



AGENDA

President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
33 S. Arlington Heights Rd
April 8, 2024
7:00 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

- A. Proposed 2023 General Fund Surplus Transfer
- B. Revised Village Investment Policy

V. OTHER BUSINESS

VI. PUBLIC COMMENTS

VII. ADJOURNMENT

Any member of the public wishing to speak will be given the opportunity to do so. If the item is on the Agenda, that opportunity will be while that Agenda item is being discussed. Any member of the public wishing to speak on an item not on the Agenda will be given the opportunity during the Other Business portion of the meeting. Please limit comments to three minutes.

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact Erin Mercado, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, emercado@vah.com or (847)368-5793.



Committee-of-the-Whole
4/8/2024

Item: Proposed 2023 General Fund Surplus Transfer

Department: Finance

Background

The Village has historically used conservative budget assumptions when budgeting the Village's key operating fund, the General Fund. During the upside of economic cycles, this has allowed the Village to buttress the financial position of our various capital funds through the transfer of surpluses in the General Fund to these funds. Conversely, during the downside of an economic cycle, General Fund reserves have allowed the Village to weather these uncertain times. The 2017 – 2022 time period provides a quick snapshot of this dynamic as shown below:

<u>Year</u>	<u>General Fund Surplus Transfer</u>	<u>Transfer To: Fund(s)</u>
2017	\$2,000,000	\$2M to the Health Insurance Fund
2018	\$3,475,000	\$475K to Parking, \$1.5 million to each – Police and Fire Pension Funds
2019	\$3,000,000	\$500K to Capital Projects, \$1.25M to each – Police and Fire Pension Funds
2020	None (\$291K Deficit)	
2021	\$7,570,000	\$1.2M to Fleet, \$370K to Parking, \$2M to Capital Projects, \$4M to Lead Line Service Replacement
2022	\$12,400,000	\$2M to Fleet, \$1.2M to Water & Sewer, \$100K to Capital Projects, \$500K to Parking, \$2M each to Police and Fire Pension, \$3M to Lead Service Line Replacement, \$1.6M property tax abatement

Since the end of the pandemic through the first part of 2023, American consumers purchased goods and services at comparatively high levels. This spending continued in the face of higher costs due to inflation, and increasing credit card debt levels. Average wages also increased substantially during this time period. As a result, the Village's share of State income tax receipts and our sales tax receipts grew at a faster pace than our expenditures. For the years 2021 and 2022, the Village experienced sizable General Fund surpluses which allowed us to transfer needed funds to the Parking and Vehicle Replacement Funds, which were adversely affected by the pandemic and supply-chain issues. Transfers were also made to the Capital Projects Fund, the Lead Service Line Replacement Fund, and the Police and Fire Pension Funds. All of these transfers have put the Village in a better financial position overall. Last year, the Village was also in a position to approve a \$1.6 million property tax abatement.

As shown in Exhibit A, in 2023 the Village budgeted for a \$4.9 million surplus based on continued projected increases in our revenue base. However, during 2023, sales tax revenue slowed substantially and came in under budget by \$1.2 million, while income tax receipts came in \$188,000 under budget. On the expenditure side, 2023 total General Fund expenditures came in \$2.7 million or (3.1%) under budget. This is a fairly normal result for expenditures, as the Village conservatively budgets for full employment with no vacancies. The actual General Fund surplus for 2023 came in higher than budgeted at \$7.36 million, due in part to \$1.7 million in additional

for 2023 came in higher than budgeted at \$7.36 million, due in part to \$1.7 million in additional revenue credited to the General Fund from the termination of the Lexus sales tax abatement agreement. The dealership was unable to produce the development expense documentation needed to receive this abatement payment, and after eight years of Village requests for the required documents, a termination notice was sent to the dealership in 2023. At this point, it appears that 2023 may be the last year for a General Fund surplus at this larger level, as the 2024 budgeted surplus is down to \$772,000 due to plateauing sales and income tax receipts, and increasing costs.

As of the beginning of 2023, the unassigned General Fund balance equaled 43.7% of expenditures. The projected 2023 General Fund surplus allows the Village an opportunity to transfer 2023 surplus funds over the 40% maximum General Fund reserve level to other fund(s), as defined in the 2024 Budget under Reserve Performance Goals. **It is proposed that the Village consider making the following 2023 transfer totaling \$5.75 million from the General Fund:**

\$5,750,000 General Fund Transfer to the Lead Service Line Replacement Fund

As per a January 30, 2024 Public Works memo on Lead Service Line Replacement Requirements previously shared with the Village Board, by State law, the Village is required to submit an inventory of all lead water service lines in the water distribution service to the IEPA no later than April 15, 2024. The legislation requires further that the Village remove and replace these service lines by 2044. Lead water service lines are located on nearly 4,200 or 23% of the residential services in the Village. This includes lines on just public property, on both public and private property, and just private property. Public Works/Water Staff developed the Village's inventory list with the help of a consultant. Over the last two years, Village Staff has worked to plan and implement an aggressive program to eradicate lead service lines in the Village, in compliance with State mandates. These plans have included transferring available surplus monies from the General Fund to the Lead Line Replacement Fund, and in-house completion of some of the required work. In addition, in 2024 the Village will have another bond opportunity as a portion of our existing debt will mature. Current plans call for a large portion of the 2024 bond issue to be used toward the lead service line replacement program. The Village had hoped to cover the public portion of the lead line replacement expenses, and to develop a cost sharing plan for the private portion of the project. The actions outlined above would have covered most of these costs with a completion date by 2044.

However, the Federal Environmental Protection Agency (EPA) has recently proposed that lead service lines be removed from service even earlier, by 2034. Even though the Village's water system is treated and deemed to be safe, this is a politically charged topic that could result in additional Village expenses mandated by federal or state agencies at a date considerably earlier than previously outlined.

