



CITY OF WASHINGTON, ILLINOIS
Finance & Personnel Agenda Communication

Meeting Date: February 15, 2021

Prepared By: Ellen Dingledine, Treasurer; Ray Forsythe, City Administrator; Joanie Baxter, Finance Director

Agenda Item: City of Washington Investment Policy

Explanation: The State of Illinois Statute: Finance Public Funds Investment Act (*30 ILCS 235*) outlines guidelines for investments of public funds including those under the control of public agencies including cities. The Act requires that the City draft and approve an Investment Policy that meets the requirements outlined in the Act. Treasurer Dingledine has developed the Investment Policy which includes the necessary information required within the Act.

Fiscal Impact: The policy will assist in determining the most advantageous investment yield.

Recommendation/Committee Discussion Summary: This Policy is included on the Finance & Personnel Committee Agenda for discussion and recommendation to the City Council. It also appears on the City Council Agenda of 02/15/2021. Recommend approval by the Treasurer, Finance Director and City Administrator.

Action Requested: Consideration of the Investment Policy and recommendation to the City Council.

Attachment: City of Washington Investment Policy



CITY OF WASHINGTON INVESTMENT POLICY

I. POLICY

It is the policy of the City of Washington to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

II. SCOPE

This investment policy applies to all financial assets of the City of Washington and governed by the Washington City Council

III. POOLING OF FUNDS

Except for cash in certain restricted and special funds, the City 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.

IV. PRUDENCE

Investments shall be made with judgement 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. 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.

V. OBJECTIVES

The primary objectives of the City’s investment activities shall be:

1. **Legality** – The City’s investments will be in compliance with all statutes governing the investment of public funds and will conform to federal, state, and other legal requirements.
2. **Safety** – Safety of principal is one of the foremost objectives of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
3. **Liquidity** – The City’s investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which may be reasonably anticipated.
4. **Return on Investments** – 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.

VI. DELEGATION OF AUTHORITY

Management and administrative responsibility for the investment program is here delegated to the City Treasurer and the Finance Director who, under the delegation of the City Council, shall establish written procedures for the operation of the investment program.

VII. 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 investment program, or that could impair their ability to make impartial decisions.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City Treasurer and Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security brokers/dealers, if deemed appropriate.

IX. AUTHORIZED AND SUITABLE INVESTMENTS

Investments may be made in any type of security allowed for in Illinois statutes regarding the investment of public funds. Investments shall be made that reflect the cash flow needs of the fund type being invested.

X. COLLATERALIZATION

Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent third-party institution in the name of the municipality.

XI. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by an independent third-party custodian and evidenced by safekeeping receipts and a written custodial agreement.

XII. DIVERSIFICATION

The City shall diversify its investments to the best of its ability based on the type of funds invested, the credit worthiness of the institution it is investing in, and the cash flow needs of the City's funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

XIII. INTERNAL CONTROL

The Finance Director and City Treasurer are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting
3. Custodial Safekeeping
4. Written confirmation of telephone transaction for investments and wire transfers

XIV. REPORTING

The Finance Director shall prepare an investment report at least monthly. The report should be provided to the City Council and available upon request. The report should be in a format suitable for review. An annual report should also be provided to the City Council.

XV. SUSTAINABILITY FACTORS

The City Council, Treasurer and Finance Director have considered and regularly considers material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

XVI. INVESTMENT POLICY ADOPTION

The investment policy shall be adopted by the City Council. The policy shall be reviewed on an annual basis by the Finance Director and Treasurer and any modifications made thereto must be reviewed by the Finance and Personnel Committee and approved by the City Council.