

Village of Carol Stream

SPECIAL WORKSHOP MEETING

MONDAY NOVEMBER 21, 2016

6:00 P.M.

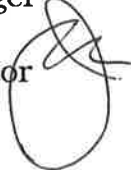
**GREGORY J. BIELAWSKI MUNICIPAL CENTER
500 N. GARY AVENUE
CAROL STREAM, ILLINOIS 60188**

LOWER LEVEL TRAINING ROOM

AGENDA

1. CALL TO ORDER
2. ATTENDANCE
3. BIENNIAL VEHICLE STICKERS
4. VILLAGE INVESTMENT PROGRAM
5. REVIEW OF SALT USAGE PROGRAM
6. OTHER BUSINESS
7. ADJOURNMENT

Village of Carol Stream
Interdepartmental Memo

TO: Joe Breinig, Village Manager
FROM: Jon Batek, Finance Director 
DATE: November 7, 2016
RE: **Proposal to Initiate Biennial Vehicle Registration**

In contemplation of the impending move of Municipal Center operations to a temporary location during the proposed renovation project, staff discussed ways we might mitigate impact to our customers given the high likelihood of reduced parking capacity and traffic flow challenges at an alternate site, not to mention the likelihood of reduced public queuing capacity within the temporary facility. Arguably, there is no one event or activity that brings sustained large volumes of customer traffic to the Municipal Center more than the annual vehicle registration program (despite our drop-box, mail back and web-site purchase options).

One idea that has some merit is adjusting our annual vehicle sticker registration program to a biennial (every other year) cycle. Granted, we would still need to work through the registration process for the upcoming May 1, 2017 registration cycle, however the following year 2018 would see a dramatic decrease in customer traffic in our second year of off-site operations.

What Other Communities Are Doing

A review of the 2015 DuPage Mayors and Managers Annual Revenue Survey reveals that of the 34 communities surveyed, 11 or roughly 1/3 still have a vehicle sticker requirement in place. Most of these communities have an annual renewal program. The Village of Glen Ellyn offers a 3-year sticker option. The Village of Roselle used to have a multi-year option but it appears that this is no longer offered. Lastly, the Village of Lemont currently has a biennial program where vehicle stickers are valid for a period of 2 years.

Given my experience in Glen Ellyn, providing customers an option in selecting the term of the license sticker (one year versus two or three year) would not achieve the results we are seeking. I recall that only a

small percentage of Glen Ellyn residents opted for the multi-year sticker (about 20%) when they were first offered and that included a reduced price incentive for the multi-year sticker as well.

None of the communities appear to stagger registration deadlines to smooth out renewal traffic (similar to the State's license plate sticker renewal process). In our case, to achieve this we would likely have to break the Village into various registration zones. This would require a number of different sticker varieties with varied expiration dates and would likely complicate enforcement activities. For those reasons, we do not believe this would be an efficient or practical alternative.

Cost Savings and Efficiency Improvements

In addition to the immediate need to reducing congestion at our temporary site during the renovation project, there are a number of additional cost and efficiency benefits to be gained from an every-other year vehicle registration cycle.

While registration activities would continue to take place for new residents and vehicles, we will realize hard and soft cost savings during the renewal "off-year".

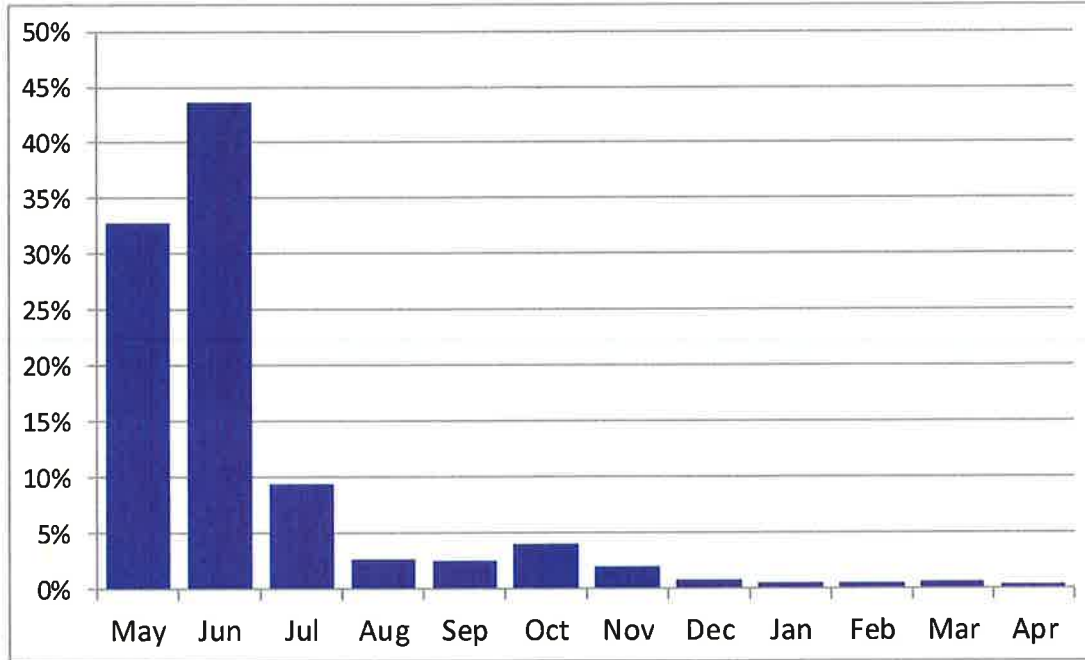
Estimated every-other-year hard cost savings include:

Renewal Application Printing	\$13,000
Postage	10,000
Vehicle Sticker Decals	4,300
On-Line Website Fees	3,600
Overtime for Weekend and Extended Weekday Hours	3,000
Credit Card Fees	<u>1,100</u>
Total	<u>\$35,000</u>

Soft cost savings represent department staff time saved during the renewal "off-year". This represents time that can be invested in furthering other Village objectives rather than processing vehicle renewals. As a department, Finance spends approximately 1,200 hours per year during the bulk of annual registration activities that occur from May to July each year. These 1,200 hours translate into soft-cost savings of approximately \$45,000.

During these heavy registration months, we operate in an "all hands on deck" mode and we generally prohibit staff leave/vacations to be taken during this period. The level of concentrated effort solely on vehicle registration typically leaves no time to further other pursuits. This is depicted in the chart on the following page.

**Summary of Vehicle Sticker Sales Activity byMonth
Average of Last 3 Fiscal Years**



A 2-year registration cycle would provide a great opportunity to invest time toward achieving other department and Village objectives during the registration “off-year”.

Proposed Fee Structure

As you are aware, the Village has not adjusted vehicle sticker fees in decades. Not surprisingly, of the 11 DuPage communities having stickers, Carol Stream fees are at the bottom of the list. The single passenger car rate as presented in the DMMC survey for these communities is shown below:

Carol Stream	\$15
Wood Dale	15
Addison	25
Glen Ellyn	25
Bensenville	30
Hinsdale	30
Roselle	35
Clarendon Hills	40
Elmhurst	45
Wayne	50
Lemont (2 year)	96

This data is presented for information purposes only as this is not a recommendation to increase fees. We are interested however in engaging in a dialogue with the Village Board about a proposed 2-year sticker rate as well as any changes that may be desired in the late fee structure under current ordinance.

For purpose of discussion, we will assume a doubling of all current vehicle sticker fees under a 2-year sticker cycle. This will effectively be revenue neutral, however we would improve the bottom line by the \$35,000 of hard-cost processing savings as well as the staff efficiency savings generated by doing other work in place of vehicle sticker processing during registration off-years.

Currently, after June 30th of each year, the base sticker fee doubles on July 1st and escalates by \$5 per month for each month the customer does not purchase the sticker. The maximum sticker price under both the current ordinance and the proposed 2-year sticker would be as follows:

	<u>Current Program</u>	<u>2-Year Program</u>
Base Passenger Price:	\$15	\$30
July 1 (doubling)	\$30	\$60
One-year renewal at +\$5/mo.	\$85	---
Two-year renewal at +\$5/mo.	---	\$175

Using the current fee escalation structure, the maximum sticker price with all late fees applied would be \$85 on the current one-year sticker and \$175 on the two-year sticker. In both cases, this is approximately 5.7 to 5.8 times the base sticker fee.

We would recommend the current \$100 failure to display ticket remain the same under a two-year sticker cycle.

Should a partial year refund be offered on a 2 year sticker if the resident moves out? In Glen Ellyn, a partial refund is available for full unused years on their 3 year sticker – a \$5 processing fee is charged on refunds. In Lemont, no refunds are issued on their 2 year sticker. Partial refunds, while certainly possible, do not come without additional administrative effort and cost to both staff and resident, including having the resident substantiate their move either by peeling and returning the sticker, showing bill of sale or transfer stamp transaction.

Lastly, we presently offer a mid-year reduced rate for previously unregistered new vehicles or new residents. If eligibility begins after December 31st, the base sticker fee is at ½ of the normal rate. Under a 2 year program, we would propose the same halving of the base rate, but at the mid-point of the renewal cycle of June 30th.

We are of course open to discussing any and all alternatives the Village Board may wish to consider with respect to changes in the sticker fee or late fee escalation process.

Proposed Ordinance Changes

If the Village Board were to desire changing to a 2-year vehicle sticker cycle, proposed changes to the Village Code are attached pending further review by the Village Attorney prior to placing the item on a future Village Board agenda for consideration.

In reviewing the proposed changes with staff, we are also suggesting a few additional ordinance changes as follows:

1. Under Section 5-7-2 of the ordinance concerning the requirement to register for new residents or new vehicles we are recommending the time period be increased from the current 30 days after move-in or acquisition to 60 days. This is in response to customer feedback about the current time allotted being a bit too short for someone new to town.
2. Some of the truck classifications in our ordinance are no longer used by the State of Illinois (Class C, E, and G).
3. We would like to consolidate Recreational Vehicles into the B-plate Truck category. We have not purchased RV designated sticker decals for a number of years as the number registered has been small (<10).
4. While this does not require a change in the Village Code, we presently order two sticker varieties, one for Passenger vehicles and one for Trucks. There is no practical need for this designation and unless there are any objections, we would propose eliminating this and having only one sticker variety.

May 1, 2017 Registration Renewal Process

Even if we were to decide to transition to a 2-year sticker program, we still need to facilitate the registration renewal process this coming May 1st from the temporary Village Hall location.

We can be reasonably assured at present that the temporary Village Hall location will not be able to handle vehicular and walk-in traffic as effectively as our current Municipal Center site. Given that, we are looking for ways to communicate and/or incentivize customers to complete their renewal without visiting the temporary location (aside from dropping their renewal and payment in a municipal drop box).