The Village has applied for IEPA's 0% loan program to help cover a portion of this new capital program's costs. However, to date, these funds have been allocated to communities with more pressing financial needs. The Village will continue to apply for these and any other state or federal grant funds that become available for lead service line replacement.

The Village of Arlington Heights currently has approximately 4,200 known lead service lines, comprised of 1,944 public side only and 2,243 public and/or private combined service lines. The Village has 18,538 residential services, so the affected services account for approximately 23% of the total residential services in the Village. Given the uncertain future requirements and timing for the replacement of the Village's lead service lines, it is recommended that the entire 2023 General Fund surplus amount of \$5.75 million be allocated to the Lead Service Line Replacement Fund.

ATTACHMENTS:

Description	Type
Proposed 2023 General Fund Analysis	Exhibits

GENERAL FUND

(Pre-Audit 3-14-24)

EXHIBIT A

	2023	2023				
	2023	Actual - Before	Actual - After		%	2024
	Budget	Transfers-Out	Transfers-Out	Diff.	Incr (Decr)	Budget
Revenues						
Property Taxes	26,045,000	24,574,601	24,574,601	(1,470,399)	-5.6%	25,845,000
Food & Beverage Tax	2,422,000	2,508,164	2,508,164	86,164	3.6%	2,511,000
HMR Sales Tax	7,100,000	7,299,874	7,299,874	199,874	2.8%	7,596,000
Telecommunications Tax	1,544,000	1,683,886	1,683,886	139,886	9.1%	1,620,000
Elec and Nat Gas Utility Taxes	5,000,000	4,579,657	4,579,657	(420,343)	-8.4%	4,900,000
Sales Tax	16,661,000	15,414,286	15,414,286	(1,246,714)	-7.5%	16,436,000
Use Tax	3,045,000	3,052,746	3,052,746	7,746	0.3%	3,300,000
Income Tax	12,595,000	12,406,362	12,406,362	(188,638)	-1.5%	12,353,000
Replacement Tax	1,600,000	1,394,467	1,394,467	(205,533)	-12.8%	1,100,000
Other Taxes	1,025,000	1,176,797	1,176,797	151,797	14.8%	1,195,000
Licenses & Permits	4,105,600	2,684,480	2,684,480	(1,421,120)	-34.6%	2,679,400
Intergovernmental	712,800	678,036	678,036	(34,764)	-4.9%	628,000
Charges for Services	1,563,200	1,632,158	1,632,158	68,958	4.4%	1,275,900
Fines and Fees	6,121,100	6,696,407	6,696,407	575,307	9.4%	6,891,600
Interest Income	160,000	1,673,734	1,673,734	1,513,734	946.1%	385,000
Rents/Reimbursables	210,000	219,578	219,578	9,578	4.6%	209,000
Miscellaneous	362,000	2,438,219	2,438,219	2,076,219	573.5%	409,800
Interfund Transf-In	200,000	200,000	200,000	0	0.0%	200,000
Total Revenue	90,471,700	90,313,452	90,313,452	(158,248)	-0.2%	89,534,700
Expenditures						
Personal Services	67,436,100	66,455,766	66,455,766	(980,334)	-1.5%	70,768,300
Contractual Services	13,459,880	13,227,891	13,227,891	(231,989)	-1.7%	13,673,398
Commodities	2,952,604	2,399,895	2,399,895	(552,709)	-18.7%	3,001,988
Other Charges	1,766,408	862,876	862,876	(903,532)	-51.2%	1,318,555
Total Expenditures	85,614,992	82,946,428	82,946,428	(2,668,564)	-3.1%	88,762,241
Transfer to Other Funds	0	0	5,750,000			0
Total Expends/Transfers- Out	85,614,992	82,946,428	88,696,428			88,762,241
Surplus (Deficit)	4,856,708	7,367,024	1,617,024			772,459
Beginning Fund Balance	31,529,456	31,529,456	31,529,456			33,146,480
Ending Fund Balance	36,386,164	38,896,480	33,146,480			33,918,939
Fund Bal % of Expends	42.50%	46.89%	39.96%			38.21%



Committee-of-the-Whole
4/8/2024

Item: Revised Village Investment Policy

Department: Finance

Finance Staff periodically reviews the Village's Investment Policy to ensure that it falls within allowable investment limits as outlined by Illinois State Statutes. In addition, Staff ensures that our policy adheres to best practices recommended by the Government Finance Officers' Association (GFOA). The Investment Policy was last amended in March 2020. Attached is the redline version of the proposed revisions to the Village Investment Policy for the Village Board's review. The following is a summary of the proposed changes:

Section V. Suitable and Authorized Investments. 1. Investment Types:

Subsections C. and D. – separates obligations of corporations with a short-term maturity not later than 270 days (commercial paper), versus obligations of corporations which mature more than 270 days but less than 3 years from the date of settlement (commercial notes). The Village's policy also matches the State's recommended percentage of no more than one-third of the Village's funds may be invested in either of these obligations.

Subsection E. Money Market fund portfolios - are limited to the obligations in paragraph A which include U.S. government, agency and instrumentality obligations that have a liquid market and a readily determinable market value. Obligations in paragraph B are no longer allowed by state statute.

Subsection F. Interest bearing bonds - the allowable rating for Interest bearing bonds has changed from AA or better to a rating within the three highest general classifications of A or better. This rating is still more restrictive than the State of Illinois Statute, which allows BBB or better. Allowable interest-bearing bonds can now include bonds from any political subdivision or agency of the State of Illinois, i.e., water and park districts.

Subsection I. a clarifying statement has been added: All sector and rating limits apply at the time of settlement. While state statute

says "date of purchase", settlement date is commonly used for this purpose since that is the date when trades are officially completed. The purchase date is typically when the trade is initiated.

