

TITLE: Investment Policy
POLICY NUMBER: 460
EFFECTIVE DATE: 06/21/2023
REVIEW DATE: June 2025
SUPERSEDES: None



Article 1: Purpose and Scope

It is the policy of the Waukegan 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 demand of the library and conforming to all state, local, and federal statutes governing the investment of public funds. The authority of the Board of Library Trustees is to control and invest public funds as defined in the Illinois Public Funds Investment Act (30 ILCS 235/), and the investments permitted are described therein.#

The scope of this policy is all public library funds specified in the Fund Balance Policy. Except for certain restricted or special funds, the Library will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

Article 2: Responsibilities and Standards of Care

Section 2.01 – Delegation of Authority

Management and administrative responsibility for the investment program and execution of these policies is hereby delegated to the Treasurer of the Library Board of Trustees under the authority of the Board and its Bylaws.

The Treasurer will undertake and oversee all approved transactions in conjunction with the Library's Finance & Operations Manager. The Library's Executive Director and Finance & Operations Manager is responsible for establishing internal controls and written procedures for the management of the investment program.

The Treasurer shall be bonded in accordance with Illinois Compiled Statutes (ICS), Chapter 75, Section 5/4-9.

Section 2.02 – Prudence

The standard of prudence to be used under this policy should be the "prudent person" standard. This standard shall be applied in the context of managing an overall portfolio.

Subsection 2.02a – Prudent Person Standard

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.

Section 2.03 – Personal Responsibility

The Prudent Person standard is established for professional responsibility and should be applied in the context of managing the Library's overall portfolio. The Board of Trustees and Library staff acting in accordance with this investment policy and the written procedures of the Library, (and exercising due diligence,) should be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

Section 2.04 – Conflicts of Interest

Any Library employee or Trustee involved in the investment process shall refrain from personal business activities that might conflict with the proper execution and management of this investment program, or that could impair their ability to make impartial decisions, or that could give the appearance of impropriety. They shall disclose any material interests in financial institutions with which the Library conducts business. They shall further disclose any personal or business financial/investment positions that could be related to the performance of the Library's investment portfolio.

Article 3: Objectives and Guidelines

Section 3.01 – Priority of Investments

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered in the priority listed: Legality > Safety > Liquidity > Yield > Local Institutions

Section 3.02 – Definitions of Priorities

Legality: conforming with all legal requirements

Safety: preserving capital (and including diversification appropriate to the nature and amount of the funds) to mitigate credit risk and interest rate risk

Liquidity: managing types and length of investments to enable the Library to meet its cash flow requirements for operations and capital expenditures

Yield: achieve a maximum return in consideration of the foregoing safety and liquidity objectives

Local Institutions: preference will be given to financial institutions located within the City of Waukegan as long as yields are competitive with other institutions for comparable instruments

Section 3.03 - Authorized Financial Institutions

Qualified and licensed financial institutions shall be selected which qualify as depositories or custodians under Illinois Law. In making these selections, the Library District shall consider the financial stability and strength of the institutions and the availability of financial data regarding the institution. Data to be considered during this evaluation may be in the form of audited financial statements, FDIC or NCUA regulatory reports, proof of State registration, evidence of adequate insurance coverage, or certification by the National Association of Security Dealers

(NASD). The library will not select any financial institution in which library funds on deposit would exceed 10% of the institutions's capital stock or net worth.

Upon selection, the institution shall execute a written agreement certifying that they have read and understood the Investment Policy prior to receiving any deposit or funds for investment.

Subsection 3.03a - Investment or Money Managers

Should it become necessary to select an investment or money manager, at least three firms shall be considered prior to selection. Interviews may be conducted by the Board as a whole or their designee. The final selection will be made by the Board.

Section 3.04 - Authorized and Suitable Investments

Investments may be made in any type of security allowed for by Illinois statutes and the Public Funds Investment Act (30 ILCS 235/1 *et seq.*).

