ORDINANCE NO. 17-30

AN ORDINANCE OF THE VILLAGE OF MANTENO, KANKAKEE COUNTY, ILLINOIS, ESTABLISHING AN INVESTMENT POLICY FOR PUBLIC FUNDS

BE IT ORDAINED by the President and Board of Trustees of the Village of Manteno, Kankakee County, Illinois, as follows:

Section 1

The Village of Manteno Investment Policy, attached hereto as Exhibit "A," is hereby approved and adopted.

Section 2

The exhibits identified and attached to this ordinance are expressly incorporated as a part of this ordinance.

Section 3

If any section, paragraph, clause or provision of this ordinance shall be held invalid, the invalidity thereof shall not affect any of the other provisions of this ordinance.

Section 4

All ordinances, resolutions, or policies, or any parts thereof, in conflict with the provisions of this ordinance, or the policy approved and adopted hereby, are repealed insofar as they conflict herewith.

Section 5

This ordinance shall be immediately in full force and effect after passage and approval as provided by law.

PASSED by the President and Board of Trustees of the Village of Manteno, Illinois and deposited in the office of the Village Clerk this 20th day of February, 2018.

DEPOSITED with the Village Clerk
this 20th day of February, 2018.

Robin Batka by Darla Hurley
ROBIN BATKA, Village Clerk Deputy VC

APPROVED by me this 20th
day of February, 2018.

Timothy O Nugent

TIMOTHY O. NUGENT, Village President

VILLAGE OF MANTENO
INVESTMENT POLICY

I. Purpose. The purpose of this investment policy is to establish a clear understanding of the Village of Manteno's (the "Village") investment objectives, goals, and guidelines, in order to comply with the Public Funds Investment Act (30 ILCS 235/1, *et seq*.), and to maximize investment return within the confines of a low-risk tolerance.

II. Scope. This investment policy applies to all financial assets of the Village. These funds shall include any new funds created by the Village after the establishment of this investment policy, and those currently accounted for and identified in the Village's Comprehensive Annual Financial Report as follows:

Governmental Funds

Major Funds

General Fund
Special Revenue Funds
Special Tax Allocation Fund
Capital Projects Fund
Legacy Park Fund

Non-major Funds

Special Revenue Funds
Motor Fuel Tax Fund
Village Events Fund
Capital Projects Fund
Streets and Alleys Equipment and Capital Fund
Debt Service Fund
Series 2013 Bond Fund

Enterprise Funds

Waste Water and Sewerage Fund
Golf Course Fund
WPCC Equipment and Capital Fund

III. General Purpose. The primary objectives of the Village's investment activities shall be legality, safety, liquidity, yield, and public confidence:

(A) Legality. The investment of public funds shall conform to all federal, state, and municipal laws, rules, regulations, and policies.

(B) Safety. Investments shall be made in a manner that seeks to ensure the preservation of capital by mitigating credit and interest rate risk.

(i) Credit risk is the risk of loss due to the failure of the security issuer or backer. The Village shall minimize credit risk by:

(a) limiting investments to the safest types of securities/financial instruments;

(b) qualifying the financial institutions, brokers/dealers, intermediaries, and advisers/managers with which the Village does business; and,

(c) diversifying the investment portfolio so that the effects of losses on account of individual securities are minimized.

(ii) Interest rate risk is the risk of loss in market value of a security due to changes in interest rates. The Village will minimize interest rate risk by:

(a) structuring the investment portfolio so that a significant portion of the securities either meet the cash requirements for operations or have an active secondary or resale markets; and,

(b) investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

(C) Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. The Village shall structure its portfolio so that:

(i) the investments mature concurrently with cash needs to meet anticipated demand (static liquidity); or

(ii) a large portion of the investment portfolio has an active secondary or resale market (dynamic liquidity).

A portion of the portfolio may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds. Nothing herein shall prevent the Village from investing in securities having longer-term maturity schedules with funds that are not reasonably expected to be needed for operating demands in the short-term.