VI. Investment Parameters. 2. Maximum Maturities – maturity time has increased from no more than three years to 5.5 years from the date of settlement. State statutes do not prescribe a maximum maturity on investment securities. However, to the extent possible the Village attempts to match its investments with anticipated cash flow requirements from its operating and capital funds.

IX. List of Attachments. Deleted the attachment of state statute: 65 ILCS 5/3.1-35-40, Village Investment Officer. This state statute is cited earlier under, Section III -3, "Delegation of Authority", and does not provide additional relevant information for the administration of the Village's Investment Policy.

These proposed changes either match or are more restrictive than Illinois State Statutes. Village Staff will continue to invest Village funds in a prudent manner as required by the Investment Policy. Over the last few years, since the Federal Reserve lowered the federal funds rate to near zero, Staff has invested Village funds in shorter 3 to 6-month duration investments in anticipation of eventual rate increases by the Fed. In addition, longer-term rates at that time would have brought very little gain for the additional time invested. Due to not having longer duration investment holdings at the beginning of 2023, the Village was able to increase its interest earnings substantially as the Fed ratcheted rates up to fight inflationary pressures. At this point, Staff is now considering going out longer with a portion of the Village's investment portfolio that is held in reserves. This would help keep Village interest income earnings a bit higher, as the Fed starts to lower interest rates later this year.

ATTACHMENTS:

Description	Type
Proposed Revisions to the Village's Investment Policy	Agreement



VILLAGE OF ARLINGTON HEIGHTS

INVESTMENT POLICY

I. Scope

This policy applies to all funds governed by the Board of Trustees. Police and Fire Pension Funds are covered by separate policies.

1. Pooling of Funds

Except for cash in certain restricted and special funds (Police and Fire Pension Funds), the Village will consolidate cash balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. These funds are accounted for in the Village's Comprehensive Annual Financial Report and include:

- A. General Fund
- B. Special Revenue Funds
- C. Debt Service Funds
- D. Capital Project Funds
- E. Enterprise Funds
- F. Internal Service Funds
- G. Agency Funds
- H. Debt Service Funds
- I. Library Funds (Intergovernmental)

II. General Objectives

The primary objective, in priority of order, of investment activities shall be safety, liquidity and yield:

1. Safety

Safety of principal is the most important objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of

capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

A. Credit Risk

The Village will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, intermediaries and advisors with which the Village will conduct business
- Diversifying the investment portfolio so that potential losses on individual investments will be minimized

B. Interest Rate Risk

The Village will minimize the risk that the market value of securities in the portfolio will fall due to change in interest rates by:

- Structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market funds, or similar investment pools, and limiting individual security maturity as well as the average maturity of the portfolio in accordance with this policy

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. This is accomplished by structuring the portfolio so the securities mature concurrent with cash needs to meet the anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. Alternatively, a portion of the portfolio may also be placed in money market mutual funds or local 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 objective discussed above. The core of the investments are limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed. The Village's cash management portfolio shall be designed with the objective of regularly meeting or exceeding the average yield on three-month U.S. Treasury bills. Securities shall generally not be sold prior to maturity with the following exceptions:

1. A declining credit security may be sold early to minimize loss of principal
2. Selling a security and reinvesting the proceeds that would improve the quality, yield, or target duration in the portfolio may be undertaken
3. Unanticipated liquidity needs of the portfolio require that the security be sold

III. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgement 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.

2. Ethics and Conflict 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 positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

3. Delegation of Authority

Authority to manage the investment program is granted to the Finance Director/Treasurer, (hereafter referred to as the investment officer) and derived from the following: 65 ILCS 5/3.1-35-40 and Chapter 3 Article II of the Arlington Heights Municipal Code. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the

investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

1. Authorized Financial Dealer and Institutions

A list will be maintained of designated depositories authorized to provide investment services. In addition, a list will be maintained of approved security brokers/dealers selected by creditworthiness and/or other factors, such as FINRA broker check.

All financial institutions and brokers/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of Financial Industry Regulatory Authority (FINRA) certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read, understood, and agreeing to comply with the Village's investment policy
- Evidence of adequate insurance coverage

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer. From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations a waiver to the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the Village Board on a consistent basis and should be consistent with state or local law.

2. Safekeeping

Securities will be held by an independent third-party custodian selected by the Village, and all securities will be held in the Village's name.

3. Internal Controls

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgement by management.

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical-delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of telephone transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank or third party custodian

4. Delivery vs. Payment

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account prior to the release of funds.

V. Suitable and Authorized Investments

1. Investment Types

The Village is empowered by Illinois state statute (ILCS 235, Public Funds Investment Act) and permitted by this policy to invest in the following types of securities:

- A. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations which have a liquid market with a readily determinable market value
- B. Savings accounts, certificates of deposit and other evidences of deposit at financial institutions
- C. Short-term ~~O~~bligations of corporations organized in the United States with assets exceeding \$500,000, rated at ~~one of the two~~ highest classifications established by at least 2 standard rating services, with a maturity not later than ~~three years~~ 270 days from the date of ~~purchase~~ settlement, and the investment will not exceed 10% of the corporation's outstanding obligations. No more than one ~~fifth~~ third of the Village's funds may be invested in short term obligations of corporations under this paragraph.
- D. Obligations of corporations organized in the United States with assets exceeding \$500,000, rated at one of the three highest classifications established by at least 2 standard rating services, which mature more than 270 days but less than three years from the date of settlement, and the investment will not exceed 10% of the corporation's outstanding obligations. No more than one-third of the Village's funds may be invested in obligations of corporations under this paragraph.

