AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Community Room
33 S. Arlington Heights Rd, Arlington Heights, IL 60005
March 9, 2020
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. General Fund Surplus
B. Investment Policy
C. Current Project Highlights

V. OTHER BUSINESS

VI. 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 David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Committee-of-the-Whole
3/9/2020

Item: General Fund Surplus

Department: Village Clerk

The Village's General Fund once again experienced a solid 2019 performance, and is expected to have a year-end surplus of about $3 million. Unaudited revenues came in 3.1% over budget and expenditures are 1.8% under budget. Per the attached memo, Staff recommends that $3 million in General Fund surplus funds be transferred to the Police and Fire pension funds and the Capital Projects Fund.

ATTACHMENTS:

Description	Type
General Fund Memo	Memorandum

INTER OFFICE

MEMO

To: Randy Recklaus, Village Manager
From: Tom Kuehne, Finance Director/Treasurer
Date: February 24, 2020
Subject: **PROPOSED TRANSFERS TO POLICE PENSION, FIREFIGHTERS' PENSION, AND CAPITAL PROJECTS FUNDS**

Per the attached unaudited fourth quarter 2019 Finance Department report, the Village's General Fund once again experienced a solid 2019 performance, and is expected to have a year-end surplus. To put the projected surplus in perspective, the 2019 General Fund budget totaled $76.6 million, unaudited revenues are coming in 2.9% over budget and expenditures are coming in 1.9% under budget as shown below:

GENERAL FUND 2019 RESULTS (unaudited)

	2019 Budget	2019 Actual	Difference	% Over (Under)
Revenues	$75,951,800	$78,301,893	$2,350,093	3.1%
Expenditures	76,634,646	75,256,321	1,378,325	1.8%
Surplus (Deficit)	(682,846)	**3,045,572**		
Beg. Fund Balance	30,705,240	30,705,240		
End. Fund Balance	30,022,394	33,750,812		
% Fund Balance	39%	45%		

On the revenue side, Telecommunication Tax and Cable Franchise Fee revenues continued to come in under budget, but this was offset by higher income tax receipts, local use tax, sales tax, vehicle sticker revenue, permit revenue, and interest on investments. However, as shown with the key revenues below, the Village has already increased the 2020 Budget for a number of these revenues.

	2019 Budget	2019 Actual	2020 Budget
Telecommunication Tax	2.50 M	2.23 M	2.16 M
Cable Franchise Fees	1.60 M	1.46 M	1.50 M
Income Tax	7.28 M	7.99 M	7.97 M
Local Use Tax	2.06 M	2.46 M	2.60 M
Sales Tax	12.67 M	12.80 M	12.69 M
Home-Rule Sales	5.35 M	5.42 M	5.49 M

Vehicle License Fees	1.23 M	1.76 M	1.43 M
Building Permits	1.00 M	1.39 M	1.20 M
Interest Income	100 K	429 K	311 K
Market Value	50 K	182 K	100 K
Other Income	30 K	160 K	30 K
Sub-Total	33.87 M	36.28 M	35.48 M

The increase in revenues such as the income tax, local use tax, sales tax, building permits, and interest income are all a reflection of continued economic growth. Some of this growth was subsequently built into the 2020 Budget. However, the Village should continue to be cautious against budgeting some of these revenues at too high of a level, as they are sensitive to economic vagaries that can cause these revenues to go down as fast as they go up.

In regard to Sales Tax revenues, the 2020 budget amount reflects the loss of the Subaru car dealer. As for Vehicle License Fees, 2019 actual revenue reflects the enhanced enforcement measures used to improve vehicle sticker compliance. As such, the 2019 results include a high number of penalties incurred by prior year scofflaws. It is anticipated that many of these prior year scofflaws will now be in compliance in 2020 and thereafter. The Village will continue to pursue compliance ticket enforcement with those who do not purchase a vehicle sticker.

General Fund expenditures came in under budget due primarily to temporary vacancies in the Police, Fire, and Public Works Departments. These combined revenue and expenditure results led to a surplus of $2.98 million. Due to the temporary nature of these budget results as noted above, the General Fund's 2020 projections still appear to be valid.