A few preliminary thoughts that staff have proposed at present include:

1. Including a special insert into registration renewal materials advising customers of the alternate Municipal Center location, and encouraging them to register on-line, by mail, drop box, or through one of our currency exchange outlets as opposed to coming to the temporary location.
2. Our third party software vendor that manages on-line enrollment has advised us that beginning this year we will have the option of offering an on-line discount if we elected to do so. This may provide a useful incentive for residents to renew on-line.

Offering a discount for mailed or dropped-off registration renewals would likely pose significant administrative problems as it would require applicants to self-apply discounts. If not applied correctly, or discounts are not taken, we would be in a position of processing refunds for overages, or sending materials back in cases of insufficient payment, resulting in greater inefficiencies. This already occurs fairly regularly in our normal registration process without any form of discount. As such, if we were to consider a discount, staff recommends it be limited to on-line sales only as it can be managed more seamlessly.

3. We can further promote the above using the Village web site and social media tools.

Other Benefits and Considerations

In closing, we also believe that a 2-year registration program will ultimately be more convenient for our customers, by reducing the frequency of renewal and removal of expired stickers to every-other year.

Lastly, I spoke with the Finance Director of Lemont who indicated they have not experienced any unusual unanticipated problems or pitfalls in managing a 2-year registration program. They have not experienced any problems with registration data becoming too old or missing new enrollments when compared to an annual program. I look forward to discussing this topic with the Village Board in a Workshop setting.

Village of Carol Stream

VILLAGE CODE – MOTOR VEHICLE LICENSE

§ 5-7-1 DEFINITIONS.

The following definitions shall apply to all vehicle licensing unless the context clearly indicates or requires a different meaning.

APPLICANT. Any person or his or her agent applying for a license hereunder.

LATE APPLICATION. Application for a license as set forth herein on or after July 1 by a person who was otherwise subject to this article on the preceding June 30.

LICENSE PERIOD. The two year period beginning July 1 of odd numbered years and ending June 30.

OWNER. The title to any vehicle as set forth in the name of any person on a state certificate of title.

PARTIAL YEAR. The period between July 1 of even numbered years ~~January 1~~ and the following June 30, both dates inclusive.

PERSON. Any person, firm, business or corporation residing in, or conducting business or operations at a fixed location within the village boundaries of the village as they now exist or may be altered hereafter.

POSSESS. Any vehicle not owned by a person but provided for the use of any person, whether by gift, loan or lease, regardless of who is donor, grantor or lessor.

USE. The capability of operation and/or movement of any vehicle within the village limits at least one time during the license period, and on any public way, which shall include, but not be limited to, streets, roads and roadways, highways, alleys or public easements for vehicular traffic.

VEHICLE. Any motor vehicle or motorcycle for which license plates are required and issued by the state and as defined by state statute.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

§ 5-7-2 LICENSE REQUIRED.

The following provisions shall be applicable to all vehicle licensing.

(A) It shall be unlawful for any person within the village to own, use or possess any vehicle, unless such vehicle is licensed as hereinafter provided or unless such vehicle shall be licensed under the ordinances of another municipality. A vehicle shall be allowed to be licensed under the ordinances of another municipality until the license from that other municipality expires, but in no case more than a period of one year. After such period, the vehicle shall become subject to the provisions of this article.

(B) Any person who shall be obligated under the terms of this article by June 30 of any year shall display such license sticker on or before July 1 of that year.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

§ 5-7-3 NEW VEHICLES OR NEW RESIDENTS.

After June 30, any person who owns, possesses or uses a specific vehicle for the first time, or shall for the first time, as to that vehicle, become subject to the provisions of this article, shall have ~~60-30~~ days after such acquisition or event to apply for a license as otherwise set forth herein. If such application is made after more than ~~60-30~~ days, the late charge set forth herein shall apply beginning on the ~~thirtysixty~~-first day.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

§ 5-7-4 PARTIAL YEAR LICENSES.

Any person who becomes obligated to purchase a vehicle license under the provisions of this article after ~~December 31~~ June 30 of any even numbered year shall purchase a partial year license. The fees for a partial year license shall be 50% of the fees set forth in this article.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

§ 5-7-5 LATE CHARGES.

(A) Any person who becomes obligated to purchase a vehicle license under the provisions of the ordinances of the village, and does not purchase that license within the time established by ordinance, shall be obligated to pay an amount for such license which shall be twice the amount which would have otherwise been paid if the license had been promptly purchased.

(1) Where the license is purchased one calendar month or more after the time at which the obligation to purchase the license was due, then, in addition to the payment of double the license fee, the person who was delinquent in that payment shall pay an additional \$5 for each month or part thereof until the date at which the license is purchased, or a court or other adjudicator system determines that a violation of the village ordinances has taken place because of the non-purchase.

(2) If the purchase of a license is made through the village, the charges specified above shall be collected.

(B) In addition to payment of any other fees specified in this section, any person who fails to properly display a current village vehicle sticker shall be fined \$20 for violations that occur between 7-1-2008 and 7-31-2008 and \$100 for violations that occur after 7-31-2008. Every year thereafter, any person who fails to properly display a current village vehicle sticker by July 1 shall be fined \$100.

(Ord. 92-04-39, passed 4-14-1992; Ord. 94-03-23, passed 3-8-1994; Ord. 2001-03-12, passed 3-5-2001; Ord. 2003-12-87, passed 12-15-2003; Ord. 2008-06-27, passed 6-2-2008)

§ 5-7-6 APPLICATIONS; ISSUANCE OF LICENSE.

Any person desiring a license for any vehicle shall sign a written application upon a form provided by the village, setting forth the name and address of the applicant and a description of the vehicle for which the license is desired. Such application shall be filed with the village, and upon the payment of the license fee hereinafter provided, the village shall issue a license authorizing the licensee to use such vehicle within the village until the expiration of such license.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

§ 5-7-7 LICENSE FEES.

(A) Annual-Biennial fee. Except for the provisions set forth in divisions (B) through (E) of this section, the annual-biennial fees to be paid for vehicle licenses shall be as follows:

Buses designed to carry more than ten passengers	\$ 0.25-50 per passenger seat, but not less than \$ 10-20 each vehicle
Freight carrying vehicles, or vehicles designed to carry goods or merchandise or other articles of a gross weight (including weight of vehicle and maximum load) of:	
“B” Truck <u>and Recreational Vehicles</u>	\$ 2040
“C” Truck	\$ 27
“D” Truck	\$ 3468
“E” Truck	\$ 45
“F” Truck	\$ 56112
“GH - Z” Truck	\$ 79158
Motorcycles (this category shall include all two-wheeled motor driven vehicles for which a state license plate is required)	\$ 9-18 each
Private passenger automobiles designed to carry less than ten passengers	\$ 15-30 each
Recreational vehicles (Class RV State)	\$ 8 each

(B) *Persons over 65 years of age*. Any person 65 years of age at the time of application shall pay a annual-biennial license fee of \$~~3-6~~ for his or her passenger automobile, as defined herein, subject to the following.

- (1) Only one vehicle sticker per senior shall be allowed to be licensed under this provision.
- (2) The vehicle so licensed must be for the personal use of the applicant or spouse.
- (3) A state certificate of title must be registered in the name of the applicant and spouse.
- (4) The village may require such evidence as deemed necessary for the issuance of such license, in keeping with the above restrictions.

(C) *Active duty military personnel.* All active duty military personnel for whom a license would otherwise be required shall receive a free vehicle license for each vehicle owned by such military personnel.

(D) *Automobile dealers.* Automobile dealers and distributors shall purchase ~~annual~~-biennial vehicle licenses in the form of dealer tags. A dealer or distributor must purchase dealer tags for each vehicle used as a demonstration vehicle in the village provided that such vehicles are not licensed in another municipality. Dealer tags may be transferred from one dealer car to another; provided that, the number of vehicles remains the same or less than the number of dealer tags purchased. The fee for such dealer tags shall be ~~\$15~~-30 each.

(E) *Taxing bodies.* The village's Park District and the village's Fire Protection District shall receive a free vehicle license for each vehicle owned by such taxing body.

(Ord. 92-04-39, passed 4-14-1992; Ord. 92-07-83, passed 7-14-1992; Ord. 2001-03-12, passed 3-5-2001)

📖 § 5-7-8 ATTACHING LICENSE.

(A) *Passenger vehicles, freight carrying vehicles, buses.* Upon application for a vehicle license and proper payment therefor, the village shall deliver to the licensee of a passenger automobile, a bus or a freight carrying vehicle a self-voiding adhesive sticker. It shall be the duty of the licensee to affix the sticker in the lower right-hand corner, on the inside of the glass part of the windshield approximately one inch from the right and lower sections of the frame of such windshield.

(B) *Motorcycles.* Upon application for a motorcycle license, and proper payment therefor, the village shall deliver to the licensee of such motorcycle a metal tag which shall be affixed to the rear state license plate.

(C) *Dealer tags.* Upon application for a dealer license, and proper payment therefor, the village shall deliver to the licensee a metal dealer tag which shall be affixed to the rear state license plate of each dealer vehicle.

(D) *Prohibition.* It shall be unlawful for any motorized vehicle, although duly licensed, to be used upon the streets, avenues or alleys of the village unless such license is attached thereto as set forth herein.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

📖 § 5-7-9 TRANSFER OF LICENSE.

(A) Any person who has owned or operated a vehicle for which a license has been purchased, pursuant to this article, and who trades, sells or otherwise disposes of the licensed vehicle and subsequently comes to own or operate a substitute vehicle, shall deliver to the village sufficient proof of the former registration (or the physical destruction of same) and complete an application for license for the substitute vehicle. A ~~\$1~~-2 transfer fee shall be charged for such transfer of village vehicle license.

(B) Any license issued hereunder is not transferable upon a change in ownership of the subject vehicle, and must be removed or destroyed. Purchasers, subject to this article, shall apply for a new license as set forth herein.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

§ 5-7-10 REPLACEMENT LICENSES.

If a vehicle license becomes lost before affixing such license to the vehicle, or if such license is damaged or destroyed because of an accident or broken windshield, such license shall be replaced by the village for a fee of ~~\$0.502~~; provided that, the owner of such vehicle shall deliver to the village sufficient

proof of registration and proof of the loss or damage to such license.


(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

§ 5-7-11 PAYMENT OF ACCRUED FEES REQUIRED.

All owners or operators of vehicles licensed under this article who have not paid license fees for previous years shall not be entitled to a license for the ~~year~~ license period applied for until the license fees for previous ~~years~~ license periods have been paid.

(Ord. 92-04-39, passed 4-14-1992; Ord. 2001-03-12, passed 3-5-2001)

Village of Carol Stream
Interdepartmental Memo

TO: Joe Breinig, Village Manager
FROM: Jon Batek, Finance Director 
DATE: November 14, 2016
RE: Update to Village Investment Policy

Since the onset of the Great Recession in 2007 and the resulting economic turmoil that ensued over the next number of years, the Village's investment program became dormant. With the collapse of the financial markets came the flattening of the yield curve. As a result, there was no financial incentive or reward to investing funds for any duration, given yields on Treasury and related investments were at or near 0%. Because of this, Village funds were concentrated entirely in local government investment pools which are basically money market funds (Illinois Funds and Illinois Metropolitan Investment Fund).

