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## JOINT REQUEST FOR PROPOSALS

## INVESTMENT ADVISOR SERVICES

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Village of Gurnee  
Village of Algonquin  
Village of Grayslake  
Village of Volo  
Village of Fox River Grove

**Issue Date: June 3, 2015**

**Submission Deadline: July 10, 2015 - 5:00 p.m. CST**

**PROPOSALS RECEIVED AFTER THE SUBMISSION DEADLINE WILL BE RETURNED UNOPENED**  
**ATTACHMENT B CONTAINS TIME SENSITIVE MATERIAL**

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## DESCRIPTION OF ORGANIZATIONS

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### VILLAGE OF GURNEE

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The Village of Gurnee was incorporated in 1928 with 200 residents and has grown to approximately 31,295 residents (2010 Census). The Village experienced a majority of its growth from 1970 to 2000. During that timeframe, the population grew from 2,738 to 28,834 residents. Gurnee is located in central Lake County, Illinois and lies approximately 38 miles north of the City of Chicago and eight miles west of Lake Michigan. The Village covers an area of approximately 13 and one-half square miles. Located within commuting distance of Chicago and Milwaukee, approximately 59% of its land is zoned residential, 21% commercial, 8% industrial and 12% parks/open space.

The Village is a home-rule unit by virtue of its population. As a home-rule unit, the Village has no tax rate or debt limitations, nor is it required to sponsor a referendum to issue debt or increase property taxes. The Village President and six-member Board, elected to four-year overlapping terms, govern the Village. The Village Clerk is elected for a four-year term, and the Village Treasurer is appointed by the Board. Additionally, the Board appoints a Village Administrator, Attorney and other key Department Heads. The Village Administrator oversees the day-to-day operations.

Village services are divided into five major units: Administration, Community Development, Police, Fire and Public Works. Police Department services include emergency 911 communications, and Fire Department services include emergency medical care. The Public Works Department maintains Village sewers, water mains, streets, street lights, sidewalks and trees.

Financial information can be found in the Annual Budget and Comprehensive Annual Financial Report on the Village website at [www.gurnee.il.us](http://www.gurnee.il.us).

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### VILLAGE OF ALGONQUIN

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The Village of Algonquin, a home rule community as defined by the Illinois Constitution, was incorporated in 1890 and is located approximately 45 miles northwest of the City of Chicago in McHenry and Kane Counties. Algonquin has a land area of 12 square miles and a population of 30,046 as certified in the 2010 Decennial Census. The Village also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate, by the Village Board.

Policy making and legislative authority are vested in the Village Board, which consists of the President and six trustees. The Village Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the Village Manager and Village Attorney. The Village Manager is responsible for carrying out the policies and ordinances of the Village Board, for overseeing the day-to-day operations of the Village, and for appointing the heads of the Village's departments. The Board is elected on a non-partisan basis. Board members are elected to four-year staggered terms with three Board members elected every two years. The President is elected to a four-year term. The President and Village Trustees are elected at-large.

The Village provides a full range of services including police protection, the construction and maintenance of streets and other infrastructure, community development, general services administration and the operating of the water and wastewater facilities.

Financial information can be found in the Annual Budget and Comprehensive Annual Financial Report on the Village website at [www.algonquin.org](http://www.algonquin.org).

## VILLAGE OF GRAYSLAKE

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The Village of Grayslake, incorporated in 1895, is located in Lake County, Illinois and is approximately forty-eight miles north of the City of Chicago and fourteen miles west of Lake Michigan. The Village encompasses an area of almost 9.9 square miles and serves a population of 20,906 residents. The Village is located in Avon, Fremont, Lake Villa, and Warren Townships. It is also empowered, by state statute, to extend its corporate limits by annexation, when deemed appropriate by the Village Board.

The Village operates under the Mayor-Trustee form of government. The Village Board is comprised of a Mayor and six Trustees who are elected on a non-partisan, at-large basis for staggered four-year terms. The Village Clerk is also elected at large to a four-year term. The Village Board is the municipality's policy-making body, responsible for passing ordinances, adopting the annual budget, and creating a variety of commissions and advisory boards on which citizens can volunteer to participate. The day-to-day operations of the Village are administered by full-time professional staff.

The Village provides a full range of municipal services. Major services include police protection, building/zoning and land planning, code enforcement, economic development, maintenance of infrastructure, snow removal, water and sewer services, garbage and recycling services, commuter rail and other parking facilities, and general administration activities. The Village also provides limited recreational programming and operates various Village-owned related facilities including the Grayslake Heritage Center and Museum, the Esper A. Peterson Foundation Family Aquatic Center, Grayslake Senior Center (privately owned building), various parks and a 21-mile greenway trail system.

Financial information can be found in the Annual Budget and Comprehensive Annual Financial Report on the Village website at [www.villageofgrayslake.com](http://www.villageofgrayslake.com).

## VILLAGE OF VOLO

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The Village of Volo is a home rule municipality located in Lake County, Illinois approximately 45 miles northwest of Chicago. Incorporated in 1993, Volo is one of the fastest growing communities in Lake County. Its population increased from 180 in 2000 to 2,929 in 2010. Continued residential development has increased the population to an estimated 3,800 residents. The Village encompasses an area of 4.0 square miles along US Highway 12 and IL Route 120 and is home to the world famous Volo Auto Museum.

The Village Board is comprised of the President (Mayor) and six Trustees elected at-large to staggered four-year terms. The Village Clerk and Village Treasurer are appointed by the Mayor with the consent of the Village Board. The Village Administrator oversees the day-to-day operations of the Village.

The Village provides a full range of services including administration, code enforcement, community development, economic development, police, public works, garbage and recycling, and water.

Financial information can be found in the Annual Budget and Annual Financial Report on the Village website at [www.villageofvolo.com](http://www.villageofvolo.com).

## VILLAGE OF FOX RIVER GROVE

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Since the Village of Fox River Grove's incorporation on August 21, 1919, the population has continually increased as the Village grew from an agricultural community and resort destination to a year-round residential community. Population growth has been moderate since 1970 when the Village had a population of 2,245. Today, Fox River Grove's population is 4,854 (2010 Census). The Village is located in the southern portions of both McHenry and Lake Counties.

The Village Board includes the Village President and six trustees elected at large on a non-partisan basis to four year staggered terms. The Village Administrator, Clerk, and Treasurer are all appointed full-time staff positions. The Village Administrator is responsible for managing the day-to-day operations of the Village as well as providing overall organizational planning and leadership for all operating areas of the Village government.

The Village provides a variety of services through both in-house employees and the use of contractors. The major services provided include general administration, community development, property maintenance, finance, police, public works, garbage and recycling, and water / sewer utility services.

Financial information can be found in the Annual Budget on the Village website at [www.foxrivergrove.org](http://www.foxrivergrove.org). For a copy of the Village's Annual Financial Report, please contact the Fox River Grove Village Hall.

## SCOPE OF SERVICES

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The **Village of Gurnee, Village of Algonquin, Village of Grayslake, Village of Volo, and Village of Fox River Grove** hereinafter referred to as “REQUESTORS”, are requesting responses to this Request for Proposal from Investment Advisory Firms, hereinafter referred to as “FIRM(S)”, registered with the Securities and Exchange Commission and appropriate regulatory authority, for portfolio investment management services for approximately \$5 million (Gurnee), \$3 million (Algonquin), \$3 million (Grayslake), \$1 million (Volo), and \$3 million (Fox River Grove) in operating and capital funds (non-pension funds). Portfolio totals are an estimate; actual amounts and timing of placement will vary depending on current investments. Unanticipated revenue disruptions from the State of Illinois may reduce the total portfolio amount. The contract will be for a period of 3 years with an option for two additional 1-year renewals at the mutual consent of both parties.