Since the Village has continued to maintain solid General Fund reserves, we are in a position to consider using the 2019 year-end surplus to improve the Village's overall financial position. Surplus monies should not be used for ongoing expenses as the circumstances leading to the surplus will likely not exist on a long-term basis. It should also be noted that any transfer of this year's surplus would not affect next year's budget, as the General Fund budget is driven by year-to-year cash flows of revenues in and expenditures out. After reviewing the Village's various funds, staff developed the proposed list of uses of the 2019 General Fund surplus:

1. **Limit property tax increases for next year's Police and Firefighters' Pension Fund levies by making one-time additional payments to the Police Pension Fund and the Firefighters' Pension Fund.**
   (Transfer $1.25 million to each pension fund)

2. **Provide an additional infusion of funds for future capital projects. (Transfer $500,000 to the Capital Projects Fund)**

Staff has discussed this proposed transfer of 2019 General Fund surplus monies with the Village's auditors. The auditors indicated that through Board action it would be feasible to account for this type of transfer retroactive to December 31, 2019 in order to match the transfer expenditure against the 2019 surplus. This Village's bond rating agency, Moody's Investors Service, has previously indicated that the Village's General Fund balance is already in good shape based on its current funding ratio, and adding additional dollars to the existing balance would not help the rating any further. Moody's also previously stated that surplus dollars should not be used toward ongoing operating expenses.

Each of the proposed uses of the 2019 General Fund surplus is discussed in more detail below.

Limit property tax increases for next year's Police and Firefighters' Pension Fund levies – The Police and Firefighters' Pension Funds are coming off a positive 2019 year where they experienced unaudited investment gains of over 17% The previous two years included a loss of about 4% and a gain of about 14% respectively. The Village's actuary uses a three-year smoothing technique to smooth out gains and losses so that the Village's annual required contribution does not gyrate as much. By transferring $1.25 million into each pension fund, the Village would reduce each fund's unfunded liability, and next year's property tax levies for the Police and Firefighters' Pension Funds will be lower than they would be without this cash infusion. The Village's actuary, MWM Consulting, estimated that these proposed transfers to the Police and Fire Pension Funds would save a combined $200,000 per year between 2020 through 2040. This would lower the projected 2020 annual required contribution (property tax) for the Police and Fire Pension Funds by about 2%. As of 2019, the Police Pension Fund had a funded ratio of 79% and the Firefighters' Pension Fund was 74% funded.

Provide an infusion of funds toward needed capital improvements – During 2020 the Village will be preparing its five-year Capital Improvement Plan (CIP). This is a significant undertaking that requires tradeoffs between desired or required improvements and available funding. The Capital Projects Fund accounts for general capital improvements such as streets, sidewalks and curbs, brick paver maintenance, corridor enhancements, and operational equipment for various departments. The Village will also need to plan ahead for its share of needed improvements to the Metropolis Building. This building is now over 20 years old and repairs and maintenance will be needed to the roof, elevators, and HVAC systems in the near future. The Village is one of the five owners that share responsibility for the building's common areas through the Metropolis Commercial Condominium Association. During spring 2020 the association has authorized a building reserve study that will outline needed capital repairs over the next ten years. The study will also provide an estimate of an appropriate long-term reserve balance for the association.

Recommendation:

As part of the 2019 year-end closing entries, transfer 2019 year-end General Fund surplus funds of $3.0 million to the following funds:

Police Pension Fund	$1,250,000
Firefighters' Pension Fund	$1,250,000
Capital Projects Fund	$ 500,000
Total	$3,000,000

The information provided in this memo will be discussed at the March 9, 2020 Committee-of-the-Whole meeting.

C: A. Cervini, Sikich LLP
M. Juarez, A. Smulson, K. Baumgartner,

GENERAL FUND 101

(unaudited)

Schedule of Revenues, Expenses, and Changes in Fund Balance

Budget and Actual

Year Ended December 31, 2019

(with Comparative Actual for 2018)