(D) Yield. The investment portfolio shall be designed with the objective of attaining market rate return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. The core of the investment portfolio shall be limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

(E) Public Confidence. All participants in the investment process shall act as custodians of the public trust, and shall avoid any transaction that may impair public confidence in the Village.

IV. Authority; Standard of Care; and Ethics.

(A) Delegation of Authority.

(i) The President and Board of Trustees of the Village of Manteno (the "Corporate Authorities") shall be responsible for all public funds. The Corporate Authorities shall:

(a) define investment policies, objectives, and guidelines, including risk tolerance, for a general investment program and specific portions of the portfolio;

(b) review the adequacy or need for change of this investment policy;

(c) meet and review reports concerning asset management and performance;

(d) select financial institutions authorized to accept fund assets; and

(e) select investment advisors/managers authorized to invest fund assets.

(ii) The Village Treasurer (the "Treasurer"), or his/her designee, shall be and constitute the chief investment officer for the Village, shall be vested with the authority and responsibility to manage the investment program, and shall establish and implement written procedures and internal controls for the operation of the investment program in an manner that is consistent with this investment policy. Written procedures should include references to safekeeping, delivery v. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person shall engage in an investment transaction that violates this investment policy or the written procedures and internal controls established by the Treasurer. The Treasurer shall:

(a) be responsible for all investment transactions;

(b) establish a system of controls to regulate investment transactions of subordinate officials and employees;

(c) have full discretion of the management of investments subject to this investment policy, directions for authorized investments, and applicable law;

(d) serve as fiduciary for specific investment decisions;

(e) ensure that cash is productively employed at all times;

(f) meet, as required by the Corporate Authorities, to provide reports relative to the status of the Village's investments;

(g) assist the Corporate Authorities in developing and updating investment policy guidelines; and,

(h) follow all legal requirements regarding investment activities.

(B) <u>Prudence</u>. The standard of prudence to be used by persons subject to this investment policy shall be the "prudent person" standard, and that standard shall be applied in the context of managing the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, with consideration of the objectives of legality, safety, liquidity, yield, and public confidence.

(C) Ethics; Conflicts of Interest. Except for pecuniary interest permitted under Section 3.1-55-10 of the Illinois Municipal Code (65 ILCS 5/3.1-55-10) or Section 3.2 of the Public Officers Prohibited Practices Act (50 ILCS 105/3.2), no official being a member of the Corporate Authorities, the Treasurer, nor any other official/employee involved in the investment process, may:

(i) have any interest, directly or indirectly, in any of the Village's investments;

(ii) have any interest, directly or indirectly, in the sellers, sponsors, or managers of the Village's investments; or,

(iii) receive, in any manner, compensation of any kind from any of the Village's investments or investment actions.

IV. Internal Controls; Reporting; Performance; and Safekeeping.

(A) Internal Controls. The Treasurer 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. There shall be established a process for annual independent review by an external auditor to assure compliance with such policies and procedures. The internal controls shall address the following:

(i) control of collusion;

(ii) separation of transaction authority from accounting and record keeping;

(iii) custodial safekeeping;

(iv) avoidance of physical delivery securities;

(v) clear delegation of authority to subordinate staff members;

(vi) written confirmation of transactions for investment and wire transfers; and,

(vii) development of a wire transfer agreement with a lead financial institution and any third party custodian.

(B) Reporting. No later than forty five (45) days following the end of each fiscal year quarter, the Treasurer shall prepare and deliver to the Corporate Authorities an investment report, including a management summary, which shall provide an analysis of the status of the current investment portfolio, transactions made over the last quarter, and a statement of the market value of the portfolio at the end of that quarter. The investment report shall include:

(i) a management summary that will allow the Corporate Authorities to ascertain whether investment activities during the reporting period have conformed to the investment policy;

(ii) a listing of individual securities held at the end of the reporting period;

(iii) a statement of realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over a one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements);

(iv) the average weighted yield to maturity of the portfolio on investments as compared to applicable benchmarks;

(v) a listing of each investment by maturity date; and,

(vi) the percentage of the total portfolio represented by each type of investment.

(C) Performance Standards. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which the investment portfolio's performance will be compared to on a regular basis. Ideally, the yield for an investment will exceed the inflation rate as measured by the consumer price index (CPI-U) on an annualized basis.