Firms submitting proposals must comply with applicable state and federal laws for vendors doing business with a public entity. Investment practices and procedures must comply with Illinois law and the Requestors investment policies (Attachment A). The Firm will be expected to perform to the Prudent Expert Standard.

Specific services, although not all-inclusive, include the following:

- Assisting the Requestors in cash flow/maturity analysis.
- Providing credit analysis of investment instruments in portfolio.
- Providing periodic reporting of funds and investment activity as requested.
- Attending meetings with Requestors staff/officials to review portfolio performance as requested.
- Evaluating market risk and develop strategies that minimize impact on the portfolio.
- Providing assurance of portfolio compliance with applicable policies and laws.
- Establishing an appropriate performance benchmark.
- Reviewing investment policy and provide recommendations for amendment.
- Ensuring portfolio structure matches the Requestors investment objectives.

Under this contract, the Requestors investment objectives include the following:

- Safety and security of principal investment
- Appropriate liquidity of funds
- Improvement of investment capabilities
- Operational efficiency and information of the portfolio
- Maximize incremental returns on idle balances

## SELECTION CRITERIA

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Firms will be evaluated in accordance with the goals of the Requestors; the following criteria will be used in the evaluation of the proposals and recommendation of award to the respective governing body:

- The investment advisers' understanding of the Requestors intended investment program, objectives and constraints.
- The investment advisers' background, including experience, resources and qualifications of the Firm in general, that of the individuals assigned to handle the Requestors account and the Firms experience in managing state and local government operating funds.
- The investment advisers' recommended approach to management of the portfolio and appropriateness as it relates to the Requestors investment objectives.
- The investment advisers' understanding of the scope of services required and demonstrated ability to deliver the services.
- The investment advisers' fees and fee basis.

Award may not be given to the lowest price proposal. The Requesters will choose the Firm that best demonstrates the ability to satisfy its needs. Each Requestor will perform its individual evaluation and may or may not award to the same Firm.

## SUBMISSION INSTRUCTIONS

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### PROPOSAL FORMAT & SUBMISSION

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To ensure equitable evaluation of all submissions, Firms are asked to submit proposals in a standard format. A response to each of the items included in the “Content of Proposals” Section is required. Responses should be in the same order of the questions, noting any modifications or additions to the questions. Additional information may be included as part of the proposal.

**Please forward two (2) paper copies of your submission in a sealed envelope labeled “Joint Request for Proposal for Investment Advisor Services” to:**

**Village of Gurnee**  
Attn: Brian Gosnell  
325 N. O’Plaine Road  
Gurnee, IL 60031

**Village of Algonquin**  
Attn: Michael Kumbera  
2200 Harnish Drive  
Algonquin, IL 60102

**Village of Grayslake**  
Attn: Bettina O’Connell  
10 S. Seymour Avenue  
Grayslake, IL 60030

**Village of Volo**  
Attn: Mike May  
500 S. Fish Lake Road  
Volo, IL 60073

**Village of Fox River Grove**  
Attn: Derek Soderholm  
305 Illinois Street  
Fox River Grove, IL 60021

**Please forward an electronic copy of your submission to the following:**

Email Address:     [bgosnell@village.gurnee.il.us](mailto:bgosnell@village.gurnee.il.us)  
                              [michaelkumbera@algonquin.org](mailto:michaelkumbera@algonquin.org)  
                              [boconnell@villageofgrayslake.com](mailto:boconnell@villageofgrayslake.com)  
                              [mmay@villageofvolo.com](mailto:mmay@villageofvolo.com)  
                              [d.soderholm@foxrivergrove.org](mailto:d.soderholm@foxrivergrove.org)

Once the Requestors have reviewed the proposals, they may request oral presentations from any or all of those submitting proposals. All costs incurred with the submission of proposals are solely those of the proposer. The Requestors will not reimburse any expenses of those submitting proposals.



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## COMMUNICATIONS WITH STAFF

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Due to the complexity and nature of a multi-organization process, the Requestors are providing an opportunity for any potential respondents to submit questions. All questions or communications pertaining to the RFP shall be presented in an email addressed to [bgosnell@village.gurnee.il.us](mailto:bgosnell@village.gurnee.il.us), [michaelkumbera@algonquin.org](mailto:michaelkumbera@algonquin.org), [boconnell@villageofgrayslake.com](mailto:boconnell@villageofgrayslake.com), [mmay@villageofvolo.com](mailto:mmay@villageofvolo.com), [d.soderholm@foxrivergrove.org](mailto:d.soderholm@foxrivergrove.org) by June 12, 2015 – 5:00 pm CST.

Firms that intend to prepare a formal proposal are asked to return the RFP Acknowledgement Form indicating their intent to submit a formal response (Attachment B). The information in this form will be used to disseminate responses to questions received by the Requestors via email. Questions and responses will be compiled and released to all Firms having submitted an RFP Acknowledgment Form.

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## RFP SCHEDULE

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Release of RFP	June 3, 2015
RFP Acknowledgement Forms Due	June 12, 2015 – 5:00 pm CST
RFP Respondent Questions Due	June 12, 2015 – 5:00 pm CST
Release of Responses to Questions	June 26, 2015
Proposal Submissions Due	July 10, 2015 – 5:00 pm CST
Optional Interviews	July 20, 2015 – July 24, 2015
Contract Negotiations	July 27, 2015 – July 31, 2015
Contract Approval	August 2015
Contract Start Date	September 1, 2015

The Requestors reserve the right to alter the RFP schedule at any time. Communication of schedule changes will be disseminated to Firms submitting an RFP Acknowledgement Form.

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## RESERVATION OF RIGHTS

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The Requestors reserve the right to collectively or individually:

- Waive any defect, irregularity or informality in the proposal or proposal procedures.
- Accept or reject any proposal.
- Request additional information or require a meeting with Firm representatives for clarification.
- Cancel, revise and/or reissue the RFP.
- Negotiate with Firms.
- Modify the RFP schedule.

## CONTENT OF PROPOSALS

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**At a minimum, proposals must contain the following information:**

### FIRM INFORMATION

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1. Name and Address of Proposing Firm.
2. Name, telephone number, email address and title of individual with authority to commit Firm.
3. Please disclose any entity that is a parent of, or owns a controlling interest in your Firm. Please also disclose any entity that is a subsidiary of, or in which a controlling interest is owed by your Firm.
4. The year the Firm was founded.
5. Current municipal accounts under management:
  - a. List all municipal accounts managed by your Firm.
  - b. Provide the total market value for the portion of each municipal account your Firm manages.
  - c. Include the number of years your Firm has worked with each municipal account.
6. List the municipal accounts that have terminated their relationship with your Firm in the last ten (10) years, provide the year of termination and include the name of the Firm that succeeded your Firm as investment advisor / manager.
7. Please disclose and describe all sources of income you receive in connection with investment advisory services, either direct or indirect. What third parties will you receive compensation from, including, but not limited to, commissions, 12(b)(1) fees, referral fees, etc.?
8. Discuss recommendations for custody. Are you affiliated with this custodian? Do you receive any compensation for this custodian in regard to this client? Are any custodian services delegated to other Firms? Itemize all cost to client should they choose to take your recommendations in regard to custody.

### PERSONNEL

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Portfolio Managers, Relationship Managers and Administrators who would have primary responsibility for the management of this account:

1. Name, title and years of service with your Firm.
2. Biographies of key personnel.
3. Years of personal management experience.
4. Names, responsibilities and tenure of key members of the management team that have left the Firm within the last ten (10) years.
5. Representatives of the Firm that will attend meetings with Requestors' representatives.

## ASSETS UNDER MANAGEMENT

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1. Summarize your institutional investment assets under management for governmental entities as shown below for your latest reporting period.

