

INVESTMENT OF PUBLIC FUNDS

Galesburg Public Library

Galesburg, Illinois

I. PURPOSE AND SCOPE

The purpose of this policy statement is to outline the responsibilities, general objectives, and specific guidelines for management of public funds by the Galesburg Public Library. Its scope is all public funds of the Library. Investments shall be made in a manner that will provide the maximum security of principal invested, employing limitation on maturities and diversification of the portfolio while meeting the daily cash flow needs of the Library and conforming to applicable state and local government statutes governing the investment of public funds. Public funds are defined as current operating funds, special funds, interest, and any funds of any kind or character belonging to or in the custody of the Galesburg Public Library. The receipt of a market rate of return will be secondary to safety and liquidity requirements. It is the intent of the Library to be in complete compliance with local and state law concerning investments. The earnings from investments will be used in a manner that serves the public trust and interest of the Library.

II. RESPONSIBILITIES AND DELEGATION OF AUTHORITY

All investment policies and procedures of the Galesburg Public Library will be in accordance with Illinois Law. Specific investment parameters for the investment of public funds in Illinois are found in the Illinois State Statutes, Public Funds Investment Act 30 ILCS 235. Administration and execution of these policies are the responsibility of the Director of Finance for the City of Galesburg who is hereby designated as the “chief investment officer” of the Library acting under the authority of the Library Board of Trustees. The Chief Investment Officer is responsible for establishing internal controls and written procedures for the operation of the investment program.

III. “PRUDENT PERSON” STANDARD

All Library investment activities shall use a “prudent person” standard of care. This standard shall be applied in the context of managing an overall portfolio and specifies that investments shall be made with judgment and care, under circumstances then prevailing, that 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. 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.

IV. OBJECTIVES

It is the policy of the Library that all funds shall be managed and invested with four primary objectives, listed in order of their priority.

Safety: Safety of principal is the foremost objective of the Library. Investments of the Library shall preserve capital and include diversification appropriate to the nature and amount of the funds.

Liquidity: The investment portfolio shall remain sufficiently liquid to meet current obligations and those reasonably to be anticipated

Diversification: The Library shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds.

Yield: The Library's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Library's risk constraints and the cash flow of the portfolio. "Market Rate of Return" shall be defined as the average yield of the current 90-day U.S. Treasury bill or any other index that most closely matches the average maturity of the entire portfolio.

V. SUITABLE INVESTMENTS/CASHFLOW FORECASTING

Cash flow forecasting is designed to protect and sustain the Library's cash flow requirements. Supplemental to the financial and budgetary systems, the Chief Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Investments shall be made that reflect the cash flow needs of the fund type being invested.

VI. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the named instruments contained in this section. The investments are to be chosen to reflect the objectives and strategy mentioned in section four of this policy.

- A. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, that are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- B. Bonds, notes, debentures or other similar obligations of the United States of America or its agencies. Agencies of the United States of America include federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971, federal home loan banks, federal home loan mortgage corporations and any other agency created by Act of Congress.
- C. Interest bearing savings accounts, interest bearing certificates of deposit [CDs] or interest bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act. All monies invested over the Federal Deposit Insurance Corporation [FDIC] insured amount of \$250,000 are to be fully collateralized under specific requirements contained in section VIII.
- D. Short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase. Such purchases should not exceed 10% of the corporation's outstanding obligations and no more than one-third of the Library's funds.
- E. Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally assumable by savings banks or savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States.

- F. A Public Treasurer's Investment Pool created under section 17 of the State Treasurer Act.
- G. Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations there under. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.
- H. Money Market Mutual Funds registered under the Investment Company Act of 1940 provided the portfolio is limited to bonds, notes, certificates, treasury bills, or other securities that are guaranteed by the federal government as to principal and interest.
- I. Maximum maturities - to the extent possible, the Library shall attempt to match its investments with anticipated cash flow requirements.
- J. Investments may be made only in those savings banks or savings and loan associations insured by the Federal Deposit Insurance Company.
- K. No investments shall be made in Reverse Repurchase agreements, Collateralized Mortgage Obligations [CMO's], securities of foreign issuers or in securities denominated in a currency other than the United States dollar.
- L. Bonds, notes or other municipal instruments of debt issued by Illinois public bodies, as defined under the Illinois Government Debt Reform Act (30 ILCS 350/3(i)), and having at least an "A" or better rating with at least two nationally recognized rating agencies.

If Illinois State statutes for investment of public funds approve additional types of securities, they will be eligible for investment by the Library. This policy shall be amended to reflect the additional types of securities for investment and the amended version approved by the Library Board of Trustees.

VII. PERFORMANCE EVALUATION AND REPORTING

Investments, fund balances and the status of such accounts will be reported at each regularly scheduled meeting of the Library Board and at least quarterly include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date. At least annually, the Chief Investment Officer and Library Director shall review this policy for any needed modifications and report to the Board on the investment portfolio, its effectiveness in meeting the Library's need for safety, liquidity, rate of return, diversification and general performance. These reports will be available to the general public upon request.

VIII. SAFEKEEPING, CUSTODY AND COLLATERALIZATION

In addition to the investment policy, the Chief Investment Officer shall establish a system of internal controls and written operational procedures designed to prevent loss, theft or misuse of funds. All security transactions, including collateral for repurchase agreements, entered into by the Library, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by an independent third party custodian and evidenced by safekeeping receipts and a written custodial agreement. All security serving as collateral shall be specifically pledged to the Library and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution.

IX. INTERNAL CONTROLS

The Chief Investment Officer shall establish and maintain a system of written internal controls that will be reviewed annually with the City of Galesburg's independent auditor. The controls shall be designed to insure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Chief Investment Officer will maintain a list of approved security brokers/dealers selected by creditworthiness. No public deposit shall be made except to a qualified public depository as established by the state statutes. The Library Board of Trustees upon the recommendation of the Chief Investment Officer will consider any investment advisors, money managers and financial institutions authorized to provide investment services.

XI. ETHICS AND CONFLICTS OF INTEREST

Officers and employees 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.

XII. COMPETITIVE BID PROCEDURES

A competitive "bid" shall be conducted, except for funds placed in the Public Treasurers Investment Pool and/or approved savings accounts or, when the Library directly invests surplus funds in investment instruments.

1. Bids will be secured from at least two institutions meeting the requirements outlined in this policy. Bidders are required to bid a firm price or yield.
2. If a specific maturity date is required, bids will be requested for instruments that meet the maturity requirements. If no maturity date is required, the most advantageous market trend yield will be selected.
3. Awards will be given to the bidder offering the highest effective yield consistent with investment policy restrictions; however, transaction costs and investment experience may be considered when awarding investments.

XIII. INVESTMENT POLICY ADOPTION BY THE LIBRARY BOARD OF TRUSTEES

The Library Board of Trustees shall adopt the Library's investment policy. The Chief Investment Officer, Library Director and Library Board shall review the policy on an annual basis.

Adopted: April 8, 1999
Board of Trustees
Galesburg Public Library
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