	Original Budget	Final Budget	Actual	Prior Year Actual
REVENUES				
Taxes				
Property Taxes	24,274,000	24,274,000	23,747,591	23,013,660
Other Taxes	39,064,400	39,064,400	40,177,639	39,252,572
Licenses and Permits	3,833,500	3,833,500	4,834,759	4,314,641
Intergovernmental / Grants	158,000	247,800	278,226	255,066
Charges for Services	2,086,600	2,086,600	2,108,631	2,057,768
Fines and Fees	5,837,100	5,837,100	5,900,347	5,679,176
Investment Income	150,000	150,000	676,476	474,476
Rents and Reimbursables	138,500	138,500	118,549	127,393
Miscellaneous	397,900	319,900	459,675	552,697
Total Revenues	75,940,000	75,951,800	78,301,893	75,727,449
EXPENDITURES				
General Government	4,960,600	4,828,000	4,770,587	4,552,993
Public Safety	49,445,300	49,588,709	48,899,308	50,244,269
Highways and Streets	14,973,000	15,100,379	14,778,019	12,218,641
Community Development	4,422,200	4,533,121	4,316,592	6,171,711
Health and Welfare	2,318,900	2,331,737	2,239,145	2,186,836
Total Expenditures	76,120,000	76,381,946	75,003,651	75,374,450
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(180,000)	(430,146)	3,298,242	352,999
OTHER FINANCING SOURCES (USES)				
Transfers In	200,000	200,000	200,000	200,000
Transfers (Out)	(20,000)	(452,700)	(452,670)	(495,012)
Total Other Financing Sources (Uses	180,000	(252,700)	(252,670)	(295,012)
		76,634,646	75,256,321	
NET CHANGE IN FUND BALANCE	-	(682,846)	3,045,572	57,987
FUND BALANCE, BEGINNING	-	-	30,705,240	30,647,253
FUND BALANCE, ENDING	-	-	33,750,812	30,705,240

Committee-of-the-Whole
3/9/2020

Item: Village Investment Policy

Department: Village Clerk

Attached is the revised Village Investment Policy for the Village Board's review. This version shows the edits from the prior policy approved by the Board in 1999. The policy continues to reflect the Governmental Finance Officers' Association (GFOA) recommended practices. Most of the proposed changes are the result of changes that have been made to the recommended policy over the years. The following is a summary of the substantive changes:

I, 1. Pooling of Funds – added the Village's Debt Service Fund and the Library Fund which is pooled with the Village's investments.

II, 3. Yield – the portfolio's performance objective was changed to match the GFOA's recommended measure of the 90 day T-Bill from the 180 day T-Bill. Since safety is the primary objective and yield is secondary, the GFOA recommends a performance standard that reflects a low risk environment.

IV, 1. Safekeeping and Custody – Authorized Financial Dealer and Institutions – changed from proof of "National Association of Securities Dealers (NASD) to "Financial Industry Regulatory Authority (FINRA), as NASD consolidated with FINRA. The GFOA also added evidence of adequate insurance coverage.

IV, 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. This has been the Village's practice, but it was not previously specifically included in the policy.

V, 1. Suitable and Authorized Investments – Investment Types – under subsection C., State Statutes provides that no more than one-third of the Village's funds may be invested in short-term obligations or corporations. However, for the purposes of the Village's policy it is recommended that no more than one-fifth of the Village's investments be allowed to be invested in short-term corporate obligations.

Under subsection E., Illinois State Statutes permit investments in interest bearing bonds of other government entities that are rated in the four highest general classifications established by a ratings service. To be more conservative, it is recommended that the Village limits its investments in this type of investment to the two highest ratings, or AA and above.

V, 2. Collateralization – to make it clear to our broker/dealers, staff included a section outlining acceptable types of collateral.

VI, 2. Investment Parameters – Maximum Maturities – the GFOA recommended practice allows for maturities up to five years. To be more conservative, the Village's proposed revision reflects a maximum of three years, up from the current one year maximum. The three year maximum also coincides with the State's maximum investment maturity for investments in corporate obligations.

VI, 3. Competitive Bids – requires competitive bids on all purchases and sales. This has been the Village's practice, but it was not previously specifically included in the policy.

IX. List of Attachments – added this section to bring key investment documents together.

IX. Listing of authorized broker/dealers and financial institutions – this list has been updated over the years. Two additional broker/dealers are included on the list - PMA Funding and PFM, both of which are active in the municipal investment arena.