Operating/Bond Funds \$ \_\_\_\_\_

Pension Funds \$ \_\_\_\_\_

Other Not-for-Profits \$ \_\_\_\_\_

2. Summarize your assets under management and average assets per client.
3. Provide relevant performance data on comparable portfolios or entities with comparisons to benchmarks for the last one, three and five year periods or inception.
4. List comparable or most representative governmental clients and identify the nature of funds and a contact name and number for each.
5. List the number of accounts gained and lost in the last 24 months.

## INVESTMENT PROCEDURES AND APPROACH

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1. Briefly describe the philosophy and methodology of your investment strategy for governmental entities. If any of the more common "investment styles" apply to your philosophy, please indicate so.
2. Describe your capabilities in developing, implementing and modifying investment objectives, guidelines and investment policies on behalf of your clients.
3. Explain your views on passive versus active management. What is your recommended allocation between active and passive management?
4. To what extent does your Firm manage individual bonds, as opposed to mutual funds or the use of other managers as sub-advisors?
5. How are portfolios managed? What is the back-up when the individual(s) is away?
6. What oversight is provided to portfolio managers?
7. Describe your Firm's in-house technical and research capabilities.
8. Describe the ongoing daily investment procedures proposed for the Requestors, including procedures for trades, security choice, controls etc.
9. How frequently would you suggest your staff meet with the Requestors?

## INVESTMENT PERFORMANCE AND REPORTING

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1. Please provide an example of your reporting format for quarterly meetings.
2. Are reports available in electronic format?
3. Describe the benchmark that your Firm feels the portfolio should be managed against and why.
4. Please provide a recommended average duration for the Requestors portfolio.
5. Please provide a sample of recommended investments with return and maturity information.

## FEEES

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1. Please provide a proposed fee structure, including full disclosure of direct and indirect fees, commissions, penalties and other compensation, including reimbursement for expenses, start-up fees, annual fees and all other fees.
2. Please provide a detailed description of the services to be provided in the exchange for the proposed fees.
3. Please provide a fee schedule for each individual Requestor.
  - a. **Please clearly provide any fee reductions applicable, should all Requestors contract with the Firm.**
4. Please provide a sample investment contract with fee schedule.

### ADDITIONAL INFORMATION

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1. Please indicate the Firm's position on whether the Requestor's investment policy allows for the use of an investment advisor.
  - a. If the Firm believes changes to the Requestor's investment policy are needed, please list proposed changes.
2. Please provide a list of at least three (3) Illinois municipal entity references with contact names, addresses and telephone numbers.
3. Please provide a list of formal complaints, sanctions or litigation against your Firm in the last ten (10) years, if any.
4. Has your Firm, its principal(s) or affiliate(s) ever:
  - a. been part of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation for any similar federal, state or self-regulatory body or organization;
  - b. been a party to any litigation concerning fiduciary responsibility to other investment related matters; or,
  - c. submitted a claim to your errors and omissions, fiduciary, liability and/or fidelity bond insurance carrier(s)?
  - d. If yes to any, please provide details.
5. Provide a list of any/or all affiliations with financial institutions, insurance companies, mutual funds and/or brokerage firms. Please provide a description of each affiliation.
6. Please state whether you agree to venue for any judicial proceeding to be in the State of Illinois, County of Lake.

## ATTACHMENT A – INVESTMENT POLICIES

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## VILLAGE OF GURNEE

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# VILLAGE OF GURNEE INVESTMENT POLICY

### **Scope**

This investment policy applies to the activities of the Village with regard to the financial assets of the Village of Gurnee but not limited to the General Government Funds, Special Revenue Funds, Capital Project Funds, Debt Service Funds and Enterprise Funds.

This investment policy does not cover the financial assets of the Police and Fire Pension Funds. These funds are governed by their respective investment policies.

### **Objectives**

Funds of the Village will be invested in accordance with Illinois Statute sections 30ILCS235 and 5ILCS220-15 and pursuant to the Village's Home-Rule powers and its policies and written administrative procedures. The Village's investment portfolio shall be managed in a manner to attain a market rate of return throughout economic cycles, providing for adequate liquidity to meet cash flow needs, while at the same time preserving and protecting capital in the overall portfolio. Preservation of capital shall have priority at all times over the investment rate of return. Investments shall be made based on statutory constraints and in accordance with the investment policy statement. In order to optimize a total return, the Village may consolidate cash balances from all funds covered by this policy.

### **Delegation of Authority**

The Finance Director is designated as Investment Officer of the Village and is responsible for investment decisions and activities, under the direction of the Village Administrator/Treasurer. The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with these policies. The Investment Policy must be reviewed and approved by the Village Board.

### **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 not be held personally responsible for a specific security's credit risk or market price changes, provided that deviations from expectations are reported to the Village Administrator in a timely fashion, and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

### **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. The Village's investment portfolio is designed with the objective of regularly meeting or exceeding the average return of the 3-Month U.S. Treasury Bill.

### **Monitoring and Adjusting the Portfolio**

The Investment Officer will routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments and will adjust the portfolio accordingly.

### **Safekeeping and Custody**

An authorized depository resolution will be maintained of financial institutions authorized to provide custodial services to the Village. In addition, security broker/dealers considered as “primary” dealers or “regional” dealers that qualify under Securities and Exchange Commission Rule 15C3-1 may be utilized. An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Investment Officer.

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

### **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 Gurnee.

### **Internal Controls**

The Investment Officer shall establish a system of internal controls, which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

### **Suitable and Authorized Investments**

Consistent with the Government Finance Officers Association (GFOA) *Policy Statement on State and Local Laws Concerning Investment Practices*, the following investments will be permitted by this policy and are defined by state and local law where applicable:

- 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;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Money market mutual funds regulated by Securities and Exchange Commission whose portfolios consist of only dollar-denominated securities; and
- Local government investment pools, either state administered or through joint powers statutes and other intergovernmental agreement legislation.

### **Diversification**

To the extent possible, it is the policy of the Village of Gurnee to diversify its investments by investment instrument, financial institution, and by maturity scheduling.

### **Maximum Maturities**

To the extent possible, the Village of Gurnee shall attempt to match its investments with



anticipated cash flow requirements. Investment maturities shall be limited to a maximum maturity of two years from the date of purchase.

Investments in reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding two (2) years if the maturity of such investments is made to coincide with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Village Board.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as money market funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

### **Reporting Requirements**

The Investment Officer shall prepare a cash and investment holdings report at least quarterly. The report should be provided to the Village Administrator and Village Board. This report should include the percentage of the total portfolio of which each type of investment represents and related investment returns, along with average benchmark returns for comparison. On an annual basis, as part of the fiscal year audited financial statements, reporting of cash and investment holdings shall be consistent with current accounting pronouncements, including Governmental Accounting Standards Board (GASB) Statement 3 and GASB Statement 40.

### **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. 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 of Gurnee.

### **Exemptions**

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

### **Amendment**

This policy shall be reviewed on a regular basis. Any changes must be presented to the Village Board for its approval.

*G:\Policies & Procedures\Cash & Investments\Investment Policy.doc June 2, 2015*

## VILLAGE OF ALGONQUIN

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### VILLAGE OF ALGONQUIN

#### INVESTMENT POLICY

##### 1.0 Policy:

It is the policy of the Village of Algonquin to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state statutes governing the investment of public funds.

##### 2.0 Scope:

This investment policy applies to all financial assets of the Village of Algonquin except for the Police Pension Fund which is subject to the order of the Board of Trustees of that particular fund. These funds are accounted for in the Village of Algonquin's Comprehensive Annual Financial Report and include:

##### 2.1 Funds:

- 2.1.1 General Fund
- 2.1.2 Special Revenue Funds
- 2.1.3 Capital Project Funds
- 2.1.4 Enterprise Funds
- 2.1.5 Trust and Agency Funds
- 2.1.6 Debt Service Fund
- 2.1.7 Any new fund created by the Village Board, unless specifically exempt

##### 2.2 Pooling of Funds:

Except for cash in certain restricted and special funds, the Village will consolidate cash and reserve 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 proper funds based on their respective participation and in accordance with generally accepted accounting principles.