(D) Safekeeping. All security transactions, including collateral, shall be conducted on a delivery-versus-payment basis. Securities will be held by a custodian designated by the Treasurer and evidenced by safekeeping receipts.

V. Authorized Financial Institutions and Investment Advisors.

(A) Financial Institutions. Qualified and licensed financial institutions shall be selected which qualify as depositories/custodians under Illinois law. In making these selections, the Corporate Authorities shall consider the financial stability and strength of the institution, availability of financial data, and its commitment to the local community. No funds shall be deposited with a financial institution that is not FDIC insured.

(B) Investment Advisors/Managers. The Corporate Authorities may appoint one or more investment advisors/managers.

(i) *Qualifications.* An investment advisor/manager shall be at least one of the following:

(a) registered as an investment advisor under the Investment Advisors Act of 1940 (15 U.S.C. §80b-1, *et seq.*);

(b) registered as an investment advisor under the Illinois Securities Law of 1953 (815 ILCS 5/1, *et seq.*);

(c) a bank, as defined in the Investment Advisors Act of 1940 (15 U.S.C. §80b-1, *et seq.*);

(d) a life insurance company authorized to transact business in Illinois.

(ii) *Selection.* The Village will select investment advisors/managers based on prudent due diligence standards. In addition to the satisfaction of the qualifications set forth above, and the investment advisor/manager's ability to include within its service agreement the matters required by subparagraph (iii), the Village shall consider:

(a) regulatory oversight;

(b) the product should be highly correlated to the asset class of the investment option;

(c) the product's performance should be evaluated against the peer group's median manager return;

(d) the product's inception date should be greater than three (3) years;

(e) the product should have at least $75 million under management;

(f) the screened product should have no more than 20% of the portfolio invested in an "unrelated" asset class;

(g) the product's fees should not be in the bottom quartile of its peer group; and,

(h) there should be no perceived organizational problems (*i.e.*, the same portfolio management team should be in place for at least two (2) years.

(iii) *Contractual Requirements*. Investment advisors/managers shall render all investment advice and services pursuant to a written service agreement, which shall, at a minimum, include:

(a) an acknowledgement in writing by the investment advisor/manager that he/she/it is a fiduciary;

(b) an acknowledgment of the Village's investment policy;

(c) full written disclosure of direct and indirect fees, commissions, penalties, and other compensation that may be received, including reimbursement for expenses; and,

(d) a requirement that the investment advisor/manager submit periodic written reports to the Village on a quarterly basis showing net returns after payment of all fees, commissions, and other compensation.

(iv) *Direction of Authorized Investments*. Funds deposited with financial advisors/managers shall, in addition to this investment policy, be subject to a direction of authorized investments within their respective service agreements. A direction of authorized investments shall provide for the Village's specific investment objectives with respect to the funds to be invested including, but not limited to, distribution of monies and investment guidelines and allocations among investment types and maturities.

(v) *Responsibility*. Investment advisors/managers shall be responsible for managing the investment process and making investment decisions (*i.e.*, security selection and pricing). Each investment advisor/manager shall:

(a) manage the assets under their supervision in accordance with this investment policy and their respective service agreement;

(b) exercise full investment discretion with regards to buying, managing, and selling of assets held in investment portfolios;

(c) unless otherwise stated, vote promptly all proxies and related actions in a manner consistent with the best interest and objectives of the Village as described in the applicable account opening documents, provided proxy materials are available;

(d) maintain detailed records of all transactions involving Village funds;

(e) communicate with the Treasurer any material change pertaining to the fund it manages or the firm itself such as changes in ownership, organizational structure, financial condition, and professional staff;

(g) effectuate all transactions involving Village funds subject "to best price and execution." If a manager utilizes brokerage from assets to effect "soft dollar" transactions, detailed records will be kept in accordance with applicable regulations; and,

(h) use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals would under similar circumstances, and in compliance with this investment policy and all applicable laws, rules, and regulations.

