

## **WOODRIDGE PUBLIC LIBRARY INVESTMENT POLICY**

### **A. Purpose and Scope**

The purpose of this policy is to outline the responsibilities, general objectives and specific guidelines for management of public funds belonging to the Woodridge Public Library. This investment policy applies to all cash and investments held for each of the funds maintained by the Library. Monies from individual funds may be commingled for investment purposes.

### **B. Management, Authority, and Internal Controls**

All investment policies and the procedures of the Woodridge Public Library will be in accordance with Illinois law. The authority of the Board of Library Trustees to control and invest public funds is defined in the *Illinois Public Funds Investment Act* (30 ILCS 30/235) and investments permitted are described therein. Administration and execution of these policies are the responsibility of the Board Treasurer who is hereby designated as the Chief Investment Officer of the Library acting under the authority of the Board of Library Trustees. The Treasurer shall be bonded in accordance with Illinois statutory requirements (75 ILCS 16/30-45e). The Treasurer and the Library Administrator, by designation, are responsible for establishing, implementing, and administering the Library's investment program.

In addition to the guidelines contained in this policy, the Treasurer shall establish, implement, oversee, and periodically review a system of internal controls and written operational procedures designed to prevent loss, theft, or misuse of funds. Such procedures shall include explicit delegation of authority to persons responsible for execution of financial activities under the direction of the Treasurer and the Library Administrator, by designation.

### **C. Prudent Person Standard**

The standard of care to be used under this policy statement by the Treasurer is the "prudent person" standard, which states:

*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 possible income to be derived.*

This standard should be applied within the context of managing the Library's overall portfolio. When acting in accordance with this policy statement and exercising due diligence, the Treasurer, as well as others authorized to act on his or her behalf, shall be relieved of personal responsibility for an individual security's credit risk or market price and value changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

**D. Objectives and Guidelines** It is the Board’s policy to place idle funds in relatively risk-averse assets that will provide the highest return possible while meeting the cash flow demands of the Library and conforming to all State Statutes governing the investment of public funds. When selecting financial institutions and investment instruments for Library funds, the following general objectives and guidelines should be considered in the order listed:

1. **Legality and Safety** — The primary considerations for Library investments are their legality under Illinois law and their safety, the standard for which is the preservation of principal. Investments will be made only in securities guaranteed by the United States Government or in institutions insured by the Federal Deposit Insurance Corporation (FDIC). Accounts in banks or savings and loan institutions will not exceed the amounts insured under FDIC coverage, unless they are adequately collateralized pursuant to the requirements and regulations of the Federal Reserve.
2. **Liquidity** —Types and lengths of investments should be managed to insure that the Library is able to meet the cash flow requirements for ongoing operations and capital expenditures.
3. **Return on Investment** — Within the constraints imposed by considerations of legality, safety, and liquidity, every effort should be made to achieve a maximum return on investments. All available funds will either be invested or kept in interest bearing deposit accounts.
4. **Simplicity of Management** — The Treasurer, Library Administrator, and other designated administrative staff must be able to manage Library investments effectively and efficiently within the time constraints imposed by other responsibilities and the limitations imposed by their respective levels of financial expertise.

**E. Investment Instruments** Authorized investments will be limited to the instruments listed below:

1. Treasury bills, bonds, or other securities issues and guaranteed by the United States Government or its agencies.
2. The *Illinois Public Treasurer’s Investment Pool* (known as Illinois Funds) or any other local government pool approved by the Illinois Department of Insurance.
3. Money market mutual funds or interest-bearing accounts.
4. Certificates of Deposit with federally insured institutions that are collateralized or insured at levels that meet or are in excess of the limit provided by the FDIC.
5. Other investments that are permitted under Illinois law and satisfy the Library’s investment objectives, provided any such investment is specifically approved and authorized in advance by the Library Board at a duly constituted public meeting.
6. Investments may be made only in those savings banks or savings and loan associations the shares or investment certificates of which are insured by the FDIC. Investment products that are considered to be derivatives are specifically excluded from approved investments.