~~D.E.~~ Money market funds. The portfolio of the money market is limited to the obligations in paragraph A ~~and B~~ of this subsection

~~E.F.~~ Interest bearing bonds rated within the three highest general classifications AA or better of any county, township, city, village, incorporated town, municipal corporation, ~~or~~ school district, or of any political subdivision or agency of the State of Illinois, or any other state

~~F.G.~~ Repurchase agreements of government securities

H. Local government investment pools

~~G.I.~~ All sector, maturity, and rating limits apply at the time of settlement.

2. Collateralization

In accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization (102%) will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

Allowable collateral includes:

- Federal Treasury Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Fixed rate General Obligation Municipal Bonds rated AA or better
- Letters of credit issued through the FHLB

VI. Investment Parameters

1. Diversification

The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities)
- Limiting investment in securities that have higher credit risks
- Investing in securities with varying maturities
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPS's) or money market funds to ensure that proper liquidity is maintained in order to meet ongoing obligations.

2. Maximum Maturities

To the extent possible, the Village shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village

will not directly invest in securities maturing more than ~~three~~5.5 years from the date of purchase or in accordance with state statutes. The maturity limit for agency mortgage-backed securities is based on the expected average life at the time of settlement which shall not exceed 5.5 years. The Village shall adopt weighted average maturity limitations, consistent with the investment objectives. ~~The weighted average maturity limitations consistent with investment objectives.~~

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ~~three~~5.5 years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Village Board.

3. Competitive Bids

The investment officer, or their designee shall obtain competitive bids on all purchases and sales of investment instruments transacted on the secondary market.

VII. Reporting

1. Methods

At least quarterly, the investment officer shall provide to the Village Board investment reports which provide a clear picture of the status of the current investment portfolio. This report will be prepared in a manner that will allow the entity to ascertain whether the investment activity during the reporting period has conformed to the investment policy. The report will include the following:

- A. Listing of individual securities held at the end of the reporting period
- B. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one year in duration that are not intended to be held to maturity
- C. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
- D. Listing of investment by maturity date
- E. Percentage of the total portfolio which each type of investment represents

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. An appropriate benchmark

shall be established against which portfolio performance shall be compared on a regular basis. Operating funds shall earn a market rate of return that regularly meets or exceeds the average yield on three-month U.S. Treasury bills.

3. Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended practice on Mark to Market Practices for State and Local Government Investment Portfolios and Investment Pools.

VIII. Policy Considerations

1. Amendment

This policy shall be reviewed on an annual basis by the investment officer. Any changes must be recommended by the investment officer and approved by the Village Board.

IX. List of Attachments

The following documents as applicable, are attached to this policy:

- Listing of authorized personnel;
- Village Investment Officer (Village) - Chapter 3, Article II of the Arlington Heights Municipal Code;
- ~~Village Investment Officer (State) — 65 ILCS 5/3.1-35-40~~
- Illinois state statute – ILCS 235, Public Funds Investment Act;
- Listing of authorized broker/dealers and financial institutions;

Adopted: September 21, 1999

Revised: March 2020

Village of Arlington Heights Investment Policy

Listing of Authorized Personnel:

Thomas F. Kuehne, Treasurer

Mary Juarez, Assistant Treasurer

APPOINTED OFFICERS

(Ord.1112-0U)

Article II Finance Department

Section 3-201 Finance Director. There is hereby created the office of Finance Director, to administer the Finance Department under the supervision of the Village Manager. The office of Finance Director shall be filled by an appointment, made by the Village Manager, of a person competent to carry out the duties of the office. The appointment shall be for an indefinite term and at such salary as may be set by the Village Manager after consultation with the President and Board of Trustees. The Finance Director shall carry out the following duties:

- a. Assist the Village Manager in the preparation of the budget and tax levy ordinances;
- b. Conduct special studies and investigations into the financial affairs of the departments and offices of the Village as directed by the Village Manager;
- c. Prescribe standards and approve the procedures to be employed in the accounting for money and properly by the Village department directors and offices;
- d. Administer and enforce all sources of income including water and sewer utilities, special assessments, motor fuel tax receipts, parking meter receipts, sales tax receipts, escrow and other trust fund income, all license and permit fees, (excepting permit fees required under the Building, Electrical and Zoning provisions of this Code), negotiate bond sales and debt refinancing transactions, subject to any regulations established by law and subject to the approval of the Board of Trustees;
- e. Act in an advisory capacity in financial matters to the President and Board of Trustees and to the Village Manager; and
- f. Perform such other fiscal functions as may be required by the Village Manager.

Section 3-202 Finance Department. The Finance Department shall contain the following divisions with the duties and regulations hereinafter set forth:

- a. Treasury Division. The Treasury Division, under the supervision of the Finance Director, shall have such duties as are prescribed by the Statutes of the State of Illinois and of this Code. The Village Treasurer shall:
 1. Collect all bills for special assessments or services rendered by the Village and receive all monies due the Village, either directly or from agencies and departments of the Village government authorized to receive payment of amounts due the Village. All monies received on any special assessment shall be held by the Village Treasurer as a special fund to be applied only to the payment of the improvement, or bonds and vouchers issued therefor, together with interest thereon, for which the assessment was made, and that money shall be used for no other purpose, unless to reimburse the Village for money expended for the improvement. These shall be made in accordance with the statutes and the law and the Treasurer shall keep the books and

APPOINTED OFFICERS

in the manner provided by law, and subject to the limitations imposed by law, and subject to the direction of the Village Manager. The Purchasing Agent shall:

1. Purchase all supplies, services, materials and equipment, subject to the provisions and limitations of the statute governing public contracts and the applicable provisions of this Code;
 2. Sell or dispose of property certified to by the Village Manager as having no public use, such sales to be made in the manner prescribed by statute, where such sales are regulated by law;
 3. Take charge of the storage of supplies and materials purchased by the Village and not delivered directly to the various departments and offices, and keep proper inventory records of same;
 4. Install and maintain centralized purchasing procedures, standard techniques and recording systems;
 5. Pre-audit all purchase orders as to availability of funds and the appropriation relating thereto before certification and issuance, and pre-audit all expenditures before payment, to prevent illegal or irregular expenditures; and
 6. Perform other functions as may be required by the Finance Director.
- d. Division of Water and Sewer Collection. This division shall be supervised by the Finance Director and the functions shall be:
1. Receiving water and sewer receipts;
 2. Adjustment of sewer and water bills;
 3. Computing and filing meter reading records;
 4. Water and sewer billing; and
 5. Setting up and maintaining consumers' accounts, including current reconciliation with control accounts.