ATTACHMENTS:

Description	**Type**
Revised Investment Policy and Attachments	Exhibits

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 ~~the securities will mature to meet cash requirements for ongoing operations. This will prevent the need to sell the securities prior to maturity.~~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 ~~will~~is be 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~~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. ~~Therefore, the investment portfolio shall be designed with the objective of attaining a market rate of return equal to the average~~

~~return on a 180 day Treasury Bill.~~ 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. ~~A security swap that would improve the quality, yield or target duration in the portfolio is permissible~~ Selling a security and reinvesting the proceeds that would improve the quality, yield, or target duration in the portfolio may be undertaken
3. Unanticipated ~~In those cases where~~ 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 ~~also~~ will be maintained of approved security brokers/dealers selected by creditworthiness and/or other factors, such as FINRA broker check. ~~(e.g., a minimum capital requirement of $10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule a5C3-1 (uniform net capital rule).~~

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

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of ~~National Association of Securities Dealers (NASD)~~ 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 ~~bidders~~ 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.

~~2.~~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

~~3.~~4. Delivery vs. Payment

All trades ~~where applicable~~ of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account ~~financial institution~~ prior to the release of funds. ~~Securities will be held by a third party custodian as evidenced by safekeeping receipts.~~

V. Suitable and Authorized Investments

1. Investment Types

The Village is ~~empowered~~ empowered by Illinois state statute (ILCS 235. Public Funds Investment Act) ~~and permitted by this policy~~ 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~~, bankers' acceptance and commercial paper, rated in the highest tier (e.g., A-1, P-1, D-1, F-1 or higher) by a nationally-recognized rating agency~~

~~B.~~C. Obligations of corporations organized in the United States with assets exceeding $500,000, rated at one of the two highest classifications, with a maturity not later than three years from the date of purchase, and the investment will not exceed 10% of the corporation's outstanding obligations. No more than one-fifth of the Village's funds may be invested in short term obligations of corporations.

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

E. Interest bearing bonds rated AA or better of any county, township, city, village, incorporated town, municipal corporation, or school district of the State of Illinois, or any other state

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

~~D.~~G. Local government investment pools

2. Collateralization

In accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization ~~(110%)~~ (102%)will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit. ~~which are not insured by FDIC.~~

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~~one~~ years from the date of purchase or in accordance with state statutes. The Village shall adopt weighted average maturity limitations, consistent with the investment objectives. The weighted average maturity limitations consistent with investment objectives~~for operating funds is one year~~.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding three~~one~~ years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. ~~The weighted average maturity limitation for these funds is three years.~~ 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~~equal to the return on a one year Treasury Note~~.

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

(Ord. #12-013)

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 property 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

accounts in a manner so that prorations 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 Manger 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 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 reconcilement 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

(65 ILCS 5/Art. 3.1 Div. 35 heading)

DIVISION 35. FUNCTIONS AND DUTIES OF CERTAIN MUNICIPAL OFFICERS

(65 ILCS 5/3.1-35-5) (from Ch. 24, par. 3.1-35-5)

Sec. 3.1-35-5. Mayor or president; general duties. The mayor or president shall perform all the duties which are prescribed by law, including ordinances, and shall take care that the laws and ordinances are faithfully executed. The mayor or president from time to time may, and annually shall, give the corporate authorities information concerning the affairs of the municipality and may recommend for their consideration measures the mayor or president believes expedient.

(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-10) (from Ch. 24, par. 3.1-35-10)

Sec. 3.1-35-10. Mayor or president; removal of appointed officer. Except where otherwise provided by statute, the mayor or president may remove any officer appointed by the mayor or president under this Code, on any written charge, whenever the mayor or president is of the opinion that the interests of the municipality demand removal. The mayor or president shall report the reasons for the removal to the corporate authorities at a meeting to be held not less than 5 nor more than 10 days after the removal. If the mayor or president fails or refuses to report to the corporate authorities the reasons for the removal, or if the corporate authorities by a two-thirds vote of all members authorized by law to be elected disapprove of the removal, the officer thereupon shall be restored to the office from which the officer was removed. The vote shall be by yeas and nays, which shall be entered upon the journal of the corporate authorities. Upon restoration, the officer shall give a new bond and take a new oath of office. No officer shall be removed a second time for the same offense.