The Illinois Funds is rated AAAM by S&P Global Ratings (the highest rating possible) and is the State Treasurer's Investment Pool. This is a money market fund which invests in highly liquid, high-quality short term investments including U.S. Treasury obligations, collateralized repurchase agreements, certificates of deposit and high quality commercial paper.

The Illinois Metropolitan Investment Fund or IMET is a governmental investment fund created 20 years ago by a number of councils of government under the authority of the Illinois Municipal Code. The IMET offers two short-term investment options including 1) a Convenience Fund which is a short-term money market instrument collateralized via FDIC insurance, the FHLB Letter of Credit Program and Government Securities on bank deposits in excess of FDIC coverage, and 2) a 1-3 Year Fund, a mid-term investment option which invests exclusively in U.S. Government-backed securities and also receives Moody's highest rating of Aaa MR1. Note that IMET's Convenience Fund was the subject of investment losses in 2014 stemming from the First Farmers Financial fraud.

Additional information on both of these investment pools is attached for your reference.

Although the current yield environment continues to be low, there has been some slight upward movement in interest rates, creating the opportunity to enhance return on investments by once again becoming more active in managing an investment portfolio.

A logical first step to this process is a review and update of the Village's Investment Policy, which was last updated on July 20, 2009.

Attached is a red-lined version of the existing policy which is recommended for Village Board adoption. Notable updates include:

1. **Section 5.0: Authorized Financial Institutions, Depositories and Broker/Dealers** – Updated FDIC insurance limit from \$99,999 to \$250,000 reflecting FDIC change in July of 2010.
2. **Section 7.0: Suitable and Authorized Investments** – Updated language to mirror updates to the Public Funds Investment Act which provides investment authority and limitations for public entities. Deleted reference to Attachment #1 which addresses derivative investments. These are not authorized under our policy so its inclusion is not necessary.
3. **Section 7.1: Collateralization** – Deleted reference to Attachment #3 addressing Village's Collateralization Agreement. The Village previously used a customized collateral agreement. Due to changes in the banking climate and banks' general unwillingness to accept customized agreements, a customized collateral agreement has not been used in a number of years. All deposits in excess of FDIC coverage continue to require collateral to be pledged and held by a 3rd party institution, however the collateral agreements have and will be negotiated at the time a banking services contract is awarded.
4. **Section 8.1: Diversification** – Excluded safekeeping institutions (3rd parties that hold previously purchased securities on our behalf) and Illinois Funds from the 40% of portfolio maximum that can be held in a single financial institution. Safekeeping institutions by their nature are identified in best practices to hold securities as a 3rd party custodian as opposed to having the broker/dealers hold securities on the Village's behalf. Illinois Funds will be the financial entity from which investment activities will flow. In the event we see another situation such as in the Great Recession where investment activity again goes dormant, we need a guaranteed and fully collateralized institution to serve as custodian of the Village's liquid assets. Local banks will not be able to or would be unwilling to fully collateralize balances in the amounts we would require.

Increased allowable concentration of Certificates of Deposit from 25% to 33% of total portfolio. Brokered CD's represent perhaps our best opportunity to boost yield compared to current benchmarks (6 month Treasury Bill). Our focus here would be CD's from separate banks keeping within the \$250,000 FDIC insurance limit.

Joe Breinig
Page 3 of 3
November 14, 2016

Aside from the proposed modifications to the Village's investment policy, the proposed investment program for the Village remains largely unchanged from our previous pre-recession focus. We will have an opportunity to reintroduce this program to the Village Board at the upcoming November 21st Workshop Meeting. Assuming the proposed changes are found to be satisfactory, we will schedule adoption of the updated Village Investment Policy at the regularly scheduled Village Board meeting on December 5th. This will include authorization of certain broker/dealers and establishment of new safekeeping arrangements to hold newly purchased investments.

Please let me know if you have any questions concerning the proposed updates.

**VILLAGE OF
CAROL STREAM, ILLINOIS**



Carol Stream

INVESTMENT POLICY

Adopted
July 20, 2009



VILLAGE OF CAROL STREAM

INVESTMENT POLICY

1.0 **Policy:**

It is the policy of the Village of Carol Stream to invest public funds in a manner which will provide a competitive 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 Carol Stream except for the Police Pension Fund which is subject to the direction order of the Board of Trustees of that particular fund. These funds are accounted for in the Village of Carol Stream'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
- 2.2.6 (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 investment activities shall be safety, liquidity and return on investments-yield:

3.1 **Safety:**

Safety of principal is the foremost objective of the investment program. Investments of the Village of Carol Stream shall be undertaken in a manner that seeks 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-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, broker/dealers, intermediaries, and advisers with which the Village 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
- By 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 shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should

consist largely 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 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 tertiary secondary importance compared to the 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:

- 1) a declining credit security could be sold early to minimize loss of principal;
- 2) a security swap would improve the quality, yield, or target duration in the portfolio; or
- 3) 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 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 transaction 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 Carol Stream’s investment program is derived from the following:

The establishment of investment policies is the responsibility of the Village Board. 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 references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. 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 Mayor 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 also be maintained of approved security broker/dealers selected by credit worthiness. 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 on qualified public ~~depository~~ ~~depositories~~ as established by state statutes.

The Village Board authorizes the Finance Director to invest up to ~~\$250,000~~ ~~\$99,000.00~~ 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

An 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 Carol Stream 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 costs and benefits require estimates and judgments by management.

The internal controls structure shall address the following points:

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

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 Suitable and Authorized Investments:

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

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- Bonds, notes, debentures or other similar obligations of the United States of America, its agencies, and its instrumentalities or its agencies;

- Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; ~~and is insured by the Federal Deposit Insurance Corporation;~~
- Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180-270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than 25%1/3 of ~~the Village's public~~ funds may be invested in short-term obligations of corporations;
- Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district of the State of Illinois, or of any other state. The bonds shall be registered in the name of the municipality or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;
- Illinois Public Treasurer's Investment Pool (Illinois Funds) and the Illinois Metropolitan Investment Fund (IMET);
- ~~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 Carol Stream and in accordance with the GFOA's Recommended Practices on the Collateralization of Public Deposits (Attachment #2), the~~ The Village requires that funds on deposit in excess of FDIC limits be secured by some form of collateral. The Village will accept any of the following assets as collateral:

- Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- ~~Obligations of the State of Illinois~~

(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 ~~execute a written collateralization agreement, 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 monthly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in safekeeping, by an independent third party depository, ~~or the Federal Reserve Bank of Boston,~~ designated by the Village of Carol Stream and evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the Village of Carol Stream. The Village of

Carol Stream 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:

8.1 Diversification:

In order to reduce the risk of default, it is the policy of the Village of Carol Stream in accordance with the GFOA's Recommended Practices on the Diversification of Investments in a Portfolio, ~~(attachment #4),~~ that the investment portfolio of the Village of Carol Stream shall be diversified by:

- limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury and Agency securities):
 - No financial institution shall hold more than 40% of the Village's investment portfolio (excluding third party safekeeping institutions and the Illinois Public Treasurer's Investment Pool).
 - Monies deposited at a financial institution shall not exceed 75% of the capital stock and surplus of that institution.
 - Commercial paper shall not exceed 10% of the Village's investment portfolio.
 - Brokered certificates of deposit shall not exceed ~~25~~33% of the Village's investment portfolio.
- investing in securities with varying maturities, and

- 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.

8.2 Maximum Maturities:

To the extent possible, the Village of Carol Stream will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three years from the date of purchase.

Reserve funds may be invested in securities exceeding three years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds. Any investment purchased with a maturity 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 and the individual transactions executed over the last month. This management summary will be prepared in a manner which 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. The report will include the following:

- Listing of individual securities held, by fund, at the end of the reporting period.
- ~~Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.~~
- Listing of investments by maturity date.
- The purchase and safekeeping 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 Carol Stream’s investment policy shall be adopted by the Village Board of Trustees. This 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: 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 inter-dealer markets.

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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the Village of Carol Stream. 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.

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.

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

DELIVERY VERSUS PAYMENT: There are two methods for 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 securities. Delivery versus receipt is delivery of securities with an exchange of sign receipt for the securities.

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 & L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT OF 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 Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

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 & Urban Development, HUD. 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 assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotation 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.

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 *passthroughs* 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, if trading, 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 of 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, banker's 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 Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

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.

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 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 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.

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

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

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.

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.

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 #1~~

~~GFOA Recommended Practice~~

~~Use of Derivatives by State and Local Governments for Cash Operating and Reserve Portfolios (1994 and 2002)~~

~~**Background.** Derivative products are financial instruments created from or whose value depends on (is derived from) the value of one or more underlying assets or indexes of asset values. Derivatives include instruments or features such as collateralized mortgage obligations (CMOs), interest only (IOs) and principal only (POs) securities, forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters, and caps/floors/collars. It still remains the responsibility of each government to determine what constitutes a derivative product and what is allowable by policy and statute.~~

~~**Recommendation.** The Government Finance Officers Association (GFOA) urges state and local government finance officers to exercise extreme caution in the use of derivatives and to consider their use only when they have developed a sufficient understanding of the products and the expertise to manage them. Because new derivative products are increasingly complex, state and local governments should use these instruments only if they can evaluate the following factors, among others, to determine their appropriateness:~~

- ~~1. — Governmental entities must observe the objectives of sound asset and liability management policies that ensure safety, liquidity, and yield within legally allowable investments. Because of the risks involved, the use of derivatives by governmental entities should receive particular scrutiny. Certain derivative products may not be appropriate for all governmental investors. Characteristics of such products can include high price volatility, illiquid markets, products that are not market tested, highly leveraged products, products requiring a high degree of sophistication to manage, and products that are difficult to value.~~
- ~~2. — Governmental entities should understand that state and local laws may not specifically address the use of derivatives and examine such considerations as
 - ~~• — the constitutional and statutory authority of the governmental entity to execute derivative contracts;~~
 - ~~• — the potential for violating constitutional or statutory provisions limiting the entity's authority to incur debt resulting from the transaction, and~~
 - ~~• — the application of the governmental entity's procurement statutes to derivative transactions.~~~~
- ~~3. — Governmental entities should be aware of all the risks associated with use of derivatives, including counterparty credit, custodial, market, settlement, and operating risk.~~