##### 3.0 General Objectives:

The primary objectives, in priority order, of the Village of Algonquin's investment activities shall be safety, liquidity, and yield-rate of annual return on investments.

### 3.1 Safety:

Safety of principal is the foremost 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:

Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by:

- limiting investments to the safest types of securities listed in Section 7.0 of this Investment Policy,
- pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which an entity will do business in accordance with Section 5.0, and
- diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

#### B. Interest Rate Risk:

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by:

- structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- managing fixed-income investments where the investor builds a ladder by dividing his or her investment dollars evenly among bonds or CDs that mature at regular intervals such as every six months, once a year, or every two years.
- investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy. (See Section 8.2.)

### 3.2 Liquidity:

The investment portfolio will remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

### 3.3 Yield-Rate of Annual Return on Investments:

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 safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- a declining credit security could be sold early to minimize loss of principal;
- a security swap would improve the quality yield, or target duration, in the portfolio; or
- liquidity needs of the portfolio require that the security be sold.

### 4.0 Standards of Care:

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

#### 4.1 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 the 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 appropriate action is taken to control adverse developments.

#### 4.2 Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Village Manager any material financial interests in financial institutions that conduct business. They shall further disclose any large personal financial/investment positions that could be related to the performance of the Village of Algonquin's portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity.

#### 4.3 Delegation of Authority:

Authority to manage the Village of Algonquin's investment program is derived from the following: Management and administrative responsibility for the investment program is hereby delegated to the Finance Director who, under the direction of the Village Manager, shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to safekeeping, delivery versus payment, PSA repurchase

agreements, wire transfer agreements, and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Finance Director may from time to time amend the written procedures in a manner not inconsistent with this policy or with state statutes.

The responsibility for investment activities of the Police Pension Fund rests with the Board of Trustees of the Police Pension Fund.

The Village Treasurer, appointed by the Village President with advice of the Trustees, advises the Village Board on investment policy and is an ex-officio member of the Police Pension Fund.

#### 5.0 Authorized Financial Institutions, Depositories and Broker/Dealers:

The Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers, selected by credit worthiness, who maintain an office in the state of Illinois. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state statutes.

The Village Board authorizes the Finance Director to invest up to \$249,000.00 in any FDIC-insured financial institution.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director with the following:

- audited financial statements demonstrating compliance with state and federal capacity adequacy guidelines
- proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificates of Deposit counterparties)
- proof of state registration
- completed broker/dealer questionnaire
- certification of having read the Village's investment policy
- depository contracts

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Village invests.

#### 6.0 Safekeeping and Custody:

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

Securities will be held by an independent third-party custodian selected by the Village as evidenced by safekeeping receipts in the Village's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standard No. 70, or SAS 70).

#### 6.1 Internal Controls:

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village of Algonquin are protected from loss, theft, or misuse.

Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually.

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 the control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefits requires estimates and judgment by management.

The internal control 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 transactions for investments and wire transfers
- development of a procedure for making wire transfers

Accordingly, the Finance Director shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures.

#### 7.0 Authorized and Suitable Investments:

The Village may invest in any type of security allowed for in Illinois statutes (30 ILCS 235/2) regarding the investment of public funds. Approved investments include:

- interest-bearing direct obligations of the United States of America

- interest-bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America
- interest-bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America: for the purposes of this section, “Agencies of the United States of America” include:
  - a. the Federal National Mortgage Association and the Student Loan Marketing Association;
  - b. Federal Land Banks, Federal Intermediate Credit Banks, Federal Farm Credit Banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Act of 1971 or amendments to that Act;
  - c. Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation;
  - d. any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
- interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits, or any other investments constituting direct obligations of any institution as defined by the Illinois Banking Act and is insured by the Federal Deposit Insurance Corporation
- Illinois Public Treasurer's Investment Pool (Illinois Funds) and Illinois Metropolitan Investment Fund (IMET)
  - short-term obligations of corporations (commercial paper) 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 three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation’s outstanding obligations, and (iii) no more than 25% of the Village’s funds may be invested in short-term obligations of corporations
  - short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally by 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 and loan associations of which the shares, or investment certificates, are insured by the Federal Deposit Insurance Corporation.
  - corporate bonds, managed through an investment advisor, and the bonds meet the following requirements:
    - a. The bonds must be rated as investment grade by one of the two largest rating services at the time of purchase.
    - b. If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.

Consistent with the GFOA-Recommended Practice on Use of Derivatives by State and Local Governments (Attachment #1), extreme caution should be exercised in the use of derivative instruments.

#### 7.1 Collateralization:

It is the policy of the Village of Algonquin, and, in accordance with the GFOA's Recommended Practices on the Collateralization of Public Deposits (Attachment #2), that funds on deposit in excess of FDIC limits are secured by some form of collateral. The Village will accept any of the following assets as collateral:

- U.S. Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Obligations of the State of Illinois
- Investment-grade obligation of provincial and local governments and public authorities

(The Village reserves the right to accept/reject any form of the above named securities.)

The Village also requires that all depositories that hold Village deposits in excess of the FDIC limit must agree to utilize the Village's Collateralization Agreement (Attachment #3).

The amount of collateral provided will not be less than 105% of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed quarterly, and additional collateral will be requested when the ratio declines below the level required. Collateral will be released if the market value exceeds the required level. Pledged collateral will be held in safekeeping by an independent third-party depository designated by the Village of Algonquin and evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the Village of Algonquin. The Village of Algonquin realizes that there is a cost factor involved with collateralization, and the Village will pay any reasonable and customary fees related to collateralization.

#### 8.0 Investment Parameters:

In order to reduce the risk of default, the Village of Algonquin will diversify the portfolio in accordance with GFOA's Recommended Practices on the Diversification of Investments (Attachment #4) as follows:

##### A. Diversification

- No financial institution shall hold more than 40% of the Village's investment portfolio unless collateralized, exclusive of U.S. Treasury securities in safekeeping.
- Monies deposited at a financial institution shall not exceed 75% of the capital stock and surplus of that institution.
- Commercial paper shall not exceed 15% of the Village's investment portfolio.
- Brokered certificates of deposit shall not exceed 25% of the Village's investment portfolio.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIP's), money market funds, or overnight



repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

**B. Maximum Maturities:**

To the extent possible, the Village of Algonquin will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village of Algonquin will not directly invest in securities maturing more than three years or, in the case of mortgage-backed securities, the expected average life of any fixed income security shall not exceed three years, from the date of purchase.

Reserve funds may be invested in securities exceeding three years if the maturity or average life of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Any investment purchased with a maturity or average life longer than four years must be supported with written documentation explaining the reason for the purchase and must be specifically approved by the Board of Trustees.

**9.0 Reporting:**

The Finance Director shall prepare an investment report at least monthly, including a management summary that provides an analysis of the status of the current investment portfolio. This management summary will be prepared in a manner that will allow the Village to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Village Manager and the Village Board and will include the following:

- listing of individual securities held, by fund, at the end of the reporting period
- listing of investments by maturity date
- the purchase institutions

**9.1 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. Portfolio performance should be compared to appropriate benchmarks on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken and the benchmark shall have a similar weighted average maturity as the portfolio.

**9.2 Market Yield (Benchmark):**

The Village's investment strategy is passive. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill.

### 9.3 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 Practices on “Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools” (Attachment #5). In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

### 10.0 Investment Policy Adoption:

The Village of Algonquin's investment policy shall be adopted by resolution of the Village Board of Trustees. The policy shall be reviewed on an annual basis by the Finance Director, and any modifications made thereto must be approved by the Village Board of Trustees.

## GLOSSARY

**AGENCIES:** Federal agency securities.

**ASKED:** The price at which securities are offered.

**BANKERS' ACCEPTANCE (BA):** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**BID:** The price offered for securities.

