
**DUPAGE TOWNSHIP
WILL COUNTY, ILLINOIS**

**ORDINANCE
NUMBER 19-18**

**AN ORDINANCE
ESTABLISHING AN INVESTMENT POLICY FOR DUPAGE TOWNSHIP**

**FELIX GEORGE, Supervisor
KULSUM ALI, Clerk**

**ALYSSIA BENFORD
MARIPAT OLIVER
KEN BURGESS
DENNIS RAGA
Trustees**

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ODELSON & STERK, LTD. - Township Attorneys - 3318 West 95th Street - Evergreen Park, Illinois 60805

DUPAGE TOWNSHIP
ORDINANCE NO. 19-18

AN ORDINANCE
ESTABLISHING AN INVESTMENT POLICY FOR DUPAGE TOWNSHIP

WHEREAS, DuPage Township, Will County, State of Illinois (the "Township") is a duly organized and existing township and a unit of local government organized under the laws of the State of Illinois and is operating under the provisions of the Illinois Township Code, 60 ILCS 1/1-1, *et. seq.*, and all laws amendatory thereto; and

WHEREAS, the Illinois Township Code requires the Township to invest all funds of the Township as provided in the Illinois Public Funds Investment Act, 30 ILCS 235/0.01 *et seq.* ("Public Funds Investment Act"); and

WHEREAS, Section 2.5 of the Public Fund Investment Act requires that the investment of public funds by a public agency be governed by a written investment policy adopted by the public agency, and such policy must, *inter alia*, address safety of principal, liquidity of funds, and return on investment, and shall require that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due; and

WHEREAS, the Township Supervisor and the Township Board of Trustees ("Board") have caused to be drafted for and on behalf of the Township an investment policy in accordance with the Public Funds Investment Act, which is attached to and incorporated in this Ordinance as Exhibit A ("Investment Policy"), and have determined that it is in the best interests of the Township and in compliance with the Public Funds Investment Act, that the Investment Policy be approved at this time.

NOW, THEREFORE, BE IT ORDAINED by the Supervisor and Board of Trustees of DuPage Township, Will County, Illinois, as follows:

SECTION ONE: The Township Board hereby finds that all the recitals contained in

the preamble to this Ordinance are true and correct and does hereby incorporate them in this Ordinance as if said preambles were fully set forth within this Section One.

SECTION TWO: The Township Board hereby approved the Investment Policy attached to and incorporated in this Ordinance as **Exhibit A** and directs appropriate staff to take all actions necessary and appropriate to implement said policy.

SECTION THREE: Any and all policies, resolutions or ordinances of the Township which may conflict with this Ordinance are hereby repealed.

SECTION FOUR: The provisions of this Ordinance are hereby declared to be severable, and should any provision of this Ordinance (or any portion of any Exhibit incorporated therein) be determined to be in conflict with any law, statute, or regulation by a court of competent jurisdiction, said provision shall be excluded and deemed inoperative, unenforceable, and as though not provided for herein, but such invalidity shall not affect other provisions or applications of this Ordinance that can be given effect without the invalid application or provision, and all other provisions shall remain unaffected, unimpaired, valid, and in full force and effect.

SECTION FIVE: This Ordinance shall be in full force and effect from and after its passage as provided by law.

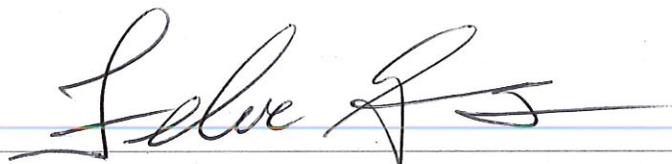
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PASSED by the Supervisor and Board of Trustees of the DuPage Township, Will County,

Illinois this 16th day of July 2019, pursuant to a roll call vote, as follows:

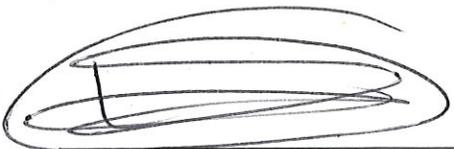
	YES	NO	ABSENT	PRESENT
Trustee Benford	✓			
Trustee Oliver	✓			
Trustee Burgess	✓			
Trustee Raga	✓			
Supervisor George	✓			
TOTAL	5	0		

APPROVED at a Regular Meeting of the Board of Trustees of the DuPage Township, on July 16, 2019.



FELIX GEORGE, Supervisor

ATTEST:



KULSUM ALI, Township Clerk

EXHIBIT A

DUPAGE TOWNSHIP INVESTMENT POLICY

DuPage Township Investment Policy

I. Policy

It is the policy of DuPage Township to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the cash flow demands of the Township and conforming to all state laws and Township ordinances governing the investment of public funds, particularly the Public Funds Investment Act (30 ILCS 2350.01, *et seq.*).

II. Scope

This policy includes all financial assets of the Township, including the General (Town) Fund, General Assistance Fund, Capital Project Fund, Debt Service Funds, and other funds that may be created from time to time. Except for certain restricted special funds, the Township will maximize investment earnings and increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. Objectives

The safety of principal is the foremost objective of the Investment Policy. Investment yield is of secondary importance to legality, safety, and liquidity. The primary objectives, in order of priority, shall be:

- A. **Legality:** The investment program shall be operating in conformance with federal, state and local requirements.
- B. **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objectives will be to mitigate credit risk and interest rate risk.

