

Request for Board Action

REFERRED TO BOARD: November 19, 2018

AGENDA ITEM NO: 20

ORIGINATING DEPARTMENT: Finance Department

SUBJECT: Consideration of Resolution Amending the Investment Policy contained in the Fiscal Policy Manual.

SUMMARY AND BACKGROUND OF SUBJECT MATTER:

In March 2006, the Board approved its first Investment Policy. This policy was also included in the Fiscal Policies Manual which was approved on August 3, 2015.

On advice of our Investment Advisor, staff is recommending updating the policy. The most significant change is the increase of the term of an investment instrument from two (2) years to up to five (5) years.

A draft policy for your review is attached. Once approved, the Fiscal Policy Manual will be updated with the amended Investment Policy.

Financial Impact: none

Documents Attached:

1. Resolution
2. Amended Investment Policy

Recommended Motion: Move to approve a Resolution Amending the Fiscal Policies Manual.

RESOLUTION 18-

A RESOLUTION AMENDING THE FISCAL POLICIES MANUAL

WHEREAS, the Village of Antioch is a municipality located in Lake County, Illinois; and

WHEREAS, the Mayor and Board of Trustees established a Fiscal Policies Manual by Resolution 15-67 on August 3, 2015 to provide guidance to the Village Board and administrative staff to aid in financial and fiscal discussions and decisions; and

WHEREAS, Section 3 of the Resolution 15-67 allows for the modification of the Fiscal Policies Manual by a super majority vote of the Board of Trustees; and

WHEREAS, on advice of the investment advisor, certain language in the Investment Policy needs to be updated; and

NOW, THEREFORE, Be it Resolved by the Mayor and Board of Trustees of the Village of Antioch, Lake County, Illinois, as follows:

Section 1: That this Mayor and Board of Trustees of the Village of Antioch hereby find that it is in the best interest of the Village of Antioch and its residents to amend the Investment Policy contained in the Fiscal Policies Manual.

Section 2: That the Mayor and Clerk of the Village of Antioch, Lake County, Illinois are hereby authorized to execute the amended Fiscal Policies Manual for and behalf of the Village of Antioch.

Section 3: That this Resolution shall take effect from and after its adoption and approval.

ADOPTED this 19th day of November, 2018, by the Corporate Authorities of the Village of Antioch on a roll call vote as follows:

AYES:

NAYS:

ABSENT:

APPROVED this ___ day of _____, 2018, by the Mayor of the Village of Antioch.

Mayor

ATTEST:

Village Clerk

**VILLAGE OF ANTIOCH
INVESTMENT POLICY**

SUBJECT: INVESTMENT POLICY

 Official Village Policy Approved by Village Board of Trustees
— Administrative Regulation Issued by Village Administrator
— Departmental Procedure Applying to All Departments
 New Policy or Procedure
— Amends or Supersedes _____

ISSUED BY: Administration & Finance

DATE APPROVED: March 20, 2006

Introduction:

This statement is intended to outline the policies for maximizing the efficiency of the Village's Cash Management System and for prudent investment of the Village Funds, and to provide guidelines for suitable investments. The ultimate goal is to enhance the economic status of the Village while protecting its funds.

The Village's Cash Management System is designed to monitor and forecast expenditures and revenues accurately, thus enabling the Finance Director (Treasurer) to invest funds to the fullest extent possible. The Finance Director (Treasurer) shall attempt to obtain the highest yield, provided that all investments meet the criteria established for safety and liquidity.

The investment policies and practices of the Finance Director (Treasurer) for the Village of Antioch are based upon Federal, State, and Local law and prudent money management. The primary goals of these policies are:

1. To assure compliance with all Federal, State and Local laws governing the investment of monies under the control of the Finance Director (Treasurer),
2. To protect the principal monies entrusted to this Office, and
3. To generate the maximum amount of investment income within the parameters of this Investment Policy and the guidelines for suitable investments.

All participants in the Village's investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

Scope:

This investment policy applies to the investment of available assets of all Village funds under the direct management of the Board of Trustees.

The policy for the Police Pension Fund will be as determined by the Police Pension Board and not covered by this Policy.

Prudence:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital, as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall apply in the context of managing an overall portfolio.

Objective:

The primary objective, in order of priority, shall be:

- *Legality* - conformance with federal, state and other legal requirements
- *Safety* - preservation of capital and protection of investment principal
- *Liquidity* - maintenance of sufficient liquidity to meet operating requirements
- *Yield* - attainment of market rates of return

The portfolio will be reviewed periodically as to its effectiveness in meeting the Village's needs for safety, liquidity, rate of return, diversification and its general performance. It is intended that the Village's policy will be reviewed on an annual basis.

Delegation of Authority:

Management and administrative responsibility for the investment program is hereby delegated to the Finance Director (Treasurer). In the absence of the Finance Director (Treasurer), the Village Administrator shall be responsible for the investment program.

Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Authorized Financial Dealers and Institutions:

Authorized financial institutions will be approved by the Board in the Ordinance of Authorized Depositories. In addition, a list also will be maintained of approved security brokers/dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

Employees of any firm or financial institution offering securities or investments to the Village are expected to be trained in the precautions appropriate to public-sector investments and are expected to familiarize themselves with the Village's investment objectives, policies, and constraints. These firms and financial institutions are expected to make reasonable efforts to preclude imprudent transactions involving the Village's funds.

At the request of the Village, the financial institutions and firms performing investment services for the Village shall provide their most recent financial statements or Consolidated Report of Condition ("call report") for review.

Each financial institution and broker/dealer shall acknowledge that they have read and will adhere to this investment policy.

Authorized and Suitable Investments:

Investments may be made in certain types of securities as detailed in 30 ILCS 235/2 regarding the investment of public funds.

Among the authorized investments are:

1. Non-negotiable certificates of deposit and other collateralized evidence of deposits with qualified public depositories
2. Obligations of the U.S. Government, its agencies and instrumentalities. However, this authorization shall specifically exclude Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (PO) and Interest Only (IO) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm
3. Prime bankers' acceptances purchased on the secondary market with ratings of A1/P1
4. Repurchase agreements for government securities ~~securities listed above~~, provided the transaction is structured so that the Village obtains control over the underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer
5. State of Illinois Public Treasurer's Investment Pool (The Illinois Funds) and the Illinois Trust local government investment pool
- ~~6. Bonds of the State of Illinois and any local government in the State of Illinois~~ Municipal bonds, which ~~bonds~~ have at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.
- ~~6.7. Corporate obligations 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~~

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[corporations at the time of investment](#)

~~7.8.~~ Any investments authorized by the Public Funds Investment Act. (30ILCS 235.0.01seq)

Investments shall be made that reflect the cash flow needs of the fund type being invested.

Collateralization:

Funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third-party institution in the name of The Village of Antioch and evidenced by periodic reports to the Village by the third party.

To anticipate market changes and provide an adequate level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest. Collateral is limited to U. S. Treasuries. As an alternative, insurance/surety bonds may be used as collateral to ensure certificates of deposit payments of principal and interest at the date of maturity. Insurance/surety bonds may also be used to ensure replacement on checking and money market accounts in case of a financial institution's default.

Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the Village of Antioch, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by an independent, third-party custodian designated by the Finance Director (Treasurer) and evidenced by safekeeping receipts and a written custodial agreement.

Diversification:

The Village of Antioch shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

Maximum Maturities:

To the extent possible, the Village of Antioch shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village of Antioch will not directly invest in securities maturing more than ~~two~~ [five](#)-years from the date of purchase.

Reserve funds, not otherwise restricted by Bond Ordinance, may be invested in securities exceeding ~~two~~ [five](#) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Internal Control:

The Finance Director (Treasurer) is responsible for establishing and maintaining an internal control structure designed to ensure that 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 internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting
- Custodial safekeeping

- Written confirmation of telephone transactions for investments and wire transfers

The Village Treasurer is authorized to establish financial accounts for the Village with the advice and consent of the Village Board. The Village Treasurer, Village Clerk, Village Administrator and Mayor are authorized signatories of the financial accounts of the Village. All transactions must be jointly approved by two of the aforementioned persons. Investment officials shall be bonded to protect the Village against loss due to possible embezzlement and malfeasance.

Performance Standards:

This investment portfolio will be managed in accordance with the parameters specified within this policy. The Village's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the Village's investment risk constraints and cash flow needs. Portfolio performance should be compared to benchmarks with similar maturity, liquidity and credit quality as the portfolio. Portfolio performance shall be compared to the current Illinois Funds Money Market rate, or other appropriate benchmark such as the average three (3) month U.S. Treasury Bill return, to determine whether market average yields are being achieved. The investment program shall seek to augment returns above this threshold, consistent with prudent investment principles and the risk limitations identified herein.

Reporting:

Monthly Treasurer Reports shall be provided to the Board of Trustees, showing the monthly cash and investment transactions.

A statement of the market value of the investment portfolio shall be issued by the Finance Director (Treasurer) to the Board of Trustees quarterly. The report should be available to the public upon request. The report will be in a format suitable for review by the general public. A report will also be provided to the Board of Trustees on an annual basis.

Savings Clause:

In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated into this policy.

If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this policy only after written notification to the Village Board and their subsequent approval of said changes.

Investment Policy Adoption:

The Village's investment policy shall be adopted by resolution of the Village Board. The policy shall be reviewed annually by the investment officer and any modifications made thereto must be approved by the Village Board.

This policy supersedes all prior investment policies.