4. ~~Governmental entities should establish internal controls for each type of derivative in use to ensure that these risks are adequately managed. For example,~~
- ~~• the entity should provide a written statement of purpose and objectives for derivative use;~~
 - ~~• written procedures should be established that provide for periodic monitoring of derivative instruments;~~
 - ~~• managers should receive periodic training and have sufficient expertise and technical resources to oversee derivative programs;~~
 - ~~• recordkeeping systems should be sufficiently detailed to allow governing bodies, auditors, and examiners to determine if the program is functioning in accordance with established objectives; managers should report regularly on the use of derivatives to their governing body and appropriate disclosure should be made in official statements and other disclosure documents; and~~
 - ~~• reporting on derivative use should be in accordance with generally accepted accounting principles, and because use of these instruments is a complex matter, early discussion with public accountants is essential to determine if specialized reporting may be required.~~
5. ~~Governmental entities should be aware if their broker/dealer is merely acting as an agent or intermediary in a derivatives transaction or is taking a proprietary position. Possible conflicts of interest should be taken into consideration before entering into a transaction.~~
6. ~~Governmental entities should be aware that there may be little or no pricing information or standardization for some derivatives. Competitive price comparisons are recommended before entering into a transaction.~~
7. ~~Governmental entities should exercise caution in the selection of broker/dealers or investment managers and ensure that these agents are knowledgeable about, understand and provide disclosure regarding the use of derivatives, including benefits and risks. The entity should secure written acknowledgment from broker/dealers that they have received, read, and understood the entity's debt and investment policies, including whether derivatives are currently authorized under the entity's investment policy and that the broker/dealer or investment manager has ascertained that the recommended product is suitable for the governmental entity.~~
8. ~~Governmental entities are responsible for ensuring this same level of safeguards when derivative transactions are conducted by a third party acting on behalf of the governmental entities.~~
9. ~~Government Entities should analyze the materiality of a transaction closely to determine if it might affect a bond or other credit related rating of such entity. Rating agencies should be notified at the appropriate time, before a transaction is completed.~~

References

- ~~————— *A Public Investor's Guide to Money Market Instruments, Second Edition*, edited by M. Corinne Larson, GFOA, 1994.~~
- ~~————— *An Elected Official's Guide to Investing*, M. Corinne Larson, GFOA, 1995.~~
~~Approved by the Committee on Cash Management, June 15, 2002~~
~~Approved by the Executive Committee, October 25, 2002.~~

Attachment #2

Collateralization of Public Deposits (1984, 1987, 1993, and 2000)

Background. ~~The safety of public funds should be the foremost objective in public fund management. Collateralization of public deposits through the pledging of appropriate securities or surety bonds by depositories is an important safeguard for such deposits. State programs pertaining to the collateralization of public deposits have generally proven to be beneficial for both the public sector and its depositories.~~

~~However, federal law imposes certain limitations on collateral agreements between financial institutions and public entities in order to secure public entity deposits. Under certain circumstances, the Federal Deposit Insurance Corporation (FDIC) may be able to avoid a perfected security interest and leave the public depositor with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.~~

Recommendation. ~~The Government Finance Officers Association (GFOA) favors the use of pledging requirements as protection for state or local government's deposits. GFOA further favors and encourages state and local governments to establish adequate and efficient administrative systems to maintain such pledged collateral, including state or locally administered collateral pledging or collateral pools. To accomplish these goals, GFOA recommends the following:~~

- ~~1. Public entities should implement programs of prudent risk control. Such programs could include a formal depository risk policy, credit analysis, and use of fully secured investments. In the absence of an effective statewide collateralization program, local officials should establish and implement collateralization procedures.~~
- ~~2. State and local government depositors should take all possible actions to comply with federal requirements in order to ensure that their security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution. Federal law provides that a depositor's security agreement, which tends to diminish or defeat the interest of the FDIC in an asset acquired by it as receiver of an insured depository, shall not be valid against the FDIC unless the agreement.~~

- ~~is in writing;~~
- ~~was approved by the board of directors of the depository or its loan committee;~~
~~and~~

- ~~• has been, continuously, from the time of its execution, an official record of the depository institution.~~
- ~~3. Public entities should have all pledged collateral held at an independent third party institution, and evidenced by a written agreement in an effort to satisfy The Uniform Commercial Code (UCC) requirement for control. The UCC states that the depositor does not have a perfected interest in a security unless the depositor controls it. Control means that swaps, sales, and transfers cannot occur without the depositor's written approval.
 - ~~• The value of the pledged collateral should be marked to market monthly, or more frequently depending on the volatility of the collateral pledged. If state statute does not dictate a minimum margin level for collateral based on deposit levels (e.g., Georgia statute requires 110 percent), the margin levels should be at least 102 percent, depending on the volatility of the collateral pledged.~~
 - ~~• Substitutions of collateral should meet the requirements of the collateral agreement, be approved in writing prior to release, and the collateral should not be released until the replacement collateral has been received.~~~~
 - ~~4. The pledge of collateral should comply with the investment policy or state statute, whichever is more restrictive.~~
 - ~~5. The use of surety bonds and other appropriate types of insurance in lieu of collateral could be reviewed as an alternative to collateralization. If a public entity agrees to the use of surety bonds and other types of insurance in lieu of collateral, only insurers of the highest credit quality as determined by a nationally recognized insurance rating agency should be used.~~

~~**Note:** As a result of the court case *North Arkansas Medical Center v. Barrett*, 963 F.2d 780 (8th Cir. 1992), the FDIC issued a policy statement in March 1993 indicating that it would not seek to void a security interest of a federal, state, or local government entity solely because the security agreement did not comply with the contemporaneous execution requirement set forth in Section 13(e) of the Federal Deposit Insurance Act 12 U.S.C. 1823(e). The policy statement was officially enacted by Section 317 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law 103-325). Because of this change, the bullet item "was executed by the depository institution and any person claiming an adverse interest, contemporaneously with the acquisition of the asset by the depository institution" that appeared in previous versions of this recommended practice has been removed from this version.~~

References

- ~~• GFOA Sample Security Agreement, 1995.~~
- ~~• GFOA Sample Custodial Trust Agreement, 1995.~~
- ~~• *An Introduction to Collateralizing Public Deposits for State and Local*~~

- *Governments*, M. Corinne Larson, GFOA, 1996.
- *Investing Public Funds*, Second Edition, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.

Attachment #3

Long Form

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated _____, is between ~~[name of bank]~~ (the "*Bank*"), a ~~[bank and trust company, national banking association, state banking corporation, savings bank or savings and loan association]~~ having an address at _____, and ~~[public depositor]~~, having an address at _____ (the "*Public Depositor*").

WITNESSETH:

WHEREAS, the Bank is a qualified public depository as defined in ~~[state statute]~~, (the "*Act*"); and

WHEREAS, Public Depositor from time to time makes deposits, as said term is defined in the Act, in the Bank (its "*Public Deposits*"), which Public Deposits shall from time to time aggregate in excess of One Hundred Thousand Dollars (\$100,000.00); and

WHEREAS, the Public Depositor desires to have its Public Deposits secured by collateral; and

WHEREAS, the Bank has agreed to secure the Public Depositor's Public Deposits by granting to the Public Depositor a security interest in certain collateral ("*Eligible Collateral*") owned by the Bank, as permitted by 12 U.S.C. § 90;

NOW THEREFORE, in consideration of the Public Depositor depositing its Public Deposits as herein described, and for other good and valuable consideration, hereby acknowledged as received, it is hereby agreed between the Public Depositor and the Bank as follows:

1. In order to secure the Public Depositor's Public Deposits the Bank hereby pledges, assigns, transfers and grants to the Public Depositor a perfected first priority security interest in (a) such amounts of the Eligible Collateral to meet the collateral ratios and other requirements described in this Agreement, and (b) the Custody Account (as defined in Section 9 below) and any and all investment property and security entitlements from time to time held in, by, or for the benefit of the Custody Account

~~(including without limitation the Eligible Collateral) and all proceeds thereof (collectively, the "Collateral"). If at any time the ratio of the market value of the Eligible Collateral to the Public Depositor's Public Deposits, plus accrued interest, is less than required by this Agreement, the Bank shall immediately, within no more than 24 hours, make such additions to the Eligible Collateral in such amounts such that the ratio of the market value of the Eligible Collateral to the Public Depositor's Public Deposits, plus accrued interest, shall be at least equal to that required by this Agreement. Such additions to the Eligible Collateral shall constitute an assignment, transfer, pledge, and grant to the Public Depositor of a security interest in such additional Eligible Collateral pursuant to this Agreement and the Act.~~

- ~~2. The security interest granted herein (as described in Section 1 above) shall secure not only such Public Deposits and accrued interest of the Public Depositor as are held by the Bank at the time of this Agreement, but also any and all subsequent Public Deposits made by the Public Depositor in the Bank regardless of the accounts in which such funds may be held or identified by the Bank.~~
- ~~3. The pledge of Collateral by the Bank shall be in addition to, and shall in no way eliminate or diminish, any insurance coverage to which the Public Depositor may be entitled under the rules and regulations of the Federal Deposit Insurance Corporation (FDIC) or any private insurance carried by the Bank for the purpose of protecting the claims and rights of its depositors.~~
- ~~4. The Public Depositor is under no obligation to maintain its deposits with the Bank and may withdraw them at any time without notice. It is agreed that when the Bank shall have paid out and accounted for all or any portion of the Public Depositor's Public Deposits, any Collateral pledged under this Agreement to secure such paid out Public Deposits shall be released from the security interest created hereunder.~~
- ~~5. The Bank hereby represents that (i) it is a [state banking corporation] duly organized and validly existing under the laws of the [State of [state]]; (ii) it is a qualified public depository as defined by the Act; (iii) it has, or will have as of the time of delivery of any securities as Collateral under this Agreement, the right, power and authority to grant a security interest therein with priority over any other rights or interests therein; (iv) the execution and delivery of this Agreement and the pledge of securities as Collateral hereunder have been approved by resolution of the Bank's Board of Directors at its meeting of [date], and the approval of the Board of Directors is reflected in the minutes of that meeting, copies of which resolution and relevant portion of the minutes of said meeting are attached hereto as Exhibit A and made a part hereof; (v) the execution and delivery of this Agreement and the pledge of securities as Collateral hereunder will not violate or be in conflict with the Articles of Incorporation or By laws of the Bank, any agreement or instrument to which the Bank may be a party, any rule, regulation or order of any banking regulator applicable to the Bank, or any internal policy of the Bank adopted by its Board of Directors; and (vi) this Agreement shall be continuously maintained, from the time of its execution, as an official record of the Bank.~~

