Elmwood Park Public Library
Investment Policy

I. Governing Authority:
It is the policy of the Elmwood Park Public Library ("the Library") to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state, local and federal statutes governing the investment of public funds, including the Illinois Public Funds Investment Act. The Illinois Compiled Statutes will take precedence except where this policy is more restrictive, in which case this policy will take precedence.

II. Scope and Pooling of Funds:
The investment policy applies to the investment activities of all funds of the Library. Except for cash in certain restricted and special funds, the Library will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

The policies set forth below apply to the activities of the Treasurer as defined in Article III Section 4 of the bylaws of the Library Board of Trustees ("the Board") and as approved by the Board.

III. General Objectives
The primary objectives, in priority order, of investment activities will be safety, liquidity, and yield.

1. 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 objective will be to mitigate credit risk and interest rate risk.
    a. Credit risk: The Library will minimize credit risk, which is the risk of loss due to the failure of a security issuer or backer, by:
        i. Limiting investments to the safest type of securities.
        ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Library will do business.
        iii. Diversifying the investment portfolio so that potential losses on individual securities is limited.
    b. Interest rate risk: The Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by:
        i. 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.
        ii. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

2. 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 (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds.

3. Yield: The investment portfolio shall be designed with the objective of attaining 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 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.

   Securities shall not be sold prior to maturity with the following exceptions:
   *A security with declining credit may be sold early to minimize loss of principal.
   *A security swap would improve the quality, yield, or target duration in the portfolio.
   *Liquidity needs of the portfolio require that the security be sold.

IV. Standards of Care

1. Prudence
   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.

   The “prudent person” standard states: “Investments shall be made with the 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 probably safety of their capital, as well as the probably income to be derived.”

   Investment officials 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 changes, provided deviations from expectations are reported in a timely fashion and the liquidity and sale of securities are carried out in accordance with the terms of this policy.

2. Ethics and Conflicts of Interest
   These statements apply to all authorized investment officials, library trustees, and employees involved in the investment process.
   a. They 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.
   b. They shall disclose any material interest in financial institutions with which the Library conducts business and refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of Elmwood Park Public Library.

c. They shall disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

3. Delegation of Authority:
   Management and administrative responsibility for the investment program is hereby delegated to the Treasurer of the Library Board of Trustees who shall be responsible for all transactions undertaken. The Finance Committee shall be responsible for overseeing the investment activities as approved by the Library Board of Trustees.

   The Library Director shall be responsible for drafting and updating written procedures for the operation of the investment program, including reference to safekeeping, wire transfers, banking service contracts, and collateral/depository agreements for review by the Finance Committee and approval by the Library Board of Trustees.

V. Authorized Financial Institutions, Depositories, and Brokers/Dealers

1. A list of authorized financial institutions authorized to provide investment services will be maintained by the Village and reviewed by the Library Treasurer. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness. Such broker/dealers shall have minimum capital of $10,000,000, and have been in operation for at least five years. This list may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C-1 (uniform net capital rule), or qualified MBE/WBE brokers/dealers meeting the Village's financial requirements.

   All financial institutions and brokers/dealers who are interested in qualifying to provide depository or investment services to the Library shall supply the following as appropriate:
   a. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
   b. Proof of National Association of Securities Dealers (NASD) certification
   c. Proof of state registration
   d. Certification of having read and understood the Library's investment policy and agreeing to comply with its requirements.
   e. Evidence of adequate insurance coverage.

   An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers is conducted by the Village Finance Director and will be provided to the Treasurer of the Library Board of Trustees.

   The institution chosen by the Library as custodian of funds shall annually provide a copy of their most recent report on internal controls as required by auditing standards.

2. Percentage of deposits: The Library will not select as a depository any financial institution in which Library funds on deposit would exceed 50% of the institution's capital stock or net worth.

VI. Safekeeping and Custody

1. Delivery vs. Payment:
   All trades where applicable 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. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

2. Internal Controls.
   The Treasurer of the Library Board of Trustees is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Library are protected from loss, theft or misuse. 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 require estimates and judgments by management.

   Accordingly, the Library shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points.

   a. Control of collusion.
   b. Separation of transaction authority from accounting and recordkeeping.
   c. Custodial safekeeping.
   d. Avoidance of physical delivery securities.
   e. Clear delegation of authority to subordinate staff members.
   f. Written confirmation of transactions for investments or wire transfers.
   g. Development of a wire transfer agreement with the lead bank and third party custodian.