1. **Credit Risk:** The Township will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer by:
 - a. Limiting investments to the types of securities listed in Section VII of the Investment Policy.
 - b. Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Township will do business in accordance with Section V.
 - c. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2. Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the *Township's* deposits may not be returned to it. In order to avoid this risk, the Township requires the collateralization of public deposits whenever the amount on deposit exceeds the Federal Deposit Insurance Corporation's balance limitations. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession on an outside part. The Township requires that its investments be held by an independent third-party custodian to eliminate this risk.
3. Interest Rate Risk: The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
 - a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - b. Investing operating funds primarily in shorter-term securities, money market funds, or similar investment pools and limiting the maximum maturity. The Township will not directly invest in securities maturing more than five years from the date of purchase unless matched to a specific cash flow.

C. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should include securities with active secondary or resale markets. A portion of the portfolio may be placed in money market funds or a government investment pool which offer same day liquidity for short-term funds.

D. Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the legality, safety and liquidity objectives. The portfolio should be reviewed periodically as to its effectiveness in meeting the Township's investment objectives and its general performance. Securities shall generally be held until maturity with the following exceptions:

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

IV. Standards of Care

- A. Prudence [30 ILCS 235/2.5(a)(2)]:** The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

The "prudent person" standard requires that 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.

- B. Ethics and Conflicts of Interest: [30 ILCS 235/2.5 (a)(12)]** The Public Officer Prohibited Activities Act, 50 ILCS 105 *et seq.* shall apply to this Investment Policy. In addition, 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 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. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which investment business is conducted on behalf of the Township.

- C. Delegation of Authority: [30 ILCS 235/2.5(a)(7)]** Management and administrative responsibility for the investment program is hereby delegated to the Township Supervisor, also referred to as the Investment Officer. The Investment Officer shall act in accordance with this Investment Policy and establish written procedures and internal controls for the operation of the investment program consistent with the Investment Policy. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements.

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

V. Safekeeping and Custody

- A. Authorized Financial Institutions and Dealers: [30 ILCS 235/2.5(a)(11)]** The Investment Officer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will be maintained of approved security broker dealers selected by creditworthiness (e.g. a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include primary dealers or regional dealers.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must comply with the GFOA Recommended Practice of "Selection of Investment Advisers" and supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with this Investment Policy.

From time to time, the Investment Officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law. The Township Board should approve these types of investment purchases in advance

- B. Delivery vs. Payment:** All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
- C. Safekeeping:** Securities will be held by an independent third-party custodian designated by the Investment Officer and evidenced a written custodial agreement.
- D. Internal Controls:** [30 ILCS 235/2.5(a)(6)] The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Township are protected from loss, theft, or misuse. Details of the internal control system shall be documented in an investment procedures and internal control manual and shall be reviewed and updated periodically. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record-keeping
- Custodial safekeeping
- Clear delegation of authority to subordinate staff members
- Written confirmation of transaction for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian.

VI. Suitable and Authorized Investments

A. Investment Types: [30 ILCS 235/2.5(a)(1)] The Township shall invest in instruments consistent with the GFOA Policy Statement on "State Statutes Concerning Investment Practices," and defined by the Public Funds Investment Act, 30 ILCS 235/2. A summary of authorized investments follows:

- In bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- In bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;
- In interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
- In short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (1.) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, (2.) such purchases do not exceed 10% of the corporation's outstanding obligations, and (3.) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or
- In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.
- Investment in derivatives is prohibited.

B. Collateralization: [30 ILCS 235.2.59(a)(5)] Full collateralization of deposits by the financial institution is required for all demand deposit accounts, including checking accounts, money market **accounts** and certificates of deposit, whenever the total amount on deposit at that institution exceeds the limits established by the Federal Deposit Insurance Corporation. The collateral shall be held by an independent third party institution in the name of the Township. A written collateralization agreement shall be executed by the financial institution and the Township.

VII. Investment Parameters

A. Diversification: [30 ILCS 235/2.5(a)(4)] It is the policy of the Township to diversify its investment portfolio to eliminate risk of loss resulting from the over-concentration of assets with a specific maturity or issuer or in a class of securities. The Township shall diversify its investments to the best of its ability based on the types of funds invested and the cash flow needs of those funds. Diversification can be by the type of investment, number of institutions invested in, and the length of maturity.

B. Maximum Maturities: [30 ILCS 235/2.5(a)(3)] To the extent possible, the Township shall

attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Township will directly invest in securities with an average maturity of two (2) years or less, not to exceed a final maturity of five years. An exception to not directly investing in securities maturing more than (5) years from the date of purchase would be securities purchased prior to the effective date of this policy.

No investments will be bought between January 1 and June 1 during an election year.

Because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VIII. Reporting

- A. **Methods:** [30 ILCS 235/2.5(a)(10)] The Investment Officer shall prepare an investment report quarterly and submit it to the Township Board quarterly. The report shall be accompanied by a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. The report will include a listing of individual securities held at the end of the reporting period. The report will be in a format suitable for review by the general public.
- B. **Performance Standards:** [30 ILCS 235/2.5(a)(8)] This investment portfolio will be managed in accordance with the parameters specified within this Investment Policy. A series of appropriate benchmarks shall be established which may include the Illinois Funds rate, certificate of deposit rates and U.S. Treasury and Agency rates. The benchmarks shall be reflective of the actual securities being purchased.
- C. **Marking to Market:** [30 ILCS 235/2.5(a)(10)] The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "mark to Market Practices for State and Local Government Investment Portfolios and Investment Pools." In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

IX. Policy Considerations

- A. **Exemption:** Any investment currently held that does not meet the guidelines of this policy shall be temporarily exempted from the requirements of this policy and reported to the Investment Officer. Investments must come in conformance with the policy within six months of the policy's adoption or the Investment Officer must present a plan through which investments will come into conformance.
- B. **Amendments:** This policy shall be reviewed on an annual basis. Any changes must be approved by the Township Supervisor and Board of Trustees.

X. Investment Policy Adoption

The investment policy, and any amendments thereto, shall be approved and adopted by the Township Supervisor and Board of Trustees.

Adopted July 16, 2019