**BROKER:** A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure public monies.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** The official annual report for the Village of Algonquin. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

**COUPON:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DEBENTURE:** A bond secured only by the general credit of the issuer.

**DISCOUNT:** The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DISCOUNT SECURITIES:** Non-interest bearing money market instruments that are issued at

a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL CREDIT AGENCIES:** Agencies of the federal government set up to supply credit to various classes of institutions and individuals, e.g., S&Ls, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL FUNDS RATE:** The rate of interest at which fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks, and about 5,700 commercial banks that are members of the system.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

**FEDERAL HOME LOAN BANKS (FHLB):** The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA, or FMHM mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase--reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the most important and most flexible monetary policy tool of the Federal Reserve.

**PORTFOLIO:** Collection of securities held by an investor.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state-the-so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking reasonable income and preservation of capital.

**PRIMARY DEALER:** A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission- (SEC-) registered securities broker-dealers, banks, and a few unregulated firms.

**QUALIFIED PUBLIC DEPOSITORIES:** A financial institution which does not claim exemption from payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer," in effect, lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SEC RULE 15C3-1:** See uniform net capital rule.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BOND:** Long-term U.S. Treasury securities having initial maturities of more than ten years.

**TREASURY NOTES:** Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage.

(a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms, as well as non-member broker dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to 1, also called net capital rule and net capital ratio.

Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**VILLAGE OF GRAYSLAKE  
INVESTMENT POLICY**

**Scope**

This investment policy applies to all financial assets of the Village. These funds are accounted for in the Village's annual financial report and include the General Fund, Special Revenue funds, Capital Project funds, Debt Service funds, and any other funds that may be created from time to time. All transactions involving the financial assets and related activity of the foregoing funds shall be administered in accordance with the provisions of this policy.

**Objectives**

1. Safety of Capital - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required so that potential losses on individual securities and/or financial institutions do not exceed the income generated from the remainder of the portfolio.
2. Liquidity - The Village's investment portfolio shall remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated in any Village fund. Maturities of investments of all funds, except as noted below, shall not exceed two years, unless a temporary extension of maturities is approved by the Village Board. Maturities of investments of Capital Project funds shall not exceed three years.
3. Return on Investments - The investment portfolio of the Village shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the Village's risk constraints, the cash flow characteristics of the portfolio and legal restrictions for return on investment.
4. Maintaining the Public Trust - All Participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village.
5. 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 probable 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" and shall be applied in the context of managing an overall portfolio.



6. Local Consideration - The Village seeks to promote economic development within the Village of Grayslake and as a result seeks to utilize local financial institutions whenever possible.

### **Investment Instruments**

The Village may invest in any type of security allowed by Illinois law, notably the Public Funds Investment Act, 30 ILCS 235/0.01 et seq. (1994). A summary of the allowable instruments are:

1. Interest-Bearing Passbook Savings Accounts
2. Interest-Bearing Now, Super Now, and Money Market Accounts
3. Illinois Public Treasurers' Investment Pool
4. Money Market Mutual Funds - registered under the Investment Company Act of 1940, provided the portfolio is limited to bonds, notes, certificates, treasury bills, or other security which are guaranteed by the full faith and credit of the federal government as to principal and interest.
5. Repurchase Agreements - collateralization by full faith and credit U. S. Treasury securities.
6. Interest-Bearing Certificates of Deposit and Time Deposits
  - Constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the FDIC.
  - Legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States and only in those savings and loan associations insured by the FDIC.
7. Bonds, notes, certificates of indebtedness, Treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
8. Obligations of U. S. Government or its agencies which are guaranteed by the full faith and credit of the United States Government.
9. Various tax-exempt securities, as permitted and limited by 30 ILCS 350/12 (1994) and the Public Funds Investment Act, 30 ILCS 235/0.01 et seq. (1994).

10. Commercial Paper - issuer must be a United States corporation with more than \$500 million in assets, rating must be within 3 highest classifications by two standard rating services, must mature within 180 days of purchase, such purchases cannot exceed 10% of the corporation's outstanding obligations, and such purchases cannot exceed one-third of funds.
11. Short term discount obligations of the Federal National Mortgage Association.
12. Insured accounts of credit unions whose principal office is in Illinois.

### **Diversification**

It is the policy of the Village to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the Director of Finance and the Village Manager.

### **Collateralization**

1. It is the policy of the Village to require that deposits in excess of Federal Deposit Insurance Corporation (FDIC) or Security Investor Protection Corporation (SIPC) insurable limits be secured by some form of collateral to protect public deposits in a single financial institution. To accomplish this, every pledge of collateral will be documented by an approved written security and pledge agreement, executed by the financial institution contemporaneously with the acquisition of the pledged collateral by the financial institution, approved by the board of directors of the financial institution or its loan committee as reflected in the minutes of said board or committee, and continually kept as an official record of the financial institution.
2. To the extent that there are funds in excess of FDIC and/or SIPC insurance protection, eligible collateral instruments and collateral ratios (market value divided by deposited funds in excess of FDIC and/or SIPC) are as follows:
  - a) U. S. Government Securities 110%
  - b) Obligations of Federal Agencies 110%
  - c) Obligations of Federal Instrumentalities 110%
  - d) Obligations of the State of Illinois 110%
  - e) General Obligation Bonds of the Village 110%

The ratio of fair market value of collateral to the amount of funds secured shall be reviewed periodically and additional collateral will be requested when the ratio declines below the level required.

### 3. Safekeeping of Collateral

- a) Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at the following locations:
  - 1) A Federal Reserve Bank or its branch office.
  - 2) At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved.
  - 3) By an escrow agent of the pledging institution.
- b) Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement, or custody agreement. All agreements shall be approved by the Village Attorney.
- c) Substitution or exchange of securities held in safekeeping shall not be done without prior written notice of the Village at least 10 days prior to any proposed substitutions and provided that the market value of the replacement securities are equal or greater than the market value of the securities being replaced. The Village must pre-approve all substitution and exchanges of securities.

### **Safekeeping of Securities**

- 1. Third party safekeeping is preferred for all securities. To accomplish this, the securities can be held at the following locations:
  - a) A Federal Reserve Bank or its branch office.
  - b) At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved.
  - c) By an escrow agent of the pledging institution.
  - d) A financial institution on the Illinois State Treasurer's approved list of safekeeping banks.

2. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement, or custody agreement. All agreements shall be approved by the Village Attorney.

### **Qualified Financial Institutions**

#### **1. Depositories - Demand Deposits**

- a) Any financial institution selected by the Village shall provide normal banking services, including, but not limited to: checking accounts, wire transfers, purchase and sale of U. S. Treasury securities, and safekeeping services.
- b) The Village will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the Village will not maintain funds in any institution not willing or capable of pledging required collateral for funds in excess of FDIC insurable limits.
- c) Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Director of Finance on an annual basis. Fees for services shall be substantiated by a monthly account analysis and shall be reimbursed by means of compensating balances.
- d) All financial institutions acting as a depository for the Village must enter into an approved "Depository Agreement".

#### **2. Banks and Savings & Loans- Certificates of Deposit**

- a) Shall provide wire transfer and safekeeping services
- b) Shall be a member of the FDIC system and shall be willing and capable of pledging required collateral for funds in excess of FDIC insurable limits.

#### **3. General Rules**

No financial institution shall receive funds unless it has complied with the requirements established pursuant to Section 6 of the Public Funds Investment Act, 30 ILCS 235/6 (1994). In addition, the amount of funds deposited and/or invested in a financial institution shall not exceed 65% of (i) the capital stock and surplus of such bank, or (ii) the net worth of such savings bank or savings and loan associations, as defined by the FDIC, unless collateral security has been pledged, in which case the amount of such uncollateralized deposits and/or investments shall not exceed 75% thereof.