- ~~6. The Bank warrants that it is the true and legal owner of all Collateral pledged under this Agreement, that the Collateral is free and clear of all liens and claims, that no other person or entity has any right, title or interest therein, and that the Collateral has not been pledged or assigned for any other purpose. Should an adverse claim be placed on any pledged Collateral, the Bank shall immediately substitute unencumbered Collateral of equivalent value that is free and clear of all adverse claims.~~
- ~~7. At any time that the Bank is not in default under this Agreement, the Bank may substitute Eligible Collateral, provided that (a) the total market value of Eligible Collateral held in the Custody Account shall meet the requirements of this Agreement, and (b) the Public Depositor shall have approved such actual substitution or substitution process and all documentation relating to such substitution before it becomes effective.~~
- ~~8. Any additional pledge of Collateral hereunder, substitution of Collateral, or release of Collateral shall be approved by an officer of the Bank duly authorized by resolution of the Board of Directors to approve such additional pledges, substitutions, or releases of Collateral under this Agreement.~~
- ~~9. The Bank agrees to place the Collateral with a Federal Reserve Bank, a trust department of a commercial bank, or with a trust company (the "Custodian") to hold in a custody account (the "Custody Account") for the benefit of the Public Depositor. Any such commercial bank or trust company shall be a securities intermediary that in the ordinary course of its business regularly maintains securities accounts for its customers. The Bank shall execute a custodial trust agreement with the Custodian ("Custodial Trust Agreement") for the custody of the Eligible Collateral consistent with the terms of this Agreement. The Custodial Trust Agreement shall contain the Custodian's agreement to hold all Collateral in the Custody Account for the benefit of the Public Depositor and subject to the Public Depositor's direction and control and to comply with entitlement orders originated by the Public Depositor without the Bank's further consent. The executed Custodial Trust Agreement is attached hereto as Exhibit B. The execution by the Bank of the Custodial Trust Agreement shall in no way relieve it of any of its duties or obligations hereunder.~~
- ~~10. Upon the initial transfer of Eligible Collateral under this Agreement and monthly thereafter, the Bank shall cause the Custodian to report to the Public Depositor specifying the type and market value of Eligible Collateral being held in the Custody Account for the benefit of the Public Depositor.~~
- ~~11. The Bank shall pledge and transfer to the Custody Account Eligible Collateral having a total market value of at least the total value of the Public Deposits, including accrued interest, of the Public Depositor, less amounts covered by insurance of the FDIC.~~

~~12. Eligible Collateral shall include only the following securities and shall have a minimum market value as expressed in the following collateral ratios:~~

FORM OF ELIGIBLE COLLATERAL PLEDGE	COLLATERAL RATIO* (MARKET VALUE DIVIDED BY DEPOSIT PLUS ACCRUED INTEREST)
A. United States treasury Bills, notes and bonds	
i. Maturing in less than one year	102%
ii. Maturing in one to five years	105%
iii. Maturing in more than five years	110%
B. Actively traded United States government agency securities	
i. Maturing in less than one year	103%
ii. Maturing in one to five years	107%
iii. Maturing in more than five years	115%
C. United States government agency variable rate securities	
D. [State] general obligation bonds	
i. Maturing in less than one year	102%
ii. Maturing in one to five years	107%
iii. Maturing in more than five years	110%

~~13. The Bank shall recalculate the market value of individual securities comprising Eligible Collateral at least monthly.~~

~~14. The Bank has heretofore or will immediately hereafter deliver to the Custodian for immediate deposit into the Custody Account Eligible Collateral of sufficient value to meet the terms of this Agreement. Said Eligible Collateral, or substitute collateral, as herein provided for, shall be retained by the Custodian in the Custody Account so long as the Bank holds deposits of the Public Depositor.~~

* The collateral ratios set forth below are merely suggested ratios and should be modified by the Public Depositor to reflect applicable statutory requirements and their investment policies.

- ~~15. In the event the Bank shall (a) fail to pay the Public Depositor any funds which the Public Depositor has on deposit, (b) fail to pay and satisfy when due any check, draft, or voucher lawfully drawn against any deposit of the Public Depositor, (c) fail or suspend active operations, (d) become insolvent, or (e) fail to maintain adequate Collateral as required by this Agreement, the Bank shall be in default, the Public Depositor's deposits in such Bank shall become due and payable immediately, the Public Depositor shall have the right to unilaterally direct the Custodian to liquidate the Collateral held in the Custody Account and pay the proceeds thereof to the Public Depositor and to exercise any and all other security entitlements with respect to the Custody Account and the other Collateral, to withdraw the Collateral, or any part thereof, from the Custody Account and deliver such Collateral to the Public Depositor or to transfer the Collateral or any part thereof into the name of the Public Depositor or into the name of the Public Depositor's nominee, and ownership of the Collateral shall transfer to the Public Depositor. The Bank authorizes the release, withdrawal and delivery of the Collateral to the Public Depositor upon default by the Bank, and authorizes the Custodian to rely without verification on the written statement of the Public Depositor as to the existence of a default and to comply with entitlement orders originated by the Public Depositor without further consent of that Bank.~~
- ~~16. In the event of default as described in Section 15, the Public Depositor shall also have the right to sell Collateral at any public or private sale at its option without advertising such sale, upon not less than three (3) days' notice to the Bank and the Custodian. In the event of such sale, the Public Depositor, after deducting all legal expenses and other costs, including reasonable attorney's fees, from the proceeds of such sale, shall apply the remainder on any one or more of the liabilities of the Bank to the Public Depositor, including accrued interest, and shall return the surplus, if any, to the Bank, or its receiver or conservator.~~
- ~~17. During the term of this Agreement, the Public Depositor will, through appropriate action of its governing board, designate the officer, or officers, who singly or jointly will be authorized to represent and act on behalf of the Public Depositor in any and all matters arising under this Agreement.~~
- ~~18. All parties to this Agreement agree to execute any additional documents that may be reasonably required to effectuate the terms, conditions and intent of this Agreement.~~
- ~~19. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.~~
- ~~20. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.~~
- ~~21. This Agreement shall be governed by and construed in accordance with the laws of [state] and the laws of the United States, and it supersedes any and all prior~~

~~agreements, arrangements or understandings with respect to the subject matter hereof. In the event that any conflict of law issue(s) should arise in the interpretation of this Agreement, the parties agree that when [state] law is not preempted by laws of the United States, [state] law shall govern.~~

- ~~22. No provision of this Agreement may be waived except by a writing signed by the party to be bound thereby and any waiver of any nature shall not be construed to act as a waiver of subsequent acts.~~
- ~~23. In the event that any provision or clause of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Security Agreement, which shall be given effect without the conflicting provision. To this end the provisions of this Agreement are declared to be severable.~~
- ~~24. Unless applicable law requires a different method, any notice that must be given under this Agreement shall be given in writing and sent by certified mail, return receipt requested or third party overnight priority mail carrier to the address set forth herein or such other place as may be designated by written notice in the same manner from one party to the other.~~

~~[public depository bank] _____ [public depositor]
By: _____ By: _____
Its: _____ Its: _____
Date: _____ Date: _____~~

GFOA Recommended Practice
Mark-to-Market Practices for State and Local Government Investment
Portfolios and Investment Pools (1995, 2000, and 2003)

~~**Background.** As the investment portfolios of state and local governments are subjected to increased scrutiny, it is essential that reporting standards be enhanced so that investors, governing bodies, and the public remain informed of the current market value of the portfolio. Regular disclosure of the value of a governmental entity's investments is an important step to furthering taxpayer and market confidence in state and local government investment practices. The Governmental Accounting Standards Board (GASB) has also recognized in GASB Statement 31 the need to report investments at fair value at fiscal year end.~~

~~Government officials should be aware of state, local, accounting, and rating agency requirements regarding mark-to-market practices.~~

~~**Recommendation.** The Government Finance Officers Association (GFOA) recommends that state and local government officials responsible for investment portfolio reporting determine the market value of all securities in the portfolio on at least a quarterly basis. These values should be obtained from a reputable and independent source and disclosed to the governing body or other oversight body at least quarterly in a written report. It is recommended that the report include the market value, book value, and unrealized gain or loss of the securities in the portfolio.~~

~~Many state and local government officials are allowed to invest in various state and local government investment pools available in their state or region. GFOA recommends that pool administrators, on a daily basis, determine the market value of all securities in the pool and report this information to all pool participants on at least a monthly basis. These values should be obtained from a reputable and independent source. This information should be included in the report to the governing body prepared on at least a quarterly basis.~~

~~**References**~~

- ~~• *An Elected Official's Guide to Investing*, M. Corinne Larson, GFOA, 1996.~~
- ~~• *GASB Statement 31 and Implementation Guide*.~~
- ~~• *Investing Public Funds, Second Edition*, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.~~

~~**Recommended for Approval by the Committee on Cash Management, January 23, 2003.**~~

~~**Approved by the GFOA's Executive Committee, February 28, 2003.**~~

Illinois Funds - Money Market Fund (The)

Principal Stability Fund Ratings Definitions

AAAm A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings

AAm A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Am A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories

BBBm A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

BBm A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

Plus (+) or Minus (-)
The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

About the Pool

Pool Rating	AAAm
Pool Type	Stable NAV Government Investment Pool
Investment Adviser	Office of the Treasurer (Portfolio Management Division)
Portfolio Manager	Robert Holley
Pool Rated Since	October 1996
Custodian	U.S. Bank

Fund Highlights

- The Illinois Funds - Money Market Fund has served public entities in Illinois for over 30 years.
- The pool invests in very liquid, high-quality short-term investments.

Rationale

Standard & Poor's rates the Illinois Funds - Money Market Fund 'AAAm'. This rating is based on Standard & Poor's analysis of the pool's credit quality, market price exposure, and management. The rating demonstrates that the fund has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.

Overview

The Illinois Funds - Money Market Fund was developed and implemented in 1975 by the Illinois General Assembly under the jurisdiction of the treasurer. It was created to provide an investment alternative for public treasurers across the state. Today, there are over 7,000 taxing entities in the State of Illinois; currently, the fund is comprised of over 6,800 accounts. The purpose of the Illinois Funds - Money Market Fund is to provide public treasurers within the state of Illinois an alternative investment vehicle that enables the treasurers to earn a competitive rate of return while they maintain immediate access to invested funds. Any custodian of public funds in Illinois qualifies for participation in the Illinois Funds - Money Market Fund.

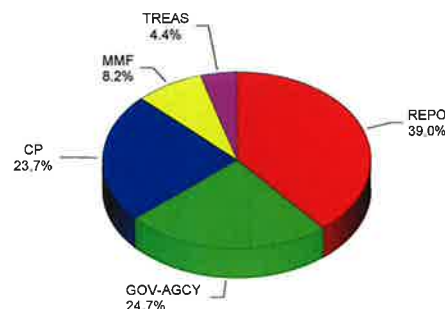
Management

The investment management duties for the Illinois Funds are assumed by the Portfolio Management Division of The Office of the Illinois State Treasurer. Robert Holley is the Director and portfolio manager. The portfolio manager reports directly to the Chief Finance Officer, Rodrigo Garcia, who reports directly to the Deputy Treasurer, Jay Rowell, who reports to

S&P Global Ratings Analyst: Michael Masih (1) 212-438-1642

Participants should consider the investment objectives, risks and charges and expenses of the pool before investing. The investment guidelines which can be obtained from your broker-dealer, contain this and other information about the pool and should be read carefully before investing.