(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-15) (from Ch. 24, par. 3.1-35-15)

Sec. 3.1-35-15. Mayor or president; release of prisoners. The mayor or president may release any person imprisoned for violation of a municipal ordinance and shall report the release, together with the reasons for the release, to the corporate authorities at their first meeting after the release.

(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-20) (from Ch. 24, par. 3.1-35-20)
Sec. 3.1-35-20. Mayor or president; examination of records. The mayor or president at all times may examine and inspect the books, records, and papers of any agent, employee, or officer of the municipality.
(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-25) (from Ch. 24, par. 3.1-35-25)
Sec. 3.1-35-25. Mayor or president; calling out militia. Subject to the authority of the Governor as commander-in-chief of the militia, the mayor or president may call out the militia to aid in suppressing riots and other disorderly conduct or to aid in carrying into effect any law or ordinance.
(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-30) (from Ch. 24, par. 3.1-35-30)
Sec. 3.1-35-30. Mayor or president; designation for signing instruments. The mayor or president may designate in writing another person to affix the signature of the mayor or president to any written instrument or instruments required to be signed by the mayor or president. The mayor or president shall send written notice of this designation to the corporate authorities, stating the name of the person who has been selected and what instrument or instruments the person will have authority to sign. A written signature of the mayor or president executed by the designated person, with the signature of the designated person underneath, shall be attached to the notice. The notice, with the signatures attached, shall be recorded in the journal of the corporate authorities and then filed with the municipal clerk. When the signature of the mayor or president is placed on a written instrument at the direction of the mayor or president in the specified manner, the instrument or instruments, in all respects, shall be as binding on the municipality as if signed by the mayor or president in person.
(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-35) (from Ch. 24, par. 3.1-35-35)
Sec. 3.1-35-35. Mayor or president pro tem; temporary chairman.
(a) If the mayor or president is temporarily absent because of an incapacity to perform official duties, but the

incapacity does not create a vacancy in the office, the corporate authorities shall elect one of their members to act as mayor or president pro tem. The mayor or president pro tem, during this absence or disability, shall perform the duties and possess all the rights and powers of the mayor or president but shall not be entitled to vote both as mayor or president pro tem and as alderman or trustee.

(b) In the absence of the mayor, president, acting mayor or president, or mayor or president pro tem, the corporate authorities may elect one of their members to act as a temporary chairman. The temporary chairman shall have only the powers of a presiding officer and a right to vote only in the capacity as alderman or trustee on any ordinance, resolution, or motion.

(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-40) (from Ch. 24, par. 3.1-35-40)

Sec. 3.1-35-40. Treasurer; duties.

(a) The municipal treasurer shall receive all money belonging to the municipality and shall keep the treasurer's books and accounts in the manner prescribed by ordinance. These books and accounts shall always be subject to the inspection of any member of the corporate authorities. The municipality may, however, by ordinance designate a person or institution which, as bond trustee, shall receive from the county collector amounts payable to the municipality as taxes levied pursuant to a bond issuance.

(b) The treasurer shall keep a separate account of each fund or appropriation and the debits and credits belonging to the fund or appropriation.

(c) The treasurer shall give every person paying money into the treasury a receipt, specifying the date of payment and upon what account paid. The treasurer shall file copies of these receipts with the clerk, with the treasurer's monthly reports. If the treasurer has possession of money properly appropriated to the payment of any warrant lawfully drawn upon the treasurer, the treasurer shall pay the money specified in the warrant to the person designated by the warrant.

(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-45) (from Ch. 24, par. 3.1-35-45)

Sec. 3.1-35-45. Treasurer; reports. At the end of every month, and oftener if required by the corporate authorities, the municipal treasurer shall render an account under oath to the corporate authorities, or to an officer designated by ordinance, showing the state of the treasury at the date of the account and the balance of money in the treasury. The treasurer shall accompany the account with a statement of all money received into the treasury and on what account, together with all warrants redeemed and paid by the treasurer. On the

day the treasurer renders an account, these warrants, with all vouchers held by the treasurer, shall be delivered to the municipal clerk and filed, together with the account, in the clerk's office. All paid warrants shall be marked "paid". The treasurer shall keep a register of all warrants, which shall describe each warrant, showing its date, amount, and number, the fund from which paid, the name of the person to whom paid, and when paid.
(Source: P.A. 87-1119.)

