

3B | Investment Policy**Revised:** 10/9/19**Purpose**

The purpose of this policy is to provide a clear and concise outline of the responsibilities, general objectives, and specific guidelines for management of public funds by the Library while complying with all applicable laws and regulations governing use of public funds. Its scope is all funds held by the Library. Procedures defined herein are not all inclusive. The Executive Director is authorized to develop additional procedures when deemed appropriate to implement this policy.

Responsibilities & Delegation of Authority

Responsibility for this policy is provided by law to the Board of Trustees, who shall establish guidelines and expectations for the operation of an investment program consistent with this policy.

The Board shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate officials. The Treasurer of the Board and/or the Executive Director or, in the Treasurer's or Executive Director's absence, a designee of the Board, shall be authorized to move funds from one designated investment to another in order to meet operating needs or objectives set forth in this policy.

Management and administrative responsibility for the investment program is hereby delegated to the Executive Director. The Executive Director is responsible for implementing internal controls and written procedure for the operation of the investment program.

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 otherwise give the appearance of impropriety. This includes, but is not limited to: having any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments; and receiving, in any manner, compensation of any kind from any investment made by the Library.

Objectives

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

Primary Priorities:

1. **Legality** (conforming to state and federal legal requirements)
2. **Safety** (preserving capital and including appropriate diversification)
3. **Liquidity** (ensuring sufficient liquidity to meet current obligations and those reasonably to be anticipated)

Secondary Priorities:

1. **Yield** (attaining a market rate of return on investments)
2. **Simplicity of Management**

Guidelines for Meeting Objectives

The following guidelines should be used to meet the previously outlined investment objectives:

1. Legality & Safety:

Investments will be made only in securities guaranteed by the U.S. Government, securities by U.S. Government Agencies, or in FDIC-insured institutions. Deposit accounts in banks or savings and loan institutions will not exceed the amount insured by FDIC coverage unless adequately collateralized.

2. Liquidity:

In general, investments should be managed to meet liquidity needs for the current month plus one month (based on forecast needs) and any reasonably anticipated special needs.

4. Yield:

Efforts shall be made to attain 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 secondary importance compared to legality, safety, and liquidity as described above.

5. Simplicity of Management:

The time required by Library administrative staff to manage investments shall be kept to a minimum.

Internal Controls

In addition to these guidelines, the Treasurer and/or Executive Director shall establish a system of internal controls and written operational procedures designed to prevent loss, theft, or

misuse of funds. At a minimum, this system will entail a separation of investing and reporting responsibilities, and a two-signature requirement for all activities associated with moving investments, and provide for quarterly reporting to the Board on the state of the Library's investments. In some cases, the two-signature requirement may be met if the investment activity is in writing and the Treasurer receives a copy of the message. These internal controls shall be reviewed on at least an annual basis.

Authorized Institutions

Any qualified investment advisors, money managers, and financial institutions shall be considered and authorized only by the action of the Board upon the recommendation of the Treasurer and/or Executive Director. The Executive Director will maintain a list of financial dealers and institutions authorized to provide investment services.

Authorized Investments

The Library may only invest in securities allowed for in Illinois statute (30 ILCS 235/2) regarding the investment of public funds which will be limited to the following:

1. Bonds, notes, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the U.S. Government as to principal and interest;
2. Bonds, notes, or other similar direct obligations of the U.S. Government or its agencies and its instrumentalities (i.e., Fannie Mae, Freddie Mac or Federal Home Loan Bank);
3. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act and is insured by the FDIC, unless adequately collateralized. Any credit union accounts shall not exceed insured amounts and otherwise would be in complete compliance with the legal requirements for such accounts and institutions.
4. Illinois Public Reserves Investment Management Trust (IPRIME) and other AAA rated Local Government Investment Pools.

Collateralization

Deposits exceeding the amount insured by FDIC coverage will be collateralized at a minimum of 105% pursuant to regulations of the Federal Reserve regarding custody and safekeeping of collateral. Letters of Credit issued by a Federal Home Loan Bank may also be pledged as collateral in an amount equal to the principal and interest of the deposit.

Reporting

The Treasurer and/or Executive Director shall report no less than quarterly to the Board as to the state of the various funds of the Investment Portfolio. This shall include, but not be limited to: specific investments, fund balances, account statuses, and a maturity forecast.

Indemnification – Prudent Person Standard

The Library assumes certain risks when officers and employees implement this Policy. Accordingly, each such individual must use discretion and prudence in fulfilling his or her responsibility. If a loss should occur, the individual who has performed his or her duties in conformance with the Policy should not be held personally liable for the loss.

The standard to be used by officers and employees shall be 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, in good faith and in a manner reasonably believed to be in, or not opposed to the best interests of the District.

The above standard is established for professional responsibility and should be applied to all officers and employees in the context of managing the Library’s overall investment portfolio. Individuals acting in accordance with the Policy shall be relieved of personal responsibility for unforeseen fluctuations in the value of portfolio investments resulting from, but not limited to, changes in credit standings or market conditions, provided that such deviations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

Related Policies:

Budget and Finance

Reviewed/Revised: 4/10/19, 8/8/18, 3/20/13, 2/9/11, 12/14/05, 9/8/04

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