Section 3-203 Fees to be Placed in General Corporate Fund. Unless the provisions of this Code specifically provide otherwise, all fees and payments required by the provisions of this Code to be paid to the Finance Director shall be placed by the Finance Director in the General Corporate Fund of the Village.

Section 3-204 Transfer of Special Funds to the General Corporate Fund. Whenever the Finance Director shall determine that funds or cash bonds previously paid to the Village to be held for escrow purposes under any ordinance or regulation of the Village are no longer necessary to effectuate the purposes for which deposits were made, such funds shall be returned to the original depositors upon showing that the conditions for which the deposits were made have been satisfied. In the event the Finance Director is unable to locate the original depositors or their lawful assignees, the Finance

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accounts in a manner so that prorrations in payments of principal and interest can be made and ascertained;

2. Deposit all monies received by law and keep the deposit of the Village money separate and distinct from, and record daily in, the appropriate Village fund all monies collected;
 3. Sign all Village checks, in accordance with authority given by the provisions of this Code; all checks drawn on the Village Treasury must be signed by the President, countersigned by the Village Treasurer, stating the particular fund or appropriation to which it is chargeable, and the person to whom payable; and no money shall be otherwise paid except as may be provided by statute. Money shall not be transferred by the Treasurer from one fund to another after it has been received, nor appropriated to any purpose other than that for which it has been collected or paid, except as may be ordered by the President and Board of Trustees or the Village Manager in the manner and form prescribed by statute;
 4. Prepare the payroll;
 5. Keep records showing all monies received, the source from which it is received and the purpose for which it is paid;
 6. Keep records at all times showing the financial status of the Village; and,
 7. Keep those books and accounts as may be required by statute or ordinance, and in the manner required by the Finance Director.
- b. Accounting Division. The Accounting Division, under the supervision of the Finance Director, shall:
1. Establish, organize and maintain a centralized accounting system;
 2. Prepare and submit such financial statements, memoranda and reports as may be required by statute and the provisions of this Code, or as the Village Manager may direct;
 3. Audit currently all revenues in order to insure the proper deposit of all sums due the Village;
 4. Completely record all financial transactions of the Village government;
 5. Prepare the warrant register; and
 6. Perform other functions as may be required by the Finance Director.
- c. Purchasing Division. The Purchasing Division shall be under the supervision of the Finance Director, subject to the direction of the Village Manager as ex-officio Purchasing Agent. The Finance Director shall make all purchases authorized by the President and Board of Trustees

Information maintained by the Legislative Reference Bureau

Updating the database of the Illinois Compiled Statutes (ILCS) is an ongoing process. Recent laws may not yet be included in the ILCS database, but they are found on this site as Public Acts soon after they become law. For information concerning the relationship between statutes and Public Acts, refer to the Guide.

Because the statute database is maintained primarily for legislative drafting purposes, statutory changes are sometimes included in the statute database before they take effect. If the source note at the end of a Section of the statutes includes a Public Act that has not yet taken effect, the version of the law that is currently in effect may have already been removed from the database and you should refer to that Public Act to see the changes made to the current law.

FINANCE **(30 ILCS 235/) Public Funds Investment Act.**

(30 ILCS 235/0.01) (from Ch. 85, par. 900)

Sec. 0.01. Short title. This Act may be cited as the Public Funds Investment Act.

(Source: P.A. 86-1324.)

(30 ILCS 235/1) (from Ch. 85, par. 901)

Sec. 1. The words "public funds", as used in this Act, mean current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any public agency.

The words "public agency", as used in this Act, mean the State of Illinois, the various counties, townships, cities, towns, villages, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, the Illinois Bank Examiners' Education Foundation, the Chicago Park District, and all other political corporations or subdivisions of the State of Illinois, now or hereafter created, whether herein specifically mentioned or not. This Act does not apply to the Illinois Prepaid Tuition Trust Fund, private funds collected by the Illinois Conservation Foundation, or pension funds or retirement systems established under the Illinois Pension Code, except as otherwise provided in that Code. This Act does not apply to the Illinois State Treasurer, whose investment of State funds shall be governed by the Deposit of State Moneys Act.

The words "governmental unit", as used in this Act, have the same meaning as in the Local Government Debt Reform Act.

(Source: P.A. 102-297, eff. 8-6-21.)

(30 ILCS 235/2) (from Ch. 85, par. 902)

Sec. 2. Authorized investments.

(a) Any public agency may invest any public funds as follows:

(1) in bonds, notes, certificates 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 to principal and interest;

(2) in bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;

(3) in 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;

(4) in short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications

established by at least 2 standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations, and (iii) no more than one-third of the public agency's funds may be invested in short-term obligations of corporations under this paragraph (4);

(4.5) in obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature more than 270 days but less than 3 years from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations, and (iii) no more than one-third of the public agency's funds may be invested in obligations of corporations under this paragraph (4.5); or

(5) in 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 agreements to repurchase such obligations.

(a-1) In addition to any other investments authorized under this Act, a municipality, park district, forest preserve district, conservation district, county, or other governmental unit may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the municipality, park district, forest preserve district, conservation district, county, or other governmental unit, or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

(b) Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. Any public agency may invest any public funds in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of such governing authority, the public funds so invested will be required for expenditure by such public agency or its governing authority. The expressed judgment of any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive. Any public agency may invest any public funds in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

(c) For purposes of this Section, the term "agencies of the United States of America" includes: (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.