### **Qualified Broker/Dealer**

1. Any broker/dealer selected by the Village shall provide normal brokerage services, including but not limited to: money market accounts, wire transfers, purchase and sale of investments as outlined by this policy, provide purchase and sale confirmation receipts, provide safekeeping services with Depository Trust Company (DTC), provide monthly statement of account activity, and provide annual account summary information upon the request of the Village.

### **Management of Program**

1. Any two (2) of the following individuals are authorized to initiate wire transfers, authorize the release of pledged collateral, purchase and sell investments and to execute any documents required under this policy:
  - a) Mayor
  - b) Senior Trustee of Board of Trustees
  - c) Village Manager
  - d) Treasurer
  - e) Director of Finance
  - f) Director of Accounting Operations

These documents include:

- a) Wire Transfer Agreement
- b) Depository Agreement
- c) Safekeeping Agreement
- d) Custody Agreement
- e) Security and Pledge Agreement
- f) Trust Agreement
- g) Escrow Agreement

2. Management responsibility for the investment program is delegated to the Director of Finance ("Director"), who shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in any investment transaction except as provided under the terms of this policy and the procedures established by the Director. The Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.
3. The wording of agreements necessary to fulfill the investment responsibilities is the responsibility of the Director who shall periodically review them for their consistency with Village policy and State law and who shall be assisted in this function by Village Attorney. These agreements include, but are not limited to:
  - a) Wire Transfer Agreement
  - b) Depository Agreement
  - c) Safekeeping Agreement
  - d) Custody Agreement
  - e) Security and Pledge Agreement
  - f) Trust Agreement
  - g) Escrow Agreement

#### **Ethics and Conflicts of Interest**

In addition to the prohibitions contained in subsection 2(d) of the Public Funds Investment Act, 30 ILCS 285/2(b) (1994), officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board of Trustees any material financial interests in financial institutions that conduct business with the Village, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the Village's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Village particularly with regard to the timing of purchases and sales.

**Indemnification**

Investment officers and employees of the Village acting in accordance with this Investment Policy and written procedures as have been or may be established and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market changes.

**Reporting**

The Director shall submit to the Village Board of Trustees, a quarterly investment report which shall describe the portfolio in terms of investment securities, maturities, valuation by fund and rate of return. The report shall indicate any areas of policy concern and planned revision of investment strategies.

**Amendment**

This policy shall be reviewed from time to time by the Village Manager and revisions shall be presented to the Board of Trustees for their approval.

**Conflict**

All Village Ordinances and parts of Ordinances and all Resolutions or parts thereof in conflict with this policy, or any parts thereof, are hereby repealed. In the event of any conflict between this Policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, then the Statutes and case law decisions shall control.

**Captions and Headings**

The captions and headings used herein are for convenience of reference only and do not define or limit the contents.

***Village of Volo  
Investment Policy***

**SCOPE**

This investment policy applies to all financial assets of the Village of Volo (the "Village"). It is the policy of the Village to invest public funds in a manner which will provide the highest investment return and safety of capital while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. These funds are accounted for in the Village's annual financial report. All transactions involving the financial assets and related activities of the funds governed by the Board of Trustees of the Village, shall be administered in accordance with the provisions of this policy.

**OBJECTIVES**

1. **Safety of Capital.** Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective diversification is required so that potential losses on individual securities and/or financial institutions do not exceed the income generated from the remainder of the portfolio.
2. **Liquidity.** The Village's investment portfolio shall remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated in any Village fund.
3. **Return of Investments.** The investment portfolio of the Village shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the Village's risk constraints, the cash flow characteristics of the portfolio and legal restrictions for return on investment.
4. **Maintaining the Public's Trust.** All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village.
5. **Prudence.** Investment shall be made with judgment and care under circumstances then prevailing, which persons or 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. The standard of prudence to be used by investment officials shall be the "prudent person" and shall be applied in the context of managing an overall portfolio.



## **INVESTMENT INSTRUMENTS**

The Village may invest in any type of security allowed by Illinois law (see 30 ILCS 235). A summary of the allowable instruments are:

1. Passbook savings account.
2. Now, Super Now and Money Market Accounts.
3. Commercial Paper - issuer must be a U.S. Corporation with more than \$500 million in assets, rating must be within three (3) highest classifications by two standards rating services, must mature within 180 days of purchase, and such purchase cannot exceed 10% of the corporations' outstanding obligations.
4. State Treasurer's Investment Pool.
5. Money Market Mutual Funds - registered under the Investment Company Act of 1940, provided the portfolio is limited to bonds, notes, certificates, treasury bills, or other securities which are guaranteed by the federal government as to principal and interest.
6. Repurchase Agreements - collateralized by full faith and credit U.S. Treasury securities.
7. Certificates of Deposit and Time Deposits.
8. Constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the FDIC.
9. Legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States and only in those savings and loan associations insured by SAIF.
10. Bonds, notes, certificates of indebtedness, Treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
11. Obligations of U.S. Government agencies which are guaranteed by the full faith and credit of the United States Government.
12. Short-term discount obligations of the Federal National Mortgage Association.
13. Insured accounts of credit unions whose principal office is in Illinois.

14. Various tax-exempt securities.

### **Diversification**

It is the policy of the Village to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Concentration in short term corporation obligations will not exceed 90% of the limit contained in Illinois law. Diversification strategies shall be determined and revised periodically by the Treasurer and approved by the Village Board.

### **Collateralization**

1. It is the policy of the Village to require that time deposits in excess of FDIC or SAIF insurable limits be secured by some form of collateral to protect public deposits in a single financial institution if it were to default due to poor management or economic factors.
2. Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:

a)	U.S. Government Securities	=	100%
b)	Obligations of Federal Agencies	=	110%
c)	Obligations of Federal Instrumentalities	=	110%
d)	Obligations of the State of Illinois	=	110%
e)	General Obligation Bonds of the Village	=	110%

The ratio of fair market value of collateral to the amount of funds secured shall be reviewed quarterly and additional collateral will be requested when the ratio declines below the level required.

3. Safekeeping of Collateral
  - a) Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at the following locations:
    1. A Federal Reserve Bank or its branch office
    2. At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved.
    3. By an escrow agent of the pledging institution
  - b) Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.
  - c) Substitution or exchange of securities held in safekeeping can be done without prior written notice of the Village provided the market value of the

replacement securities are equal or greater than the market value of the securities being replaced. The Village will be notified in writing of all substitutions.

### **Safekeeping of Securities**

1. Third party safekeeping is required for all securities. To accomplish this, the securities can be held at the following locations:
  - a) A Federal Reserve Bank or its branch office
  - b) At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved
  - c) By an escrow agent of the pledging institution
  - d) A financial institution on the Illinois State Treasurer's approved list of safekeeping banks.
2. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

### **Qualified Financial Institutions**

1. Depositories - Demand Deposits
  - a) Any financial institution selected by the Village shall provide normal banking services, including but not limited to: checking accounts, wire transfers, purchase and sale of U.S. Treasury securities and safekeeping services.
  - b) The Village will not maintain funds in any financial institution that is not a member of the FDIC or SAIF system. In addition, the Village will not maintain funds in any institution not willing or capable of posting required collateral for funds in excess of FDIC or SAIF insurable limits.
  - c) To qualify as a depository, a financial institution must furnish the Treasurer or the Treasurer's Agent with copies of the latest two statements of condition which it is required to furnish to the Director of Financial Institutions or to the comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statement of the Treasurer or the Treasurer's Agent within 45 days of the end of each quarter.
  - d) Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Finance Officer on an annual basis. Fees for services shall be substantiated by a monthly account analysis and shall be reimbursed by means of compensating balances.
  - e) All financial institutions acting as a depository for the Village must enter into a "Depository Agreement."
2. Banks and Savings and Loans - Certificates of Deposit

Any financial institution selected to be eligible for the Village's competitive certificate of deposit purchase program must meet the following requirements:

- a) Shall provide wire transfer and safekeeping services.
- b) Shall be a member of FDIC or SAIF system and shall be willing and capable of posting required collateral for funds in excess of FDIC or SAIF insurable limits.
- c) To qualify as a depository, a financial institution must furnish the Treasurer or the Treasurer's Agent with copies of the latest two statements of condition which is required to furnish to the Director of Financial Institutions or to the Comptroller or Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statements to the Treasurer or the Treasurer's Agent within 45 days of the end of each quarter.