Portfolio Composition as of March 25, 2016



REPO - Repurchase Agreement; GOV-AGCY - Agency and Government; CP - Commercial Paper; MMF - Money Market Fund; TREAS - Treasury

the state Treasurer, Michael W. Frerichs. The investment policy committee is comprised of the Treasurer, Deputy Treasurer, Chief of Staff, Chief Finance Officer, Portfolio Manager, Manager of Banking, Cash Management Officer, Chief Legal Counsel and Director of Accounting. U.S. Bank provides the pool with administrative and distribution services.

Portfolio Assets

The Illinois Funds - Money Market Fund invests in U.S. Treasury obligations, repurchase agreements collateralized at 102% by U.S. Treasury obligations, certificates of deposit issued by an Illinois financial institution, U.S. agency mortgage-backed securities, and U.S. Treasury only money-market funds rated 'AAAm' by Standard & Poor's. Other investments include commercial paper rated in one of the two highest rating categories by Standard & Poor's with a maximum final maturity of 270 days, and no asset-backed securities will be included. The final maturity on all securities is limited to one year. According to stated investment guidelines, the pool is prohibited from investing in reverse repurchase agreements.

Principal Stability Rating Approach and Criteria

A S&P Global Ratings principal stability fund rating, also known as a "money market fund rating", is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, S&P Global Ratings analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter maturity and higher quality investments.

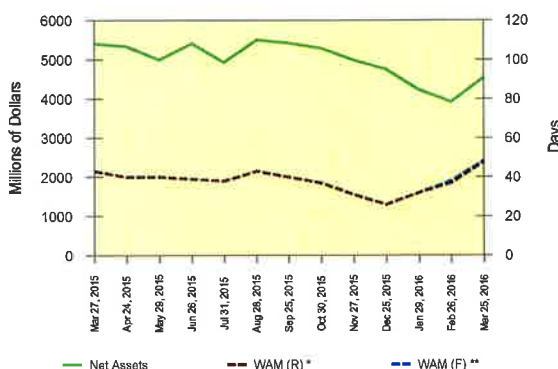
Principal stability fund ratings, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from a S&P Global Ratings traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects S&P Global Ratings view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

Illinois Funds - Money Market Fund (The)

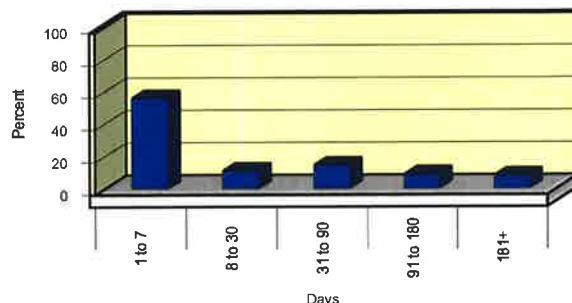
Data Bank as of March 25, 2016

Net Asset Value per Share.....	\$1.00006	Net Assets (millions).....	\$4,550.50	Inception Date.....	January 1976
WAM (R) *	48 days	WAM (F) **.....	48 days	7 Day Yield.....	0.27%
* Weighted Average Maturity (Reset)		** Weighted Average Maturity (Final)			

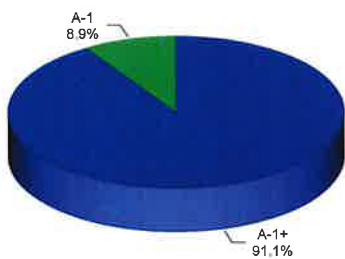
Net Assets, WAM (R) and WAM (F)



Portfolio Maturity Distribution as of March 25, 2016

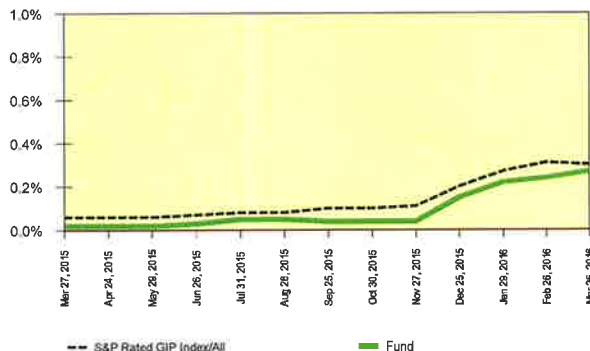


Portfolio Credit Quality as of March 25, 2016 *



*As assessed by S&P Global Ratings

Portfolio 7 Day Net-Yield Comparison *



*S&P 'AAAm' Money Fund Indices are calculated weekly by iMoneyNet, Inc., and are comprised of funds rated or assessed by S&P Global Ratings to within the specific rating categories. The S&P Global Ratings Rated LGIP Indices are calculated weekly by S&P Global Ratings and are comprised of 'AAAm' and 'AAm' government investment pools. *The yield quoted represents past performance. Past performance does not guarantee future results. Current yield may be lower or higher than the yield quoted.*

Pool portfolios are monitored weekly for developments that could cause changes in the ratings. Rating decisions are based on periodic meetings with senior pool executives and public information.

S&P Global Ratings is neither associated nor affiliated with the fund.

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Michael W. Frerichs

ILLINOIS STATE TREASURER

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Illinois Funds Investments

The Treasurer's office has received numerous inquiries regarding the recent developments with the investments in the Illinois Metropolitan Investment Fund "IMET" portfolio as to a possible comparison to the Illinois Funds. It is our understanding that the investments that have caused a restriction of funds for IMET relate to USDA guaranteed loans either as a direct purchase, or as collateral on a repurchase agreement. This form of investment and/or collateral is **NOT and CANNOT** be used by the Illinois Funds.

Investments in The Illinois Funds are governed by the Public Funds Investment Act (30 ILCS 235/2) and the Deposit of State Monies Act (15 ILCS 520/22.5). Both of these statutes dictate allowable investments made by The Illinois Funds as well as limit the available collateral for repurchase agreements. In no case are **LOANS** of any kind, guaranteed or not, acceptable as collateral or as a direct investment for The Illinois Funds. For collateral of repurchase agreements the statutes limit acceptable collateral to securities issued by the US Treasury or US Government Agencies.

**STATE OF ILLINOIS
OFFICE OF THE TREASURER**

Inventory Report

Position holdings as of July 29, 2016

Primary Identifier	Security Description	Maturity	Yield	Cost	Market Value
<u>REPURCHASE AGREEMENTS</u>					
99BMO0125	Bmo Capital Markets	8/1/2016	0.290	150,000,000.00	150,000,000.00
99BNS0125	Bank Of Nova Scotia	8/1/2016	0.320	300,000,000.00	300,000,000.00
99HSBC0125	Hsbc	8/1/2016	0.280	880,000,000.00	880,000,000.00
99SNT0125	Sun Trust	8/1/2016	0.300	100,000,000.00	100,000,000.00
99WFC0125	Wells Fargo	8/1/2016	0.300	50,000,000.00	50,000,000.00
TOTAL REPURCHASE AGREEMENTS				<u>1,480,000,000.00</u>	<u>1,480,000,000.00</u>
<u>COMMERCIAL PAPER</u>					
00084BHQ0	Abn Amro	8/24/2016	0.641	19,991,822.22	19,994,135.60
00084BJ13	Abn Amro	9/1/2016	0.651	29,983,208.33	29,988,241.80
00084BJT2	Abn Amro	9/27/2016	0.604	49,953,291.67	49,961,666.50
00084BKK9	Abn Amro	10/19/2016	0.696	19,970,155.55	19,976,721.20
00084BKR4	Abn Amro	10/25/2016	0.758	29,947,583.33	29,961,500.10
00282CH54	Abbott Laboratories	8/5/2016	0.646	39,997,244.44	39,997,355.60
00282CHG0	Abbott Laboratories	8/16/2016	0.653	49,986,875.00	49,990,875.00
00282CHQ8	Abbott Laboratories	8/24/2016	0.662	49,979,555.55	49,986,422.00
03948GH89	Archer Daniels Midland Co.	8/8/2016	0.436	29,997,666.67	29,996,850.00
03948GHK2	Archer Daniels Midland Co.	8/19/2016	0.439	29,993,625.00	29,993,000.10
06366GJP5	Bank Of Montreal	9/23/2016	0.620	39,963,546.65	39,968,764.40
06366GJS9	Bank Of Montreal	9/26/2016	0.640	39,960,241.39	39,966,763.20
06366GKH1	Bank Of Montreal	10/17/2016	0.601	24,967,916.66	24,967,333.25
06366GLU1	Bank Of Montreal	11/28/2016	0.863	49,857,861.11	49,865,291.50
19121AJ85	Coca Cola	9/8/2016	0.611	24,983,902.78	24,988,753.50
19121AJ93	Coca Cola	9/9/2016	0.591	44,971,237.50	44,979,210.00
19121AKJ9	Coca Cola	10/18/2016	0.591	39,949,733.34	39,960,940.00

19121AL82	Coca Cola	11/8/2016	0.624	34,941,287.50	34,953,193.45
19121ALH2	Coca Cola	11/17/2016	0.702	24,947,500.00	24,961,766.75
40434PJL1	HSBC USA, Inc.	9/20/2016	0.621	49,956,944.45	49,960,471.00
40434PKD7	HSBC USA, Inc.	10/13/2016	0.701	34,950,319.44	34,950,716.15
40434PL12	HSBC USA, Inc.	11/1/2016	0.812	39,919,755.55	39,919,461.20
40434PM60	HSBC USA, Inc.	12/6/2016	0.909	84,728,625.69	84,744,314.90
43851TLA2	Honeywell Intl, Inc.	11/10/2016	0.515	16,726,503.47	16,721,982.78
4497W0H35	ING Funding LLC	8/3/2016	0.520	49,998,555.56	49,996,104.00
45920FHP6	IBM Corp.	8/23/2016	0.400	39,990,466.67	39,990,583.20
59515MNB7	Microsoft	1/11/2017	0.662	49,850,583.48	49,885,644.50
62478XKH2	Mufg Union Bank	10/17/2016	0.601	49,935,833.33	49,943,666.50
64105GHG2	Nestle Capital Corp.	8/16/2016	0.551	29,993,125.00	29,996,118.30
64105GKJ2	Nestle Capital Corp.	10/18/2016	0.550	19,976,600.00	19,975,880.00
6698M4JK9	Novartis	9/19/2016	0.517	64,680,542.71	64,686,294.45
6698M4JT0	Novartis	9/27/2016	0.525	33,972,545.00	33,975,633.22
71708EH99	Pfizer, Inc.	8/9/2016	0.471	49,994,777.78	49,995,264.00
71708EKC8	Pfizer, Inc.	10/12/2016	0.513	24,975,000.00	24,979,166.75
89116EHN6	Toronto Dominion	8/22/2016	0.561	99,967,333.34	99,970,800.00
89116EJ61	Toronto Dominion	9/6/2016	0.604	49,970,500.00	49,973,296.00
89116EKQ5	Toronto Dominion	10/24/2016	0.748	29,948,900.00	29,945,625.00
TOTAL COMMERCIAL PAPER				<u>1,493,881,166.16</u>	<u>1,494,069,805.90</u>

