

6/7/2019

61-R-19

A RESOLUTION

Amending the City of Evanston Investment Policy & Procedures Manual Excluding Fiduciary and Library Endowment Funds

WHEREAS, the City Council of the City of Evanston desires to have City funds invested in secure depositories and realize maximum returns on these investments; and

WHEREAS, on August 10, 2009 the City Council adopted Resolution 45-R-09 which established an investment policy and procedures manual to guide the investment of City funds to meet these objectives; and

WHEREAS, the City Finance Division recommends certain modifications to the policy to protect and investment of the City's funds; and


WHEREAS, the amended investment policy and procedures is in accordance with the Municipal Treasurers' Association Model and the State of Illinois Auditing Standards Policy,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EVANSTON, COOK COUNTY, ILLINOIS:

SECTION 1: The policy for investment of City funds set forth in the document entitled *City of Evanston Investment Policy & Procedures Manual Excluding Fiduciary and Library Endowment Funds*, attached hereto as Exhibit A and incorporated herein by this reference, is hereby adopted as the official policy for investment of City funds.

SECTION 2: That this Resolution 61-R-19 shall be in full force and effect from and after its passage and approval in the manner provided by law.

Attest:



Devon Reid, City Clerk



Stephen H. Hagerly, Mayor

Approved as to form:



Michelle L. Masoncup, Corporation Counsel

Adopted: _____, 2019

Exhibit A

***City of Evanston Investment Policy & Procedures Manual
Excluding Fiduciary and Library Endowment Funds***

**CITY OF EVANSTON
INVESTMENT POLICY & PROCEDURES MANUAL
EXCLUDING FIDUCIARY AND LIBRARY
ENDOWMENT FUNDS**

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A. POLICY

It is the policy of the City of Evanston to invest public funds in a manner which will provide the most competitive investment return with the lowest possible risk while meeting daily cash flow demands of the City of Evanston and conforming to all state and local statutes governing the investment of public funds.

B. SCOPE

This investment policy applies to all City non-fiduciary Funds as accounted for in the City of Evanston Comprehensive Annual Financial Report.

The Firefighters' Pension, Police Pension, and Library Endowment Funds are not covered by this policy. Investment transactions for these funds are governed and authorized by the respective pension and library endowment boards.

C. INVESTMENT OBJECTIVES

1. **SAFETY OF PRINCIPAL:** Safety of principal is the foremost objective of the City of Evanston. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To further attain this objective, diversification is also required so that potential losses on individual securities and/or financial institution deposits are greatly limited. To obtain this safety, the City will seek to mitigate credit risk by only investing in securities as allowed under the INVESTMENT INSTRUMENTS section in this policy. To mitigate interest rate risk, the City will structure the investment portfolio in such a manner as to be able to meet cash requirements for normal operating expenditures, thereby avoiding the need to sell securities on the open market prior to maturity.
2. **LIQUIDITY:** The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which may be reasonably anticipated within each of the City's individual Funds.
3. **RATE OF RETURN:** The investment portfolio of the City shall be designed with the objective of attaining a competitive rate of return, taking into account the City's risk constraints as shown in Sections C1 & C2 and the cash flow characteristics of the portfolio.

D. INVESTMENT INSTRUMENTS

Consistent with the *Illinois Public Investment Act 30 ILCS 235*, the following investments will be permitted under this policy:

1. Bonds, notes, bills, or other securities which are guaranteed by the full faith and credit of the United States of America.
2. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
3. Interest bearing savings accounts/certificates of deposit/time deposits or any other investments constituting direct obligations of any FDIC insured bank and as defined by the *Illinois Banking Act*.
4. ~~Short term~~ Obligations of corporations organized in the United States with assets exceeding five hundred million dollars (\$500,000,000) if, a) such obligations are rated at one of the three (3) highest classifications established by at least two (2) standard rating services and which mature not later than three hundred sixty-five (365) ~~one hundred eighty (180)~~ days from date of purchase, b) such purchases do not exceed ten percent (10%) of the corporation's outstanding obligations, and c) no more than one third (1/3) of City's funds are invested in such corporate short term obligations.
5. Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of any State in the United States of America. The bonds shall be rated at time of purchase within the four highest general classifications established by a rating service.
7. Public Treasurers' Investment Pool created under Section 17 of the *State Treasurer Act* or such fund as managed, operated, and administered by a bank.
8. Any AAAM rated Local Government Investment Pools.
98. Repurchase agreements of government securities having the meaning set out in the *Government Securities Act of 1986*. Such securities, unless registered in the name of the City, must be purchased through a bank authorized to do business in the State of Illinois.
109. In addition to the above, investments in the Water and Sewer Funds are further restricted by any such language per outstanding revenue bond ordinances.