(d) Except for pecuniary interests permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as treasurer or financial officer or who is employed in any similar capacity by or for a public agency may do any of the following:

(1) have any interest, directly or indirectly, in any investments in which the agency 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 agency is authorized to invest.

(e) Any public agency may also invest any public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.

(f) To the extent a public agency has custody of funds not owned by it or another public agency and does not otherwise have authority to invest such funds, the public agency may invest such funds as if they were its own. Such funds must be released to the appropriate person at the earliest reasonable time, but in no case exceeding 31 days, after the private person becomes entitled to the receipt of them. All earnings accruing on any investments or deposits made pursuant to the provisions of this Act shall be credited to the public agency by or for which such investments or deposits were made, except as provided otherwise in Section 4.1 of the State Finance Act or the Local Governmental Tax Collection Act, and except where by specific statutory provisions such earnings are directed to be credited to and paid to a particular fund.

(g) A public agency may purchase or invest in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(h) Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, no public agency may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of any public agency unless the instrument and the transaction meet the following requirements:

(1) The securities, unless registered or inscribed in the name of the public agency, are purchased through banks or trust companies authorized to do business in the State of Illinois.

(2) An authorized public officer after ascertaining

which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, which acts for the public agency in connection with repurchase agreements involving the investment of funds by the public agency. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements. To the extent the Treasurer acts in this capacity, he is hereby authorized to pass through to such public agencies any charges assessed by the Federal Reserve Bank.

(3) A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the public agency on the records of the custodial bank and the transaction must be confirmed in writing to the public agency by the custodial bank.

(4) Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.

(5) The security interest must be perfected.

(6) The public agency enters into a written master repurchase agreement which outlines the basic responsibilities and liabilities of both buyer and seller.

(7) Agreements shall be for periods of 330 days or less.

(8) The authorized public officer of the public agency informs the custodial bank in writing of the maturity details of the repurchase agreement.

(9) The custodial bank must take delivery of and maintain the securities in its custody for the account of the public agency and confirm the transaction in writing to the public agency. The Custodial Undertaking shall provide that the custodian takes possession of the securities exclusively for the public agency; that the securities are free of any claims against the trading partner; and any claims by the custodian are subordinate to the public agency's claims to rights to those securities.

(10) The obligations purchased by a public agency may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the public agency or officer authorized to make such investments.

(11) The custodial bank shall be liable to the public agency for any monetary loss suffered by the public agency due to the failure of the custodial bank to take and maintain possession of such securities.

(i) Notwithstanding the foregoing restrictions on investment in instruments constituting repurchase agreements the Illinois Housing Development Authority may invest in, and any financial institution with capital of at least \$250,000,000 may act as custodian for, instruments that constitute repurchase agreements, provided that the Illinois Housing Development Authority, in making each such investment, complies with the safety and soundness guidelines for engaging in repurchase transactions applicable to federally insured banks, savings banks, savings and loan associations or other depository institutions as set forth in the Federal Financial Institutions Examination Council Policy Statement Regarding Repurchase Agreements and any regulations issued, or which may be issued by the supervisory federal authority pertaining thereto and any amendments thereto; provided further that the securities shall

be either (i) direct general obligations of, or obligations the payment of the principal of and/or interest on which are unconditionally guaranteed by, the United States of America or (ii) any obligations of any agency, corporation or subsidiary thereof controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States and provided further that the security interest must be perfected by either the Illinois Housing Development Authority, its custodian or its agent receiving possession of the securities either physically or transferred through a nationally recognized book entry system.

(j) In addition to all other investments authorized under this Section, a community college district may invest public funds in any mutual funds that invest primarily in corporate investment grade or global government short term bonds. Purchases of mutual funds that invest primarily in global government short term bonds shall be limited to funds with assets of at least \$100 million and that are rated at the time of purchase as one of the 10 highest classifications established by a recognized rating service. The investments shall be subject to approval by the local community college board of trustees. Each community college board of trustees shall develop a policy regarding the percentage of the college's investment portfolio that can be invested in such funds.

Nothing in this Section shall be construed to authorize an intergovernmental risk management entity to accept the deposit of public funds except for risk management purposes.
(Source: P.A. 102-285, eff. 8-6-21.)

(30 ILCS 235/2.3)

Sec. 2.3. Russian or Belarusian investments prohibited. Notwithstanding any provision of law to the contrary, a public agency shall not invest public funds in Russian or Belarusian sovereign debt, Russian or Belarusian government-backed securities, any investment instrument issued by an entity that is domiciled or has its principal place of business in Russia or Belarus, or any investment instrument issued by a company that is subject to Russian Harmful Foreign Activities Sanctions, as that term is defined under Section 1-110.16 of the Illinois Pension Code, and shall not invest or deposit public funds in any bank that is domiciled or has its principal place of business in Russia or Belarus or in any other financial institution that is domiciled or has its principal place of business in Russia or Belarus or that is subject to Russian Harmful Foreign Activities Sanctions.

(Source: P.A. 102-1108, eff. 12-21-22.)

(30 ILCS 235/2.5)

Sec. 2.5. Investment policy.