U.S. TREASURY NOTES

912828F47	United States Treasury Note	9/30/2016	0.418	24,999,709.19	25,009,400.00
912828F88	United States Treasury Note	10/31/2016	0.526	24,990,710.47	25,005,850.00
912828G46	United States Treasury Note	11/30/2016	0.574	49,980,866.62	50,024,700.00
912828H29	United States Treasury Note	12/31/2016	0.625	25,000,000.00	25,026,275.00
912828H78	United States Treasury Note	1/31/2017	0.634	49,957,034.10	50,019,600.00
912828K41	United States Treasury Note	7/30/2016	0.395	15,000,000.00	15,004,230.00
TOTAL U.S. TREASURY NOTES				<u>189,928,320.38</u>	<u>190,090,055.00</u>

FHLB DEBENTURES

3130A3J70	Federal Home Loan Bank	11/23/2016	0.625	15,000,000.00	15,008,145.00
3130A5XU8	Federal Home Loan Bank	8/12/2016	0.430	25,000,000.00	25,001,075.00

3130A6BD8	Federal Home Loan Bank	9/9/2016	0.510	25,000,000.00	25,005,025.00
3130A7AG0	Federal Home Loan Bank	8/8/2016	0.585	10,000,000.00	10,010,250.00
3130A83L5	Federal Home Loan Bank	8/10/2016	0.563	39,992,107.08	39,979,440.00
3130A8F32	Federal Home Loan Bank	8/5/2016	0.548	29,998,020.30	29,990,070.00
3130A8L43	Federal Home Loan Bank	8/23/2016	0.524	50,000,000.00	50,010,100.00
3130A8P49	Federal Home Loan Bank	8/12/2016	0.538	9,999,500.00	9,999,810.00
3130A8RA3	Federal Home Loan Bank	8/18/2016	0.571	5,000,000.00	4,999,395.00
3130A8S87	Federal Home Loan Bank	8/20/2016	0.576	25,000,000.00	24,996,950.00
3130A8UD3	Federal Home Loan Bank	8/25/2017	0.710	35,000,000.00	34,991,845.00
TOTAL FHLB DEBENTURES				<u>269,989,627.38</u>	<u>269,992,105.00</u>

FHLB DISCOUNT NOTES

313384B32	Federal Home Loan Bank	8/8/2016	0.562	9,998,911.11	9,999,640.00
313384D89	Federal Home Loan Bank	8/29/2016	0.552	19,991,444.44	19,997,100.00
313384D97	Federal Home Loan Bank	8/30/2016	0.552	19,991,138.88	19,996,140.00
313384E47	Federal Home Loan Bank	9/2/2016	0.461	24,989,777.78	24,994,425.00
313384G52	Federal Home Loan Bank	9/19/2016	0.501	24,982,986.11	24,991,450.00
313384N39	Federal Home Loan Bank	11/4/2016	0.516	34,952,434.03	34,968,045.00
TOTAL FHLB DISCOUNT NOTES				<u>134,906,692.35</u>	<u>134,946,800.00</u>

FHLMC DEBENTURES

3137EADS5	Federal Home Loan Mortgage Corporation	10/14/2016	0.581	50,029,590.95	50,046,800.00
3137EADU0	Federal Home Loan Mortgage Corporation	1/27/2017	0.473	15,950,408.16	15,956,276.40
TOTAL FHLMC DEBENTURES				<u>65,979,999.11</u>	<u>66,003,076.40</u>

FHLMC DISCOUNT NOTES

313396Q63	Federal Home Loan Mortgage Corporation	11/23/2016	0.511	11,980,620.00	11,986,848.00
TOTAL FHLMC DISCOUNT NOTES				<u>11,980,620.00</u>	<u>11,986,848.00</u>

FNMA DEBENTURES

31359MEL3	Federal National Mortgage Association	6/1/2017	(5.129)	14,922,399.92	14,916,975.00
3135G0L27	Federal National Mortgage Association	9/20/2016	0.611	44,996,329.66	45,029,250.00
TOTAL FNMA DEBENTURES				<u>59,918,729.58</u>	<u>59,946,225.00</u>

FNMA DISCOUNT NOTES

313588A47	Federal National Mortgage Association	8/1/2016	0.402	25,000,000.00	25,000,000.00
313588R64	Federal National Mortgage Association	12/1/2016	0.521	24,955,944.40	24,966,100.00
TOTAL FNMA DISCOUNT NOTES				49,955,944.40	49,966,100.00

FFCB DEBENTURES

3133EE4G2	Federal Farm Credit Bank	8/11/2016	0.400	25,000,000.00	25,001,000.00
3133EGMG7	Federal Farm Credit Bank	8/2/2016	0.578	50,000,000.00	49,979,350.00
TOTAL FFCB DEBENTURES				75,000,000.00	74,980,350.00

FFCB DISCOUNT NOTES

313312E97	Federal Farm Credit Bank	9/7/2016	0.501	24,987,152.78	24,992,300.00
313312N97	Federal Farm Credit Bank	11/10/2016	0.542	19,969,700.00	19,980,580.00
313312P95	Federal Farm Credit Bank	11/18/2016	0.639	39,922,943.05	39,958,080.00
313312S50	Federal Farm Credit Bank	12/8/2016	0.663	24,940,875.00	24,968,550.00
313312S92	Federal Farm Credit Bank	12/12/2016	0.653	14,963,979.17	14,980,545.00
TOTAL FFCB DISCOUNT NOTES				124,784,650.00	124,880,055.00

FOREIGN GOVERNMENT AGENCY ISSUES

4581X0CJ5	Inter-American Development Bank	9/12/2016	0.690	14,998,447.88	15,004,455.00
459052D86	International Bank for Reconstruction and Development	8/29/2016	0.511	29,988,100.01	29,995,650.00
459052P67	International Bank for Reconstruction and Development	11/15/2016	0.521	24,961,722.22	24,974,525.00
459058CG6	International Bank for Reconstruction and Development	4/17/2017	0.660	9,817,951.42	9,815,636.07
459058DS9	International Bank for Reconstruction and Development	10/14/2016	0.679	24,997,293.50	25,012,000.00
45905USB1	International Bank for Reconstruction and Development	5/2/2017	0.763	5,993,142.44	5,996,640.00
45905UXQ2	International Bank for Reconstruction and Development	8/26/2016	0.621	25,000,000.00	24,996,300.00
TOTAL FOREIGN GOVERNMENT AGENCY ISSUES				135,756,657.47	135,795,206.07

MONEY MARKET FUNDS

52470G791	Legg Mason Western Asset Inst Gov't	7/30/2016	0.290	329,697,937.86	329,697,937.86
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61747C707	Morgan Stanley Liq Govt Inst	7/30/2016	0.260	135,843.98	135,843.98
825252885	Short-term Invts Tr Gov Agn Instl	7/30/2016	0.276	<u>103,959,581.03</u>	<u>103,959,581.03</u>
TOTAL MONEY MARKET FUNDS				<u>433,793,362.87</u>	<u>433,793,362.87</u>
REPORT TOTAL				<u><u>4,525,875,769.70</u></u>	<u><u>4,526,449,989.24</u></u>



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About IMET

The Illinois Metropolitan Investment Fund (IMET) is a governmental investment fund created under the Illinois Municipal Code. IMET actively manages two investment funds for municipal treasurers, official custodians of municipal funds, and other public agencies in the State of Illinois. These funds are the IMET 1-3 Year Series and the IMET Convenience Series. IMET also offers arbitrage rebate calculation services for participants whose bond proceeds are subject to federal arbitrage restrictions. The investment fund is controlled by and for Illinois public funds managers and finance officers to enhance investment opportunity. The 1-3 Year Fund provides the highest U.S. Government Securities' rating.



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The Illinois Metropolitan Investment Fund (IMET) was developed in July 1996 as a cooperative endeavor to assist Illinois public entities with the investment of their intermediate-term dollars. IMET was established as a not-for-profit investment fund under the [Illinois Municipal Code](#). Currently serving 274 [municipalities and related governmental bodies](#), IMET offers two separate investment vehicles to meet the investment needs of public funds.

The IMET 1-3 Year Fund is designed as an investment vehicle for public funds not required to be spent in the near term and are available for investment in securities with slightly longer average maturities. Although the 1-3 Year Fund is designed for funds that may be invested for a year or more, there is no minimum investment term and there are no "early" withdrawal/redemption fees or penalties for funds invested for less than one year.

The 1-3 Year Fund provides 5 day liquidity; participants are able to redeem investment shares with 5 business days notice to the IMET Operations desk. The IMET 1-3 Year Fund has a fluctuating net asset value (NAV) and an average portfolio maturity of 1-to-3 years. IMET invests exclusively in U.S. government backed securities (Treasuries and Agencies). The IMET 1-3 Year Fund provides the highest U.S. Government Securities' rating.

The IMET Convenience Fund (CVF) is a short-term money market instrument collateralized via FDIC Insurance, the FHLB LOC Program, and Government Securities at 110% on bank deposits. The IMET Convenience Fund provides for the convenient investment of bond proceeds, for the temporary investment of longer-term intermediate funds, and/or for cash management and liquidity purposes. The Convenience Fund rate is pegged to the Federal Funds Target Rate. The current fed funds target rate is 0.25% - 0.50% . **The current Convenience Fund rate is listed on [IMET's home page](#).**

How do I start investing?



Opening your account is simple! Your governing body must pass an ordinance or a resolution authorizing participation in IMET, then complete an [IMET Account Application](#). Return the form and establish an account with an initial investment of \$50,000 or more. [More about joining IMET »](#)



**Illinois Metropolitan
Investment Fund**

**Convenience Fund
6/30/2016**

The IMET Convenience Fund portfolio may be comprised of FDIC insured CDs, collateralized CDs, liquid bank deposits collateralized by the FHLB LOC program and liquid bank deposits collateralized at >105% with government securities. Additional investments may include US Government Securities.