### **Management of Program**

1. The Treasurer or the assistant treasurer of the Village is authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this policy:

These documents include:

- i) Master Repurchase Agreement
  - ii) Wire Transfer Agreement
  - iii) Depository Agreement
  - iv) Safekeeping Agreement
  - v) Custody Agreement
2. Management responsibility for the investment program is hereby delegated to the Board of Trustees which shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in any investment transaction except as provided under the terms of this policy and the procedures established by the Board of Trustees. The Board of Trustees shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.
  3. The wording of agreements necessary to fulfill the investment responsibilities is the responsibility of the Treasurer who shall periodically review them for the consistency with Village policy and State law and who shall be assisted in this function by Village legal counsel. These agreements include but are not limited to:

- a) Master Repurchase Agreement
- b) Wire Transfer Agreement
- c) Depository Agreement
- d) Safekeeping Agreement
- e) Custody agreement

## **INVESTMENT POLICY**

### **Ethics and Conflicts of Interest**

Officers and employees of the Village involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officers shall disclose to the Board of Trustees any material financial interests in financial institutions that conduct business with the Village, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the Village's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Village particularly with regard to the timing of purchases and sales.

### **Indemnification**

Investment officers and employees of the Village acting in accordance with this Investment Policy and written procedures as have been or may be established and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market changes.

### **Reporting**

The Treasurer shall submit to the Board of Trustees quarterly an investment report which shall describe the portfolio in terms of investment securities, maturities and cost by fund, and earnings for the current period and year to date. The report shall indicate any areas of policy concern and planned revision of investment strategies.

The Treasurer shall submit to the Board of Trustees a comprehensive annual report on the investment program and activity. The report shall include a review of the year's overall performances as well as a projection of what may be anticipated in the future.

## VILLAGE OF FOX RIVER GROVE, ILLINOIS

### INVESTMENT POLICY

November 11, 1999

#### **POLICY**

It is the policy of the Village of Fox River Grove, Fox River Grove, Illinois to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village of Fox River Grove and conforming to all State and local statutes governing the investment of public funds.

#### **SCOPE OF INVESTMENT POLICY**

This policy includes all funds established by the appropriate governing body. It applies to all the investment activities of all funds of the Village of Fox River Grove, Fox River Grove, Illinois. All financial assets of other funds, including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Enterprise Funds, Trust and Agency Funds and any other funds that may be created shall be administered in accordance with the provisions of this Policy.

#### **RESPONSIBILITY FOR THE INVESTMENT PROGRAM**

The establishment of investment policies is the responsibility of the President and Board of Trustees of the Village. Management and administrative responsibility for the investment program of the Village of Fox River Grove is hereby delegated to the Village Administrator or his/her designee. The Village Administrator or his/her designee shall prepare and follow written procedures for the operation of the Investment Program, be responsible for all transactions undertaken, and shall establish a system of accounting controls to safeguard Village assets. The Village Administrator or his/her designee may from time to time amend the written procedures in a manner consistent with this Policy or with State law.

Investment officers acting in accordance with written procedures and the 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 appropriate action is taken to control adverse developments.

The responsibility for investment activities of a Police Pension Fund will rest with the Board of Trustees of the Fund.

#### **PRUDENCE**

The standard of prudence to be used by investment officials shall be the "prudent person" standard, when applicable and when not prevented by law, and shall be applied in the context of all investments

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. Such standards, therefore, avoid unwarranted speculation; emphasis is placed on the probable safety of capital rather than the probable income to be derived.

### **ETHICS AND CONFLICT OF INTEREST**

The 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. Such officers and employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. The officers and employees having influence on the Village's investment decisions shall not:

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

### **OBJECTIVES OF INVESTMENT POLICY**

The purpose of the Investment Policy of the Village of Fox River Grove is to establish cash management and investment guidelines for the stewardship of public funds. Specific objectives include:

- **Legality** - Conformance with Federal, State and other legal requirements.
- **Safety** - Protection of investment principal and preservation of capital. Each investment transaction should seek to first ensure that capital losses are avoided, whether from securities defaulting or erosion of market value, All investments should be limited to relatively low risk securities
- **Liquidity** - Portfolio shall remain sufficiently liquid to meet all operating requirements, which may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities/financial instruments mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should also consist of securities with active secondary or resale markets (dynamic liquidity).
- **Return on Investments** - Maintain a policy of receiving the highest interest rate possible per investment on any given day. The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Village of Fox

River Grove's investment risk constraints and the cash flow characteristics of the portfolio. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal;
  - A security swap would improve the quality, yield, or target duration in the portfolio; and
  - Liquidity needs of the portfolio require that the security be sold
- **Diversification** — Diversify investments to avoid incurring unreasonable risks from practice of concentrating investments in specific security types and individual financial institutions.
  - **Periodic Review** - The portfolio should be reviewed periodically as to its effectiveness in meeting the entity's needs for safety, liquidity, rate of return, diversification and its general performance.

#### **AUTHORIZED FINANCIAL INSTITUTIONS**

1. Qualified and licensed financial institutions shall be selected which qualify as depositories/custodians under Illinois law. In making these selections, the Village Administrator or his/her designee shall consider financial stability and strength of the institution and availability of financial data regarding the institution.

2. All financial institutions who desire to become qualified for investment transactions must submit written confirmation of receipt of this Investment Policy and certification of having read and understood and agreeing to comply with the Village's Investment Policy,

3. It shall be Village policy to select financial institutions on the following basis:

- **Security:** The Village shall maintain funds in a financial institution only if the institution is Federally insured or invests strictly in securities which have the full faith and credit of the U.S. Government.
- **Location:** Every attempt will be made to invest Village funds locally provided local institutions are price competitive with respect to rates of return on comparable investment products.
- **Size:** The Village will not maintain deposits in any financial institution in which the Village funds on deposit will exceed fifty (50%) percent of the institution's capital stock and surplus.
- **Diversification:** In order to reduce the risk of default, no financial institution shall hold more than fifty (50%) percent of the Village's investment portfolio at the current time of investment placement, exclusive of United States Treasury Securities or Governmental National Mortgage Securities held in safekeeping and of all funds



on deposit which are fully collateralized.

- **Collateral:** All Funds on deposit (checking accounts, certificates of deposit, etc) in excess of FDIC limits must be secured by collateral. Direct investments guaranteed by the United States or an agency of the United States do not require collateral,

Pledged collateral shall be held by an independent third party custodian designated by the Village and evidenced by receipts and a written agreement. The collateral agreement will preclude the release of the pledged assets without authorized signatures of the Village Administrator or his/her designee, but the agreement may allow for an exchange of collateral of like value,

This agreement shall outline the types of assets that may be pledged as collateral, the amount of collateral required and the placement procedures. The Village shall accept any of the following securities *as* collateral:

- Negotiable obligations of the United States Government
- Negotiable obligations of any agency or instrumentality of the United States Government

4. The Village will maintain for public and managerial inspection, current statements of condition for each financial institution named as depository. If, for any reason the information furnished is considered by the Village to be insufficient, the Village may request additional information

5. An annual written review of the financial conditions of the utilized financial institutions will be conducted by the Village Administrator or his/her designee,

#### **AUTHORIZED INVESTMENT ADVISORS:**

The Village Administrator, with the approval of the Board of Trustees, may appoint investment advisors. The investment advisor shall be a fiduciary with respect to the security decisions and shall be one of the following:

- An investment advisor registered under the Federal Investment Advisors Act of 1940 (15 U.S.C. 80b-1, *et seq.*) and the Illinois Securities Law of 1953;
- A bank or trust company authorized to conduct a trust business in Illinois;
- A life insurance company authorized to transact business in Illinois; or
- An investment company defined and registered under the Federal Investment Company Act of 1940 (15 U S C 80A-1, *et seq.*) and registered under the Illinois Securities Law of 1953.