(65 ILCS 5/3.1-35-50) (from Ch. 24, par. 3.1-35-50)
Sec. 3.1-35-50. Treasurer; deposit of funds.

(a) The municipal treasurer may be required to keep all funds and money in the treasurer's custody belonging to the municipality in places of deposit designated by ordinance. When requested by the municipal treasurer, the corporate authorities shall designate one or more banks or savings and loan associations in which may be kept the funds and money of the municipality in the custody of the treasurer. When a bank or savings and loan association has been designated as a depository, it shall continue as a depository until 10 days have elapsed after a new depository is designated and has qualified by furnishing the statements of resources and liabilities as required by this Section. When a new depository is designated, the corporate authorities shall notify the sureties of the municipal treasurer of that fact in writing at least 5 days before the transfer of funds. The treasurer shall be discharged from responsibility for all funds or money that the treasurer deposits in a designated bank or savings and loan association while the funds and money are so deposited.

(b) The municipal treasurer may require any bank or savings and loan association to deposit with the treasurer securities or mortgages that have a market value at least equal to the amount of the funds or moneys of the municipality deposited with the bank or savings and loan association that exceeds the insurance limitation provided by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

(c) The municipal treasurer may enter into agreements of any definite or indefinite term regarding the deposit, redeposit, investment, reinvestment, or withdrawal of municipal funds.

(d) Notwithstanding any other provision of this Act or any other law, each official custodian of municipal funds, including, without limitation, each municipal treasurer or finance director or each person properly designated as the official custodian for municipal funds, including, without limitation, each person properly designated as official custodian for funds held by an intergovernmental risk management entity, self-insurance pool, waste management agency, or other intergovernmental entity composed solely of participating municipalities, is permitted to:

(i) combine moneys from more than one fund of a single municipality, risk management entity, self-insurance pool, or other intergovernmental entity composed solely of participating municipalities for the purpose of investing such moneys;

(ii) join with any other official custodians or treasurers of municipal, intergovernmental risk management entity, self-insurance pool, waste management agency, or other intergovernmental entity composed solely of participating municipalities for the purpose of jointly investing the funds of which the official custodians or treasurers have custody; and

(iii) enter into agreements of any definite or indefinite term regarding the redeposit, investment, or withdrawal of municipal, risk management entity, self-insurance agency, waste management agency, or other intergovernmental entity funds.

When funds are combined for investment purposes as authorized in this Section, the moneys combined for those purposes shall be accounted for separately in all respects, and the earnings from such investment shall be separately and individually computed, recorded, and credited to the fund, municipality, intergovernmental risk management entity, self-insurance pool, waste management agency, or other intergovernmental entity, as the case may be, for which the investment was acquired.

Joint investments shall be made only in investments authorized by law for investment of municipal funds. The grant of authority contained in this subsection is cumulative, supplemental, and in addition to all other power or authority granted by any other law and shall not be construed as a limitation of any power and authority otherwise granted.

(e) No bank or savings and loan association shall receive public funds as permitted by this Section unless it has complied with the requirements established by Section 6 of the Public Funds Investment Act.

(f) In addition to any other investments or deposits authorized under this Code, municipalities are authorized to invest the funds and public moneys in the custody of the municipal treasurer in accordance with the Public Funds Investment Act.

(Source: P.A. 98-297, eff. 1-1-14.)

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.

The words "governmental unit", as used in this Act, have the same meaning as in the Local Government Debt Reform Act.
(Source: P.A. 98-297, eff. 1-1-14.)

(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 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 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 short term obligations of corporations; 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. 100-752, eff. 8-10-18.)

(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 is authorized to 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.

(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. 93-251, eff. 7-1-04.)

(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:

~~Chase Bank~~ JP Morgan Chase Bank

Village Bank & Trust (Wintrust Bank)

BMO Harris Bank

~~People's Bank~~

Bank of America

~~Charter One Bank~~ Citizens Bank

Parkway Bank & Trust Company

The Illinois Funds

Illinois Metropolitan Investment Fund (IMET)

FirstMerit Bank

PMA Funding

PFM

Committee-of-the-Whole
3/9/2020

Item: Current Project Highlights

Department: Village Manager's Office

Current Project Highlights

ATTACHMENTS:

Description	**Type**
No Attachments Available	