(a) Investment of public funds by a public agency shall be governed by a written investment policy adopted by the public agency. The level of detail and complexity of the investment policy shall be appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio. The policy shall address safety of principal, liquidity of funds, and return on investment and shall require that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. In addition, the investment policy shall include or address the following:

- (1) a listing of authorized investments;
- (2) a rule, such as the "prudent person rule",

establishing the standard of care that must be maintained by the persons investing the public funds;

(3) investment guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(4) a policy regarding diversification of the investment portfolio that is appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(5) guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to this Act, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral;

(6) a policy regarding the establishment of 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 entity;

(7) identification of the chief investment officer who is responsible for establishing the internal controls and written procedures for the operation of the investment program;

(8) performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(9) a policy regarding appropriate periodic review of the investment portfolio, its effectiveness in meeting the public agency's needs for safety, liquidity, rate of return, and diversification, and its general performance;

(10) a policy establishing at least quarterly written reports of investment activities by the public agency's chief financial officer for submission to the governing body and chief executive officer of the public agency. The reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date;

(11) a policy regarding the selection of investment advisors, money managers, and financial institutions; and

(12) a policy regarding ethics and conflicts of interest.

(a-5) The investment policy shall include a statement that material, relevant, and decision-useful sustainability factors have been or are regularly considered by the agency, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

(b) For purposes of the State or a county, the investment policy shall be adopted by the elected treasurer and presented to the chief executive officer and the governing body. For purposes of any other public agency, the investment policy shall be adopted by the governing body of the public agency.

(c) The investment policy shall be made available to the public at the main administrative office of the public agency.

(d) The written investment policy required under this Section shall be developed and implemented by January 1, 2000. (Source: P.A. 101-473, eff. 1-1-20.)

(30 ILCS 235/2.10)

Sec. 2.10. Unit of local government; deposit at reduced rate of interest. The treasurer of a unit of local government may, in

his or her discretion, deposit public moneys of that unit of local government in a financial institution pursuant to an agreement that provides for a reduced rate of interest, provided that the institution agrees to expend an amount of money equal to the amount of the reduction for senior centers.
(Source: P.A. 93-246, eff. 7-22-03.)

(30 ILCS 235/3) (from Ch. 85, par. 903)

Sec. 3. If any securities, purchased under authority of Section 2 hereof, are issuable to a designated payee or to the order of a designated payee, then the public agency shall be so designated, and further, if such securities are purchased with money taken from a particular fund of a public agency, the name of such fund shall be added to that of such public agency. If any such securities are registerable, either as to principal or interest, or both, then such securities shall be so registered in the name of the public agency, and in the name of the fund to which they are to be credited.

(Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/4) (from Ch. 85, par. 904)

Sec. 4. All securities purchased under the authority of this Act shall be held for the benefit of the public agency which purchased them, and if purchased with money taken from a particular fund, such securities shall be credited to and deemed to be a part of such fund, and shall be held for the benefit thereof. All securities so purchased shall be deposited and held in a safe place by the person or persons having custody of the fund to which they are credited, and such person or persons are responsible upon his or their official bond or bonds for the safekeeping of all such securities. Any securities purchased by any such public agency under authority of this Act, may be sold at any time, at the then current market price thereof, by the governing authority of such public agency. Except as provided in Section 4.1 of "An Act in relation to State finance", all payments received as principal or interest, or otherwise, derived from any such securities shall be credited to the public agency and to the fund by or for which such securities were purchased.

(Source: P.A. 84-1378.)

(30 ILCS 235/5) (from Ch. 85, par. 905)

Sec. 5. This Act, without reference to any other statute, shall be deemed full and complete authority for the investment of public funds, as hereinabove provided, and shall be construed as an additional and alternative method therefor.

(Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/6) (from Ch. 85, par. 906)

Sec. 6. Report of financial institutions.

(a) No bank shall receive any public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last two sworn statements of resources and liabilities which the bank is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency. Each bank designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency; provided, that if such funds or moneys are deposited in a bank, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the capital stock and

surplus of such bank, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any bank in excess of such limitation.

(b) No savings bank or savings and loan association shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last 2 sworn statements of resources and liabilities which the savings bank or savings and loan association is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation. Each savings bank or savings and loan association designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation; provided, that if such funds or moneys are deposited in a savings bank or savings and loan association, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the net worth of such savings bank or savings and loan association as defined by the Federal Deposit Insurance Corporation, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any savings bank or savings and loan association in excess of such limitation.

(c) No credit union shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a share deposit with copies of the last two reports of examination prepared by or submitted to the Illinois Department of Financial Institutions or the National Credit Union Administration. Each credit union designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all reports of examination prepared by or furnished to the Illinois Department of Financial Institutions or the National Credit Union Administration; provided that if such funds or moneys are invested in a credit union account, the amount of all such investments not collateralized or insured by an agency of the federal government or other approved share insurer shall not exceed 50% of the unimpaired capital and surplus of such credit union, which shall include shares, reserves and undivided earnings and the corporate authorities of a public agency making an investment shall not be discharged from responsibility for any funds or moneys invested in a credit union in excess of such limitation.

(d) Whenever a public agency deposits any public funds in a financial institution, the public agency may enter into an agreement with the financial institution requiring any funds not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer to be collateralized by any of the following classes of securities, provided there has been no default in the payment of principal or interest thereon:

(1) Bonds, notes, or other securities constituting direct and general obligations of the United States, the bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States, and bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality.

(2) Direct and general obligation bonds of the State

of Illinois or of any other state of the United States.

(3) Revenue bonds of this State or any authority, board, commission, or similar agency thereof.

(4) Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes.

(5) Revenue bonds of any city, town, county, or school district of the State of Illinois.

(6) Obligations issued, assumed, or guaranteed by the International Finance Corporation, the principal of which is not amortized during the life of the obligation, but no such obligation shall be accepted at more than 90% of its market value.

(7) Illinois Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing Development Act.

(8) In an amount equal to at least market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer: (i) securities, (ii) mortgages, (iii) letters of credit issued by a Federal Home Loan Bank, or (iv) loans covered by a State Guarantee under the Illinois Farm Development Act, if that guarantee has been assumed by the Illinois Finance Authority under Section 845-75 of the Illinois Finance Authority Act, and loans covered by a State Guarantee under Article 830 of the Illinois Finance Authority Act.

