposits constituting more than 10% of any single financial institution's total deposits.
- C) No investment category shall exceed 50% of the Library's portfolio.
- D) The Library shall invest the majority of Library funds in authorized investments of less than one (1) year maturity. No investment shall exceed three (3) years maturity.
- E) Appropriate investment strategies may include a "laddered" approach of certain investments within the portfolio (e.g. CD's). This approach is designed so that investments are maturing continually throughout the year(s). This method can help to minimize risk, ensure a more stable rate of return and preserve investment principal.

### SAFEKEEPING AND CUSTODY

All security transactions entered into by the Library shall be conducted on a delivery-versus-payment (DVP) basis meaning the security must be delivered or confirmed via the Federal Reserve Bank before the Library's payment for the security is released. Securities shall be held by a third party custodian as designated by the Library Board of Trustees.

### ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activities that might conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions, or that could give the appearance of impropriety. Such individuals shall disclose to the Library any material financial interests in financial institutions which conduct business with the Library, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

No person acting as Treasurer or financial officer for the Library, or who is employed in any similar capacity by or for the Library, may do any of the following:

- 1. Have any interest directly or indirectly, in any investments in which the Library is authorized to invest.
- 2. Have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
- 3. Receive, in any manner, compensation of any kind from any investments in which the Library is authorized to invest.

### RESERVATION OF RIGHTS

The Library reserves the right to amend this Policy at any time upon the advice and consent of its Library Board of Trustees.

### AVAILABILITY OF POLICY

This Policy shall be available to the public at the Library's administrative office.

Approved and adopted by the Library Board of Trustees, May 8, 2018

Original adopted by the board of Trustees November 8, 1999

Revisions:    March 13, 2007  
                  April 14, 2009  
                  March 12, 2012  
                  February 10, 2015  
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