1. U.S. Government obligations, U.S. Government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
2. Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any financial institution as defined by the State of Illinois.
3. Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax- exempt under federal law. The bonds shall be registered in the name of Waukegan Public Library or held under a custodial agreement at a financial institution. 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.
4. Money market mutual funds [registered under the Investment Company Act of 1940 (15 U.S.C. A. 80a-1 *et seq.*, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph A of this subsection and to agreements to repurchase such obligations.
5. Local governmental investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

The Board shall authorize any derivative accounts for the above investment instruments. (See the GFOA Recommended Practice on "Use of Derivatives by State and Local Governments," 1994)

Section 3.05 - Collateralization

Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC or NCUA insurance limits must be secured by some form of collateral, witnessed by a written agreement, and held in the name of the library at an independent/third party institution. The library will accept any of the following assets as collateral:

1. US Government securities
2. Obligations of agencies or instrumentalities of the United States of America
3. Obligations of the State of Illinois
4. General obligation municipal bonds rated "A" or better by a nationally recognized rating service
5. Insurance policies issued by insurance companies rated "A" or better by a nationally recognized rating service
6. Letters of credit for collateralized funds

Section 3.06 - Safekeeping and Custody

The Library is required to keep receipts and a written record of all transactions. These should be reviewed quarterly by the Treasurer and approved by the Board. In particular, all security transactions, including collateral for repurchase agreements, entered into by the Waukegan Public Library shall be conducted in a manner that ensures safety.

Article 4: Diversification and Maturation

Section 4.01 - Diversification

Waukegan Public Library shall diversify its investments to the best of its ability based on the nature of the funds invested and the cash flow needs of those funds. Diversification can be by investment type, number of institutions invested in, and or length of maturity.

In addition to the limitations set forth in State Statutes, the investment portfolio of the library shall not exceed the following diversification limits unless specifically authorized by the Board:

1. No financial institution shall have on deposit more than 50% of the Library's investment portfolio, exclusive of U.S. Treasury and Agency securities in safekeeping.
2. Deposits in any Public Treasurer's Investment Pool shall not exceed 75% of the Library's investment portfolio.
3. Brokered certificates of deposit shall not exceed 50% of the Library's investment portfolio.

Section 4.02: Maximum Maturities

To the extent possible the library will attempt to match its investments with anticipated cash flow requirements. Maximum maturities will be limited to two years. Reserve funds may exceed the two-year limit, up to five years, if the maturity of such investment is matched with the expected use of such funds, and as approved by the Board of Trustees.

Securities shall not be sold before maturity day with the following exceptions:

1. A security with declining credit may be sold early to minimize the loss of principal.
2. A security swap would improve the quality, yield, or target duration in the portfolio
3. Liquidity needs of the portfolio require that the security be sold

Article 5: Operational Procedures/Internal Control

The investments are perused each month noting when investments are maturing and what the cash needs are within the respective funds and project investment or reinvestment in accordance to the highest rates and terms available at that time. Any trades necessary shall be executed by the Finance & Operations Manager upon approval of the Library Board.

The Treasurer, Library Finance & Operations Manager, and the Library's Executive Director are 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.

In conjunction with the annual external audit, the independent auditor shall review compliance with the library's investment policies and procedures. The review of internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting and record keeping
3. Avoidance of physical delivery securities
4. Clear designation of authority to subordinate staff members
5. Written confirmation of telephone transactions for investment and wire transfers
6. Development of a procedure for making wire transfers

Article 6: Reporting Methods and Performance Standards

Section 6.01 Methods

The Treasurer or designee shall prepare an investment report at least monthly which shall contain a summary of all accounts/investments opened and/or closed during the period. The report should be provided to the Board of Library Trustees and be available on request. The report should be in a format suitable for review by the general public. An annual report should also be provided to the Board. The report shall include information regarding securities in the portfolio by class or type, book value, income earned and market value as of the report date.

Section 6.02 Performance Standards

This investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a comparable rate of return during a market economic environment of stable interest rates. Portfolio performance should be compared to benchmarks with similar maturity, liquidity and credit quality as the portfolio. The investment portfolio, in times of stable interest rates, shall be measured against the interest rate paid on a money market account at the financial institution which is the largest depository.