(9) Certificates of deposit or share certificates issued to the depository institution pledging them as security. The public agency may require security in the amount of 125% of the value of the public agency deposit. Such certificate of deposit or share certificate shall:

(i) be fully insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund or issued by a depository institution which is rated within the 3 highest classifications established by at least one of the 2 standard rating services;

(ii) be issued by a financial institution having assets of \$15,000,000 or more; and

(iii) be issued by either a savings and loan association having a capital to asset ratio of at least 2%, by a bank having a capital to asset ratio of at least 6% or by a credit union having a capital to asset ratio of at least 4%.

The depository institution shall effect the assignment of the certificate of deposit or share certificate to the public agency and shall agree that, in the event the issuer of the certificate fails to maintain the capital to asset ratio required by this Section, such certificate of deposit or share certificate shall be replaced by additional suitable security.

(e) The public agency may accept a system established by the State Treasurer to aggregate permissible securities received as collateral from financial institutions in a collateral pool to secure public deposits of the institutions that have pledged securities to the pool.

(f) The public agency may at any time declare any particular security ineligible to qualify as collateral when, in the public agency's judgment, it is deemed desirable to do so.

(g) Notwithstanding any other provision of this Section, as security a public agency may, at its discretion, accept a bond,

executed by a company authorized to transact the kinds of business described in clause (g) of Section 4 of the Illinois Insurance Code, in an amount not less than the amount of the deposits required by this Section to be secured, payable to the public agency for the benefit of the People of the unit of government, in a form that is acceptable to the public agency.

(h) Paragraphs (a), (b), (c), (d), (e), (f), and (g) of this Section do not apply to the University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the Cooperative Computer Center and public community colleges.
(Source: P.A. 95-331, eff. 8-21-07.)

(30 ILCS 235/6.5)

Sec. 6.5. Federally insured deposits at Illinois financial institutions.

(a) Notwithstanding any other provision of this Act or any other statute, whenever a public agency invests public funds in an interest-bearing savings account, demand deposit account, interest-bearing certificate of deposit, or interest-bearing time deposit under Section 2 of this Act, the provisions of Section 6 of this Act and any other statutory requirements pertaining to the eligibility of a bank to receive or hold public deposits or to the pledging of collateral by a bank to secure public deposits do not apply to any bank receiving or holding all or part of the invested public funds if (i) the public agency initiates the investment at or through a bank located in Illinois and (ii) the invested public funds are at all times fully insured by an agency or instrumentality of the federal government.

(b) Nothing in this Section is intended to:

(1) prohibit a public agency from requiring the bank at or through which the investment of public funds is initiated to provide the public agency with the information otherwise required by subsection (a), (b), or (c) of Section 6 of this Act as a condition of investing the public funds at or through that bank; or

(2) permit a bank to receive or hold public deposits if that bank is prohibited from doing so by any rule, sanction, or order issued by a regulatory agency or by a court.

(c) For purposes of this Section, the term "bank" includes any person doing a banking business whether subject to the laws of this or any other jurisdiction.

(Source: P.A. 98-703, eff. 7-7-14; 98-756, eff. 7-16-14; 99-78, eff. 7-20-15.)

(30 ILCS 235/7) (from Ch. 85, par. 907)

Sec. 7. When investing or depositing public funds, each custodian shall, to the extent permitted by this Act and by the lawful and reasonable performance of his custodial duties, invest or deposit such funds with or in minority-owned financial institutions within this State.

(Source: P.A. 84-754.)

(30 ILCS 235/8)

Sec. 8. Consideration of financial institution's commitment to its community.

(a) In addition to any other requirements of this Act, a public agency shall consider the financial institution's record and current level of financial commitment to its local community when deciding whether to deposit public funds in that financial

institution. The public agency may consider factors including, but not necessarily limited to:

(1) for financial institutions subject to the federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the federal Community Reinvestment Act of 1977;

(2) any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;

(3) the financial impact that the withdrawal or denial of deposits of public funds might have on the financial institution;

(4) the financial impact to the public agency as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and

(5) any additional burden on the resources of the public agency that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

(a-5) Effective January 1, 2022, no public funds may be deposited in a financial institution subject to the federal Community Reinvestment Act of 1977 unless the institution has a current rating of satisfactory or outstanding under the Community Reinvestment Act of 1977.

(a-10) When investing or depositing public funds, the public agency may give preference to financial institutions that have a current rating of outstanding under the federal Community Reinvestment Act of 1977.

(b) Nothing in this Section shall be construed as authorizing the public agency to conduct an examination or investigation of a financial institution or to receive information that is not publicly available and the disclosure of which is otherwise prohibited by law.

(Source: P.A. 101-657, eff. 3-23-21.)

(30 ILCS 235/9)

Sec. 9. Municipal and county investment in not-for-profit community development financial institutions. Municipalities and counties may invest up to \$250,000 per year in public funds in not-for-profit community development financial institutions across all institutions. These financial institutions must have at least \$5,000,000 in net assets and have earned at least an "A" rating by an investment rating organization that primarily provides services for community development financial institutions. Investments made under this Section shall be made for a term and at a rate acceptable to the municipality or county and the municipality or county may set benchmarks in order to continue investing in the not-for-profit community development financial institution.

(Source: P.A. 99-676, eff. 7-29-16.)

Village of Arlington Heights Investment Policy

Listing of Authorized Broker/Dealers and Financial Institutions:

JP Morgan Chase Bank

Village Bank & Trust (Wintrust Bank)

BMO Harris Bank

Bank of America

Citizens Bank

Parkway Bank & Trust Company

The Illinois Funds

Illinois Metropolitan Investment Fund (IMET)

FirstMerit Bank

PMA Funding

PFM (Illinois Trust)