(vi) *Performance Review and Evaluation.* Investment advisors/managers shall be reviewed by the Corporate Authorities regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve desired investment results. The investment performance of investment advisors/managers will be evaluated by the performance of the total portfolio, as well as asset class components, as measured by an appropriate market index. Consideration shall be given as to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this investment policy and their respective service agreements.

VI. Authorized and Prohibited Investments.

(A) Authorized Investments. The following investments are authorized under this investment policy:

(i) 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;

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

(iii) interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1, *et seq.*);

(iv) short term obligations of corporations organized in the United States with assets exceeding $500,000,000 if: (a) such obligations are rated at the time of purchase at one of the three (3) highest classifications established by at least two (2) standard rating services and which mature not later than 270 days from the date of purchase; (b) such purchases do not exceed 10% of the corporation's outstanding obligations; and (c) no more than one-third of the public agency's funds may be invested in short term obligations of corporations;

(v) money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C. §80a-1, *et seq.*), provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (i) or (ii) of this subsection and to agreements to repurchase such obligations;

(vi) 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, provided such bonds shall be registered in the name of the Village or held under a custodial agreement at a bank, and the bonds are rated at the time of purchase within the four (4) highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivision;

(vii) the Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17);

(viii) FDIC insured banks, short term discount obligation of the Federal National Mortgage Association, securities issuable by FDIC insured savings banks or savings and loan associations incorporated under the laws of the State of Illinois, and in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois, and provided the accounts of such credit unions are insured;

(ix) funds 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;

(x) repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (15 U.S.C. §78c(a)(42)), 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 Village, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(xi) other repurchase agreements not prohibited by this investment policy; and,

(xii) any other investment now or hereinafter authorized by the Public Funds Investment Act (30 ILCS 235/1, *et seq*.).

(B) Prohibited Investments. The following investments or actions are prohibited:

(i) margin borrowing;

(ii) commodities, futures, or options;

(iii) common or preferred stock;

(iv) interest rate swaps, caps, collars, or other interest rate derivatives without the express approval of the Corporate Authorities;

(v) investments that would jeopardize the integrity of the funds or cause a violation of fiduciary duties;

(vi) investments that would violate applicable law;

(vii) investments that undermine or impair public confidence; or,

(viii) any repurchase agreement not authorized above unless:

(a) the securities, unless registered or inscribed in the name of the Village, are purchased through banks or trust companies authorized to do business in the State of Illinois;

(b) an authorized public officer after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank or State Treasurer to "purchase" specified securities from a designated institution;

(c) the custodial bank is a member bank of the Federal Reserve System or maintain accounts with member banks, and 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;

(d) 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;

(e) the security interest is perfected;

(f) a written master repurchase agreement is executed by the Village which outlines the basic responsibilities and liabilities of both the buyer and seller;

(g) the term of the agreement does not exceed 330 days;

(h) the Treasurer informs the custodial bank in writing of the maturity details of the repurchase agreement;

(i) the custodial bank takes delivery of and maintains the securities in its custody for the account of the Village and confirms the transaction in writing to the Village. The custodial undertaking shall provide that the custodian takes possession of the securities exclusively for the Village; that the securities are free of any claims against the trading partner; and any claims by the custodian are subordinate to the Village's claims to rights to those securities;

(j) the obligations purchased by the Village 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 Treasurer; and

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

VII. Collateralization.

(A) Collateralization Required. Financial institutions shall collateralize all demand deposit accounts including checking accounts, savings accounts, money market accounts, and certificates of deposit when the total amount of Village funds on deposit at the financial institution exceeds the limits insured by the FDIC.