## **F. Investment Parameters**

### **Diversification.**

Investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding US Treasury securities, where there shall be no limit).
- Limiting investments in securities that have higher credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (i.e. Illinois Funds) and money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

**Maximum Maturities.** Whenever possible, the Woodridge Public Library shall attempt to match its investments with anticipated cash flow requirements. Maturities of investments of the various Library funds shall be determined to enable the Library to have available sufficient cash for all operating proposed. Investments may be purchased with maturities to match current expenditures, future projects and liability requirements. The Library shall, when deemed appropriate, adopt various maturities (which may range from 90 days to 3 years) consistent with the investment objectives.

Reserve funds and other funds with longer term investment horizons may be invested in securities up to five (5) years if the maturities of such investments are made to coincide with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Finance Committee.

**G. Collateralization.** It is the Library's policy to require that funds on deposit in excess of FDIC insurable limits be secured by collateral or private insurance. Fair market value of collateral provided will be not less than 100% of the net amount of public funds secured. Eligible collateral instruments are any investment instruments acceptable under the Illinois *Public Funds Investment Act*. The collateral must be placed in safekeeping at or before the time the Library buys the investment(s).

Third-party safekeeping is required for all collateral. To accomplish this, the securities must be held at one or more of the following locations: [1] a Federal Reserve Bank or its branch office; [2] another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve; [3] an escrow agent of the pledging institution; or [4] the trust department of the issuing bank. Safekeeping will be documented by an approved written agreement that complies with FDIC regulations. Substitution or exchange of collateral held in safekeeping for the Library can be approved exclusively by the Treasurer, and only if the market value of the replacement collateral is equal to or greater than that of the collateral being replaced.

**H. Safekeeping of Securities.** Third-party safekeeping is required for all securities. To accomplish this, the securities must be held only at one or more of the following locations: [1] a Federal Reserve Bank or its branch office; [2] another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve, unless physical securities are involved; or [3] a primary reporting dealer, in an insured account. Safekeeping shall be documented by an approved written agreement between the Library and the holder of the securities. This may be in the form of a safekeeping, trust, escrow, or custody agreement. Original certificates of deposit shall be held by the originating bank. A safekeeping receipt will be acceptable documentation.

**I. Authorized Financial Institutions.** Financial institutions shall be considered and authorized only by action of the Board, upon the recommendation of the Treasurer, who will present to the Board at the first meeting of the fiscal year a list of institutions authorized to provide investment services to the Library.

1. **Demand Deposits:** Any financial institution selected by the Library shall provide normal banking services, including, but not limited to: NOW accounts, wire transfers, and safekeeping services. The Library will not keep funds in any financial institution that is not a member of the FDIC system; nor will it keep funds in any institution that does not first agree to post the required collateral or purchase private insurance for funds in excess of FDIC insurable limits.
2. **Certificates of Deposit:** Any financial institution selected to be eligible for the Library's certificate of deposit purchase program must: [1] provide wire transfer and certificate of deposit safekeeping services; and [2] be a member of the FDIC system and be willing to and capable of posting the required collateral or private insurance for funds in excess of FDIC insurable limits.

**J. Financial and Investment Services Providers.** Investment advisors, money managers, and similar service providers shall be engaged on an as-needed basis only and by action of the Board. A competitive process will be used to select any such service provider. This process will be designed and coordinated by the Treasurer and the Board's Finance Committee.

**K. Performance.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of 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.

**L. Reporting and Review.** Investments, fund balances, and the status of such accounts will be reported quarterly at regularly scheduled Board meetings. At least quarterly, reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date. The Treasurer shall review this investment policy every three years for any needed modifications and report

to the Board on the Investment portfolio, its effectiveness in meeting the Library's requirements for safety, liquidity, rate of return, diversification, and general performance.

**M. 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 Library's 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. Except as permitted under Section 3.2 of the *Public Officer Prohibited Practices Act*, no officer or employee involved in the investment process shall have any interest in, or receive any compensation from, any investments in which the Library is authorized to invest, or the sellers, sponsors, or managers of those investments

Approved by the Woodridge Public Library Board of Trustees July 15, 2009

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