E. DELEGATION OF AUTHORITY

Management responsibility for the investment program is hereby delegated to the City Treasurer or authorized designee. No position may engage in an investment transaction except as provided under the terms of this policy and per the

authorization as established by the Treasurer or designee. The Treasurer shall be ultimately responsible for all transactions undertaken, initiated by an authorized employee, and shall establish a system of internal controls to regulate the activities of subordinate officials.

F. PRUDENCE

Investments shall be made with judgment and care, under the 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 primary objective of safety and liquidity as well as the secondary objective of the obtainment of market rates of return as previously described in the INVESTMENT OBJECTIVES Section C above.

G. INVESTMENT PARAMETERS

It is the preference of the City of Evanston to concentrate its investments with commercial banks located within the City of Evanston. However, investment efforts shall not be limited to this alone. Investments will be selected on the following basis:

1. The institution offering the investment must meet all the criteria as stated per FINANCIAL INSTITUTIONS section of this policy statement.
2. The maturities of the investments should strive to coincide with cash requirements of the City to meet short or long term needs.
3. The City will not invest in non-negotiable securities maturing more than three (3) years from the date of purchase which may not be sold prior to maturity without penalty.
4. The percent of total deposits at any one financial institution and/or public investment pool shall not exceed fifty percent (50%) of City's total deposits/investments.
5. To prevent an over-concentration in any one type of security, the City shall not invest more than a) seventy-five percent (75%) of total Funds in US government agency securities, b) twenty percent (20%) in state/county/municipal securities, or c) ten percent (10%) in corporate securities/commercial paper. There will be no limitation on purchasing risk-free US Treasuries or depositing in FDIC insured accounts subject to Section G4 above.

All such investments shall be in the name of the City of Evanston. Safekeeping account receipts will be held by the City's Finance Department.

H. COLLATERAL AND BROKER/DEALER REQUIREMENTS

Financial institutions shall be required to meet the following criteria in order to receive City funds for investment:

1. City funds shall be deposited only in financial institutions insured by the Federal Deposit and Loan Insurance Corporation.
2. Collateral is required for City deposits equal to or greater than the amount of City deposits which exceed FDIC insured amounts. Obligations that may be pledged as collateral are as follow:
 - a) US Treasury bills, notes and bonds.
 - b) Actively traded US government agency securities.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. At least quarterly, the City will determine that the collateral has a market value adequate to cover the deposits and that all such collateral is held by an independent third party custodian. The City Treasurer shall have full authority to execute the necessary collateral agreements.

3. Upon request, each financial institution shall be required to furnish the City a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Trust Companies or the Comptroller of Currency.

BROKER/DEALERS:

Broker Dealers who desire to become qualified bidders must provide the following for the City of Evanston:

1. Membership of the Security Investor Protection Corporation (SIPC).
2. Audited Financial Statements for most recent three years.
3. Proof of National Association of Securities Dealers (NASD) certification.
4. Minimum Capital Requirements of at least fifty million dollars (\$50,000,000).
5. Minimum five (5) years in operation.

I. SAFEKEEPING & CUSTODY

1. *Delivery vs. Payment*

All trades of marketable securities will be executed by delivery versus payment to ensure that securities are deposited in an eligible financial institution prior to releasing any funds.

2. *Safekeeping*

Securities will be held by an independent third party custodian selected by the entity and agreed to by the City as outlined in Section H of this policy.

J. INVESTMENT REPORTS

At a minimum, there shall be quarterly investment reports to the City Council summarizing such investment data by security type, purchase price, current market values at report date, and actual year-to-date or estimated annual income expected to be earned. Such reports will be used by Treasurer and other designated Finance staff to evaluate and/or adjust the City investment portfolio as necessary.

K. INTERNAL CONTROLS

There shall be reasonable assurance that internal control objectives are met. Reasonable assurance recognizes the following: 1) the cost of controls should not exceed the benefits to be derived, and 2) the valuation of costs and benefits require estimates and judgments by management.

The primary internal controls are as follow:

a) Investment purchases/sales may only be transacted by the Treasurer or authorized designee.

b) Investments are tracked monthly utilizing spreadsheets. Investment/bank statements are reconciled to the general ledger and investment earnings recorded. Treasurer or authorized designee shall review such reconciliations monthly.

c) Quarterly investment reports are prepared for City Management and Council.

L. EFFECTIVE DATE

This policy shall become effective immediately upon City Council approval.