The investment advisor shall be person who:

- Has the power to manage, acquire, or dispose of any security;

- Has the knowledge in writing that he or she is a fiduciary with respect to the Village's securities; and
- Is at least one of the following: (i) registered as an investment advisor under the Federal Investment Advisors Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment advisor under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisors Act of 1940; or (iv) an insurance company authorized to transact business in Illinois.

All investment advice and service provided by an investment advisor so appointed shall be rendered pursuant to written contract between the investment advisor and the Village, and in accordance with the Village's investment policy. The contract shall include all the following:

- Acknowledgement in writing by the investment advisor that he or she is a fiduciary with respect to the Village's securities.
- The Village's investment policy;
- Full disclosure of direct and indirect fees, commission, penalties, and any other compensation that may be received by the investment advisor, including reimbursement for expenses; and
- A requirement that the investment advisor submit periodic written reports, on at least a quarterly basis, for the Board of Trustees' regularly scheduled meetings. All returns on investments shall be reported as net returns after payment of all fees, commissions, and any other compensation.

### **CASH MANAGEMENT**

The Village Administrator or his/her designee shall prepare written cash management procedures, which shall include, but not be limited to, the following:

- **Receipts:** All monies due the Village shall be collected as promptly as possible. Monies that are received shall be deposited in an approved financial institution no later than the next business day after receipt by the Village. Amounts that remain uncollected after a reasonable length of time shall be subject to any available legal means of collection. One of the objectives of the Village's cash management procedures is to comply with the provisions of the Illinois Revised Statutes, which mandates prompt investment of funds,
- **Disbursements:** Any disbursement to suppliers of goods and/or services or to employees for salaries and wages shall be contingent upon available budget appropriations.
- **Financial Forecast:** At least annually, a financial forecast will be prepared using expected revenue sources and items of expenditure to project cash requirement for future years of the village. An analysis will be prepared for both operating and non-operating revenues and expenditures. This analysis will provide a guide for

determining the length and amount of investments.

- **Pooling of Cash:** Except where otherwise provided by the Board of Trustees, the Village Administrator or his/her designee will be authorized to pool the cash of various funds to maximize investment earnings where in his/her opinion it is advantageous and prudent to do so. Investment income will be allocated to the various funds based upon their respective participation.

### **INVESTMENT SELECTION**

The Village may invest in any type of security allowed for in Illinois Statutes regarding the investment of public funds. Approved investments are hereby limited to:

- Bonds, notes, certificates or indebtedness, treasury bills, or other securities, including obligations of the Governmental National Mortgage Association and Federal National Mortgage Association which are guaranteed as to principal by the full faith and credit of the government of the United States of America.
- Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits or any other investment constituting direct obligations of any institution as defined by the Illinois Banking Act and that is insured by the Federal Deposit Insurance Corporation.
- Illinois Public Treasurer's Investment Pool

### **Selection Procedures on Certificates of Deposit**

In obtaining competitive quotations for certificates of deposit at least three (3) qualified institutions will be contacted each time an investment is placed. In no instance shall an investment be placed without the authority of the Village Administrator or his/her designee.

Investments shall be placed with the institution that best exhibits the ability to meet the investment criteria and objectives in this policy.

### **ACCOUNTING**

The assets, liabilities, revenues and expenditures of each fund are maintained as separate entities on the full or modified accrual basis. All investment transactions shall be recorded in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Accounting principles will include:

- Investments will be carried at cost or amortized cost which approximates market value.
- Any premium or discount on investment will be amortized over the life of the investment.
- Gains or losses of investments in all funds will be recognized at the time of disposition of the security.

### **MAXIMUM MATURITY**

The Village of Fox River Grove will match its investments with anticipated cash flow

requirements,

### **INTERNAL CONTROL**

Where deemed necessary, the Village Administrator or his/her designee shall establish a system of internal controls, which shall be documented in writing. These internal controls and this Investment Policy shall be reviewed by an independent, certified public accountant in conjunction with the annual examination of the financial statements of the Village. The controls shall be designed to prevent losses of the Village funds arising from fraud, employee error, and misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by employees. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction from accounting
- Clear delegation of authority to subordinate staff members
- Custodial safekeeping
- Written confirmation of telephone transactions for investments and wire transfers

### **FINANCIAL REPORTING**

The Village Treasurer shall submit a monthly cash flow report and a quarterly investment report to the Village Board for review. The quarterly report shall include a list of securities in the portfolio by class or type; income earned, market value, transactions and a management analysis of the status of the portfolio. The Comprehensive Annual Financial Report shall include all investment information as promulgated by the Government Accounting Standards Board.

### **PERFORMANCE STANDARD**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints, unless annually required, and cash flow needs.

### **INVESTMENT POLICY ADOPTION**

The Village of Fox River Grove's Investment Policy shall be adopted by resolution of the Village of Fox River Grove's legislative authority. The policy shall be reviewed periodically by the legislative authority and the Board of Trustees must approve any modifications made thereto.

A copy of the Village's Investment Policy shall be kept on file in the Village Clerk's office and made available to the public during normal business hours.

**CORPORATE AUTHORITIES AS OF DECEMBER 31, 1999** Village President

Stephen J. Tasch Board of Trustees

Suzanne Blohm

Lawrence K. Eckel

Tom Kelly

Scott McClarity

Mary T. Murren

Michael Hammer

## **GLOSSARY**

**AGENCIES:** Federal Agency securities and/or Government sponsored enterprises.

**ASKED:** The price at which securities are offered.

**BANKERS' ACCEPTANCE (BA):** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**BID:** The price offered by a buyer of securities. When you are selling securities you ask for a bid.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable,

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COUPON:** The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. A certificate attached to a bond evidencing interest due on a payment date.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A Federal agency that insures bank deposits, currently up to \$100,000 per deposit,

**FEDERAL FUNDS RATE:** The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open market operations.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked price is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL:** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET VALUE:** The price at which a security is trading and could be purchased or sold.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable,

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state-the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED PUBLIC DEPOSITORIES:** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad Valero taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income returns.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**STRUCTURED NOTES:** Notes issued by Government Sponsored Enterprises and Corporations which have imbedded options (e.g., call features, set-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three (3) months, six (6) months or one (1) year.

**TREASURY BONDS:** Long-term coupon-bearing U.S. Treasury Securities issued as direct obligations of the U.S. Government and having initial maturates of more than ten (10) years.

**TREASURY NOTES:** Medium-term coupon-bearing U.S. Treasury Securities issued as direct obligations of the U.S. Government and having initial maturates from two (2) to ten (10) years.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



## ATTACHMENT B – RFP ACKNOWLEDGEMENT FORM

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### **DUE: June 12, 2015 – 5:00 pm CST**

I hereby acknowledge receipt of the Request for Proposals for Investment Advisor Services and my Firm's intent to submit a proposal in accordance with the RFP. Please send any and all communication regarding the RFP to the following individual;

Firm \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-Mail: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Please Remit Acknowledgment Forms via email to:

[bgosnell@village.gurnee.il.us](mailto:bgosnell@village.gurnee.il.us)

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**Please Note: Responses to questions received regarding the RFP will be released on June 26, 2015 to those firms which have submitted an RFP Acknowledgment Form.**