

## INVESTMENT OF PUBLIC FUNDS POLICY

### □ POLICY

It is the policy of the Bloomington Public Library to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds, including 30 ILCS 235.

### □ SCOPE

This policy applies to all cash management and investment activity of all financial assets and all funds governed by the Library Board of Trustees.

### □ PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers, acting in accordance with this Policy and the written procedures of the Library, and exercising due diligence, shall be relieved of personal responsibility for a security's credit risk or market price/value changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### □ OBJECTIVE

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered in the priority listed:

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

The portfolio should be reviewed monthly as to its effectiveness in meeting the Library's needs for safety, liquidity, rate of return, diversification, and its general performance.

□ **DELEGATION OF AUTHORITY**

Management and administrative responsibility for the investment program is hereby delegated to the Treasurer who, under the direction of the Library Board of Trustees, shall establish internal controls and written procedures for the operation of the investment program.

□ **ETHICS AND CONFLICT OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair the ability to make impartial decisions. Officers and employees involved in the investment process shall disclose to the Library's attorney any personal financial interests that may be perceived as conflicting in order to ensure that no violation of statutory or common law occurs with regard to the Library's investment program. All activity conducted in the administration of this policy shall adhere to the Ethics Policy as approved by the Library Board of Trustees.

**Commented [SG1]:** If the Library has an Ethics Policy you may want to make specific reference to it in this section.

□ **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

Any investment advisors, money managers, broker/dealer, and financial institutions shall be considered and authorized only by the action of the Library Board of Trustees upon the recommendation of the Treasurer. The Treasurer will maintain a list of financial institutions authorized to provide investment services.

□ **AUTHORIZED AND SUITABLE INVESTMENTS**

Investments will be made only in deposits and investments authorized by 30 ILCS 235 and that satisfy the investment objectives of the Library.

Funds on deposit (checking accounts, certificates of deposits, etc.) at any financial institution (i.e. – bank, credit union, etc.) that are in excess of FDIC limits must be secured by the following, witnessed by a written collateral agreement:

- In respect to pledged securities, the Bloomingdale Public Library will accept as collateral deposits and investments that are authorized by 30 ILCS 235. In addition, the Bloomingdale Public Library will accept as collateral Federal Home Loan Bank letters of credit.
- The fair market value of the collateral pledged by the financial institution holding deposits of the Library shall not be less than 103% of the amortized book value of the Library's deposits at that financial institution.

**Commented [SG2]:** "...a written collateral agreement pursuant to and in compliance with any FDIC criteria at 110% of the excess deposit amount, including any accrued interest. Any collateral to be pledged shall comply with the types of securities authorized by 30 ILCS 235. Additionally, excess deposit amounts may be secured with a Federal Home Loan Bank irrevocable Letter of Credit equal to 1xx% of the excess deposit amount, including any accrued interest.

IF THE ABOVE LANGUAGE IS ACCEPTED/USED THEN THE LANGUAGE OF THE TWO BULLET POINTS COULD BE DELETED.

**Commented [SG3]:** Would the Library want to consider accepting a Letter of Credit provided by a Federal Home Loan Bank as collateral against excess deposits? If so, include a statement to that fact.

## □ SAFEKEEPING AND CUSTODY

A safekeeping and/or confirmation receipt shall evidence all Certificated of Deposit and investment transactions of the Bloomingdale Public Library. Certificates of Deposit may be held at the issuing financial institution provided the Certificates of Deposits are identified to the Bloomingdale Public Library and are FDIC insured and/or properly secured by collateral. Investment securities may be held at a broker/dealer provided the securities are identified to a specific Bloomingdale Public Library account and said account is covered by insurance provided through the Securities Investor Protection Corporation (SIPC).

## □ DIVERSIFICATION

The Library shall diversify its investments to reduce or eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity. Investments held by the Bloomingdale Public Library shall have a maturity of 5 years or less.

**Commented [SG4]:** Consider whether the Library wants to explicitly state a maximum maturity for any given investment.

Consider whether the Library wants to explicitly state an average maturity or duration of the investment portfolio, as a whole or by Fund.

## □ LIQUIDITY

In general, investments should be managed to meet the liquidity needs of the Library and the respective Fund.

**Commented [SG5]:** The subject of this Section seems to be covered in the Diversification Section with the language, "...and the cash flow needs of those fund."

## □ INTERNAL CONTROL

The Treasurer is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the Library are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The internal controls shall address the following, although not exhaustive, points:

- Control of collusion
- Separation of transaction authority from accounting
- Custodial safekeeping
- Written confirmation for investments and wire transfers

**Commented [SG6]:** Consider adding language to address the Accounting of investment transactions.

## □ REPORTING

The Treasurer shall prepare an investment report at least monthly. The report shall be provided to the Library Board of Trustees and available on request including information of the investment portfolio's effectiveness in meeting the Library's needs for legality, safety, liquidity, rate of return, and diversification. The report shall be in a format suitable for review by the general public. An annual report should also be provided to the Board. A written quarterly report on investments shall be presented to the Library Board by the Library Director, the report shall include a listing of all investments by class or type, by value, income earned and market value,

**Commented [SG7]:** Consider choosing and adding an appropriate Index by which the effectiveness and performance of the "Investment Program" can be measured.

the report shall include an index by which the effectiveness and performance of the Library's investments can be measured.

#### □ INVESTMENT ADVISERS

The Treasurer of the Library shall serve as investment adviser to the Library until such time as the Board of Library Trustees determines to delegate authority and employ one or more independent investment advisers. Should the Board take action, said investment adviser(s) shall possess superior capabilities in the management of assets of governmental bodies and shall meet the following conditions:

- To take actions in the exercise of its discretion which in its best professional judgment are in the best interests of the Library and in accordance with this Policy. Such actions include but are not limited to (a) the allocation of Library funds among alternative types of investments; (b) specific investment opportunities regarding the acquisition, retention or disposition of investments and (c) the recommendation of the addition, deletion or modification of authorized investments.
- To execute all investment transactions on behalf of the Library at the best net price, utilizing such approved brokers and dealers as it deems appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy, at the lowest cost to the Library.
- Such additional responsibilities as are set forth in such investment advisor's written contact with the Library.
- Any independent investment advisor shall agree in writing to be a fiduciary of the Bloomingdale Public Library.

**Commented [SG8]:** Consider whether or not the investment advisor will be required to be a Fiduciary.

The Library's investment advisor(s) shall be responsible for establishing the internal controls and written procedures for the operation of the Library's investment program as set forth in this Policy.

Approved by the  
Library Board of Trustees