Below is a summary of the Convenience Fund holdings followed by collateral reports describing the securities that have been pledged for the liquid assets and collateralized CDs of the IMET Convenience Fund. All securities pledged as collateral for IMET's Convenience Fund are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Bank Deposits	
Associated Bank	\$366,900,948.83
USAmeriBank	\$40,159,526.00
Certificates of Deposits	\$19,955,000.00
US Government Agency Securities	\$29,990,000.00
Total as of 6/30/2016	\$457,005,474.83

**VILLAGE OF CAROL STREAM
INVESTMENT POLICY REVIEW**

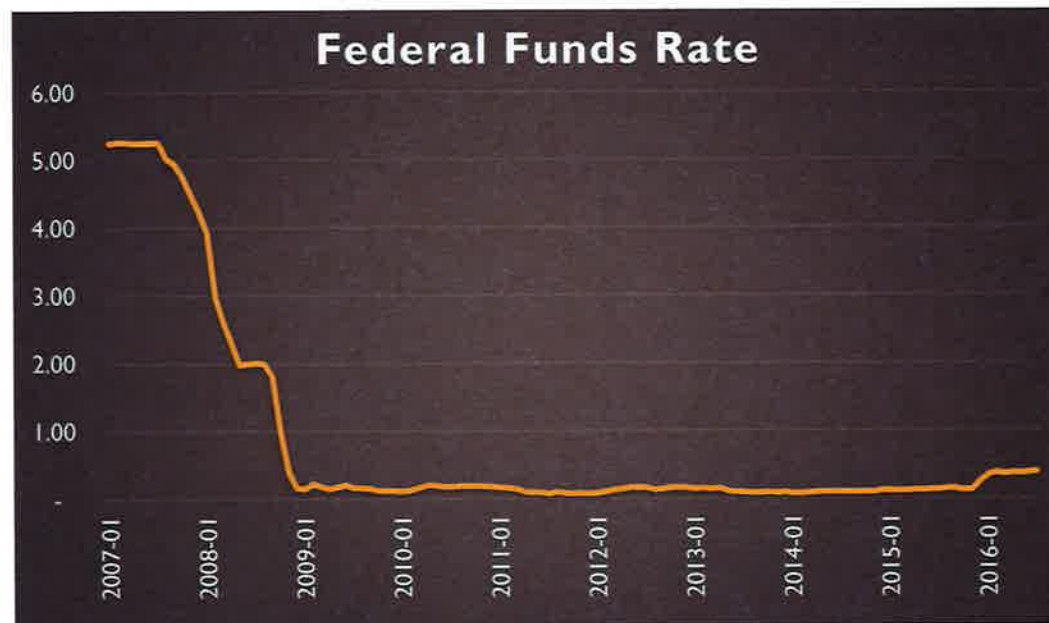
Monday, November 21, 2016

INVESTMENT POLICY REVIEW

- Last update to Village Investment Policy – July 2009.
- Village’s investment program different than Police Pension Fund.
- Investment parameters governed by Public Funds Investment Act.
 - Very restrictive as to types of available investments.
 - U.S. Treasury Securities (full faith and credit).
 - U.S. Agency/Instrumentality Securities (full faith and credit).
 - Savings accounts, CDs.
 - Commercial Paper (high quality short-term corporate obligations).
 - Municipal Bonds
 - Public Treasurer’s Investment Pool (Illinois Funds / IMET)
 - No equity investments.
- Village’s Investment Policy is modeled after Government Finance Officers Association Best Practices.

INVESTMENT POLICY REVIEW

Village investment program has been limited to participation in investment pools since 2009 (Illinois Funds and Illinois Metropolitan Investment Fund).



INVESTMENT POLICY REVIEW

Investment Policy Objectives (in order of priority):

SAFETY
LIQUIDITY
RETURN

INVESTMENT POLICY REVIEW

SAFETY

Mitigation of Risk

- Credit Risk – Risk of default by the security issuer.
- Interest Rate Risk – Risk that changes in interest rates will adversely impact the value of investments held.
 - Village is a “passive investor” (buy and hold to maturity).
 - Investment options kept to short-term (4 year max per policy).
 - The Village does not attempt to “time the market”.

INVESTMENT POLICY REVIEW

LIQUIDITY

- Investment program places investments so that funds mature and are available for use when needed.
 - This involves some general cash flow forecasting/modeling.
 - Reduces interest rate risk associated with needing to sell securities prior to their maturity.
 - We will structure investment maturities in a traditional “laddered” portfolio.

INVESTMENT POLICY REVIEW

INVESTMENT CUSTODY

- Unless fully covered by FDIC insurance, investments will be held by an independent 3rd party custodian.
- Investment transactions will be conducted on a “Delivery versus Payment (DVP)” basis. Funds will not be released on purchases until investment is delivered and received by 3rd party custodian in good order.

INVESTMENT POLICY REVIEW

COLLATERALIZATION OF DEPOSITS

- All cash deposits in excess of FDIC limits shall be collateralized with pledged securities held by an independent 3rd party.

INVESTMENT POLICY REVIEW

POLICY UPDATES

- Minor clean-up language, terminology.
- Section 5.0: Authorized Financial Institutions, Depositories and Broker/Dealers
 - Updated FDIC coverage limits from \$100,000 to \$250,000.
- Section 7.0: Suitable and Authorized Investments
 - Updated to reflect minor changes in Public Funds Investment Act.
 - Deleted reference to Attachment #1 concerning derivative investments – not authorized by existing policy.

INVESTMENT POLICY REVIEW

POLICY UPDATES (cont'd)

- Section 7.1: Collateralization
 - Deleted reference to Attachment #3 which was a customized version of a model collateralization agreement. Collateral agreements have become more standardized over the years and banks are less willing to execute customized agreements. New collateral arrangements will be negotiated at the time of a new banking services contract.
 - The Village will continue to require the pledge and delivery of securities by the bank to a 3rd party custodian at 105% of balances held in the financial institution.

INVESTMENT POLICY REVIEW

POLICY UPDATES (cont'd)

- Section 8.1: Diversification
 - Increased allowable allocation in Certificates of Deposit from 25% to 33% of the total investment portfolio.
 - We will be looking at participating in a brokered CD program, with each individual CD having a principal amount of \$250,000 or less to stay within FDIC coverage limits.
 - Excluded safekeeping/custodian accounts and the Illinois Funds from the 40% invested in one financial institution limit.
 - Safekeeping is by design a 3rd party independent agent for the Village rather than having brokers hold securities that were purchased.
 - The Illinois Funds is a fully collateralized institution that may need to serve as a repository for matured investment assets should we again need to “moth ball” our investment program during future recessionary periods.

**VILLAGE OF CAROL STREAM
INVESTMENT POLICY REVIEW**

IMET Update

IMET UPDATE

- 9/29/2014 – IMET was informed of defaults on repurchase agreements involving loans guaranteed by the USDA. \$50.4 million or 2.8% of IMET Convenience Fund holdings. Carol Stream share of the \$50.4 million is \$902,057.
- 10/8/14 – IMET reports losses to Village. USDA approved lender First Farmers Financial (FFF) forged loan documents to fictitious borrowers and pocketed loan proceeds. IMET agent Pennant Management along with other purchasers lost \$179 million in total from fraud scheme.
- 10/16/14 – Pennant sends demand letter to USDA to make good on loans under “full faith and credit” obligation.
- 10/20/14 – USDA denies coverage of losses, citing non-existence of USDA authorized loans (forged).
- 11/10/14 – Village withdraws substantially all of its holdings in IMET. Initial receiver appointed by the court.
- 11/13/14 – IMET enters into tolling agreement with Pennant in effort to place primary focus on recovery of losses.

IMET UPDATE

- 2/9/15 – Village receives first recovery of \$15,719 from FFF fraud.
- 2/17/15 – Village executes tolling agreement with IMET.
- 4/17/15 – Village receives second recovery of \$29,155 from FFF fraud. Total recoveries = \$44,874 or 5% of initial losses.
- 4/23/15 – Court appoints overall receiver to handle identification and liquidation of assets for the benefit of fraud victims.
- Summer-Winter 2015/16 – Overall receiver markets and liquidates five hotel properties associated with the defendant's firm FFF.
- September 2015 – Members are given notice of possible claims of the United States (IRS and USDA) on receivership assets, thus delaying additional distributions to victims. IMET files suit against USDA.
- 2/18/16 – IMET reduces estimate of net recoveries at 47.6% of losses (from 53.5%).
- 6/21/16 – \$72.6 million currently held in receivership awaiting distribution and removal of Federal claims against receivership assets which are currently being discussed.

IMET UPDATE

- No word on possible future distributions to fraud victims at present - pending resolution of U.S. Government claims.
- Estimated recoveries at present only include seized assets under control of receiver. Does not include possible insurance claims or litigation against various other parties at present or in the future.
- This will continue to be a lengthy process due to the complexity and number of parties involved in the case.
- Village continues to be transparent in the progress in the case through regular web-site updates.

Village of Carol Stream
Interdepartmental Memo

TO: Joe Breinig, Village Manager
FROM: Philip J. Modaff, Director of Public Works
DATE: November 15, 2016
RE: Review of Anti-icing and De-icing Practices

Over the past several years the Village has made efforts to more effectively and efficiently manage salt usage during snow and ice season. Besides the operational benefits of implementing best management practices, there have been several other reasons as well:

- The cost of salt is significant and pricing from one year to the next has been unstable over the last decade (ranging from \$50/ton to over \$100/ton).
- In the recent past an historic winter season resulted in a serious shortage of salt throughout the region.
- The caustic nature of road salt causes damage to pavement, curb and gutter, storm sewers, parkway grass and trees.
- The IEPA has been increasingly focusing on reduction of chlorides in waterways; the most significant contributor of chlorides in waterways is road salt.

Over the past several winters Public Works has undertaken a number of operational changes to improve the effectiveness of our anti-icing and de-icing operations, with a goal of reducing salt usage and the subsequent damage to waterways. Some of those steps include:

- Regular calibration of salt-spreading equipment
- Increased use of anti-icing on streets before a snow or ice event
- Increased use of supplemental de-icing products (organics, pre-wetting systems, etc.) to decrease the amount of salt needed to produce desired effects
- Increased in-house production capability of brine
- Significant investment in training on the local, state and national levels for supervisory personnel and operators.
- Improved understanding and collection of weather data to better inform anti-icing and de-icing tactics and strategies.
- Clear and specific instruction to drivers before and during deployment regarding the de-icing strategies to be used based upon weather conditions.
- Better tracking of salt usage per truck and per event for analysis by supervisory staff for refinement of strategies and tactics.

In addition to these operational efforts the Village also adopted some moderate conservation measures following the recent winter where salt shortages forced most agencies to restrict their application of salt.

Following that winter season Carol Stream assessed the impact of the conservation measures and determined that some of the changes could be permanently incorporated into the annual Snow and Ice Control Plan. These changes included:

- elimination of salting on courts and cul-de-sacs (unless there is an ice storm) with the understanding that this may result in snow pack on these streets;
- reduction of salt usage during plowing operations of a long duration (salt will be trickled lightly on the street crown during the first pass and then only as needed on the final pass);
- request that the Park District and two school districts that get salt from the Village also put salt conservation measures into place where possible;
- expand the use of salt brine and other melting agents when weather conditions allow during salting operations (in addition to the on-going anti-icing efforts done in the day(s) prior to a storm)

In advance of the upcoming winter season staff has prepared all of the equipment and completed training with all operators to insure the benefit of these conservation measures in the upcoming season.

As winter approaches and throughout the season staff will make frequent use of various social media outlets to inform residents and businesses of our broader strategies as well as specific plans for upcoming winter storms. We have found in the past year that providing information to residents and businesses before, during and after an event is generally appreciated.