VII. Suitable and Authorized Investments

1. Investment Types
   Consistent with the Illinois Compiled Statutes 30-ILCS 235/2, the following investments will be permitted by this policy.
   a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value and are guaranteed by the full faith and credit of the United Sates of America as the principal and interest.
   b. Interest bearing savings accounts, interest bearing certificates of obligations of any bank as defined by the Illinois Banking Act and only those insured by the Banking Insurance Fund (BIF).
   c. Short-term discount obligations of corporations organized in the United Sates with assets exceeding $500,000,000 if (a) such obligations are rated at the time of purchase with the highest classification established by at least two standard rating services and which mature not later than 180 days from the date of purchase, (b) and no more than 25% of any fund is invested in such obligations at any time, and (c) cash purchased do not exceed 10% of the corporation's outstanding obligations.
   d. Money market mutual funds registered under the Investment Company Act of 1940, as amended, provided that the portfolio of any such money market mutual fund is limited to obligations authorized herein.
   e. Local government investment pools either state-administered (Illinois Public Treasurer's Investment Pool/Illinois Funds)or through joint powers statutes and other

intergovernmental agreement legislation (Illinois Metropolitan Investment Fund/IMET).

2. Collateralization
   Funds on deposit in excess of FDIC insurance limits must be secured by some form of collateral, witnessed by a written agreement, and held in the name of the Library at an independent/third party institution. The Library will accept any of the following assets as collateral
   a. U.S. government securities.
   b. Obligations of agencies or instrumentalities of the United States of America.
   c. Obligations of the State of Illinois.
   d. General obligation municipal bonds rated "A" or better by a nationally recognized rating service.
   e. Insurance policies issued by insurance companies rated "A" or better by a nationally recognized rating service.

   The amount of collateral provided will not be less than 110% of the fair value of the total amount of public funds in excess of FDIC Insurance that is being secured. The ratio of the fair value of the collateral to the amount of funds being secured will be reviewed at least quarterly.

3. Repurchase Agreements
   The Elmwood Park Public Library may not purchase financial forward or futures, any leverage investments, lending securities or reverse repurchase agreements. Repurchase agreements will only be purchased if specific securities are under the control of the Elmwood Park Public Library.

VIII. Investment Parameters

1. Diversification
   The Library shall diversify its investments o the best of its ability based on the type of funds invested and the cash flow needs of those funds. In order to reduce the risk of default, the investment portfolio of the Library shall not exceed the following limits:
   a. U.S. Treasurey Oblications (Full Faith and Credit) at 100%
   b. U.S. Agency Obligations at 90%
   c. State and Local Government Bonds at 50%
   d. Bank Certificates of Deposit at 35%
   e. Money Market Mutual Funds at 75%
   f. Illinois Funds Money Market at 60%
   g. Illinois Metropolitan Investment Fund at 30%

2. Maximum Maturities
   To the extent possible, the Library will attempt to match its investments with anticipated cash flow requirements. Maximum maturities will be limited to two years. Reserve funds may exceed the two-year limit, up to five years, if the maturity of such investments is matched with the expected use of such funds, and if approved by the Library Board of Trustees.

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

IX. Reporting

1. Methods
   The Treasurer and Library Director shall prepare and distribute an investment report quarterly to the Library Board of Trustees. The report shall provide an analysis of the current investment portfolio and transactions made over the last quarter, and contain the following:
   a. A listing of all securities held by the Library at the end of the reporting period, including the settlement date, maturity date, yield to maturity, par value, original cost, and current market value
   b. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity

2. Performance Standards
   The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

   Portfolio performance should be compared to an appropriate benchmark on a regular basis. The benchmark used to determine whether market yields are being achieved shall be the three-month U.S. Treasury Bill.

X. Policy Considerations

1. Exemption
   Any investment currently held that does not meet the guidelines of the policy shall be exempted from the requirements of the policy. At maturity or liquidation, such monies shall be reinvested only as provided in this policy.
2. Amendments
   This policy shall be reviewed on an annual basis by the Finance Committee and any recommended changes will be brought to the Library Board for approval.

Policy Review and Revision

Approved and Adopted by Library Board, July 16, 2015