(B) Authorized Collateral. Subject to the Treasurer's approval, the following classes of securities may be used as collateral, provided there has been no default in the payment of principal and interest thereon:

(i) bonds, notes, or other securities constituting direct and general obligations of the United States of America, the bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States of America, the interest and principal of which is unconditionally guaranteed by the United States of America, and bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a United States agency or instrumentality;

(ii) direct and general obligation bonds of the State of Illinois or of any other state of the United States of America;

(iii) revenue bonds of the State of Illinois or any authority, board, commission, or similar agency thereof;

(iv) 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;

(v) revenue bonds of any city, town, county, or school district of the State of Illinois;

(vi) 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;

(vii) the Illinois Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing Development Act (20 ILCS 3805/1, *et seq.*);

(viii) (a) securities, (b) mortgages, (c) letters of credit issued by a Federal Home Loan Bank, or (d) loans covered by a State Guarantee under the former Illinois Farm Development Act (20 ILCS 3605/1, *et seq.*), if that guarantee has been assumed by the Illinois Finance Authority under Section 845-75 of the Illinois Finance Authority Act (20 ILCS 3501/845-75), and loans covered by a State Guarantee under Article 830 of the Illinois Finance Authority Act (20 ILCS 3501/830);

(ix) certificates of deposit or share certificates issued to the depository institution pledging them as security provided the same are:

(a) fully insured by the FDIC, 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 three (3) highest classifications established by at least one (1) of the two (2) standard rating services;

(b) issued by a financial institution having assets of $15,000,000 or more;

(c) be issued by either a savings and loan association having a capital 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%; and,

(d) the depository institution assigns the collateral to the Village, and agrees that in the event the issuer of the certificate fails to maintain the capital to asset ratio required herein, such certificate shall be replaced by additional security;

(x) a bond, executed by a company authorized to transact the kinds of business described in Section 4(g) of the Illinois Insurance Code (2015 ILCS 5/4), payable to the Village for its benefit, in a form acceptable to the Village;

(xi) securities or other eligible collateral authorized by Sections 11 or 11.1 of the Deposit of State Moneys Act (15 ILCS 520/11; 15 ILCS 520/11/1).

Notwithstanding the above, the Village 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.

(C) Collateralization Ratios. The amount of collateral provided will not be less than 110% of the fair market value of the funds secured thereby. The ratio of the fair market value of collateral to funds secured shall be reviewed monthly and adjusted as appropriate.

(D) Substitution or Release. No collateral pledged shall be substituted or released without the approval of the Treasurer.

(E) Custody. Pledged collateral shall be held in the name of the Village at any of the following as approved by the Treasurer, and evidenced by a safekeeping agreement:

(i) the Federal Reserve Bank;

(ii) the trust department of an independent third-party financial institution designated by the Village; or,

(iii) the trust department of the depository bank.

VIII. Other Considerations. This investment policy provides a framework for the investment of public funds, in general. Other investment restrictions, record-keeping requirements, and reporting responsibilities may apply to specific funds and investments not identified herein, such as the proceeds of tax-exempt obligations issued by the Village. The Village shall consult with a nationally recognized firm of attorneys experienced in the field of municipal bonds, whose opinions are generally accepted by purchasers of municipal bonds, before investing such proceeds in order to ensure such investments will not affect the exclusion of interest from a holder's gross income for federal tax purposes.

IX. No Personal Liability. The individual members constituting the Corporate Authorities, the Treasurer, or his/her designee, acting in accordance with this investment policy and such written procedures as have been or may be established, and exercising due diligence, shall be relieved of any and all personal liability for an individual security's credit risk or market changes provided that any deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

X. Policy Considerations.

(A) Exemption. Any investment currently held that does not meet the requirements of this investment policy shall be exempted from the requirements hereof. At maturity or liquidation, such funds shall be reinvested in accordance with this investment policy.

(B) Amendments. This investment policy shall be reviewed by the Treasurer on an annual basis. Any changes must be approved by the Corporate Authorities. The Treasurer will notify the Corporate Authorities of any changes or amendments to applicable law affecting this investment policy.

XI. Severability. If any section, paragraph, clause or provision of this investment policy shall be held invalid, the invalidity thereof shall not affect any of the other provisions of this investment policy.

XII. Repealer. Any investment policy, ordinance or resolution in conflict with the provisions hereof are hereby repealed insofar as they conflict herewith.

XIII. Conflict. This investment policy shall control over any written procedures or internal controls in conflict herewith. To the extent this investment policy conflicts with any federal or state law, rule, regulation, the latter shall control.

XIV. Adoption. Adopted by ordinance by the President and Board of Trustees of the Village of Manteno on February 20, 2018.