



CITY OF WASHINGTON, ILLINOIS
City Council Agenda Communication

Meeting Date: September 18, 2023

Prepared By: Joanie Baxter, CPA – Finance Director
Jim Snider – City Administrator

Agenda Item: Resolution – Approving Declaration of Trust of the Illinois Trust

Explanation: The bond closing for the Stormwater Management \$5M bond is scheduled for October 5, 2023. At the time of closing, it is imperative that the City has determined an approach for investing the proceeds in order to maximize the benefit of the tax-exempt funding.

Staff met with a representative of PFM Asset Management who comes highly recommended with over 40 years of experience, over 200 Illinois governmental investors, and a AAAM rating by Standard and Poors.

The firm provides fixed income strategies which incorporate their investment philosophy of safety, liquidity and maximized yield. One of the investment vehicles they offer is a pool called Illinois Trust which had a yield of 5.4% on 9/11/2023. This pool allows for maximum liquidity while maintaining a portfolio of Illinois statute approved investments. They also offer a fixed-term diversified pooled investment called Illinois Term, as well as managed brokered CDs from a nationwide network of banks.

Fiscal Impact: Investment of the bond proceeds at closing in the Illinois Trust, Illinois Term, or brokered CDs as determined appropriate, will help to maximize the interest yield while allowing for drawdowns as proceeds are needed.

Staff's Recommendation: Approval of the Resolution allowing participation in the Illinois Trust.

Action Requested: Approval.

Illinois Trust - Illinois Portfolio

Principal Stability Fund Ratings Definitions

AAAm A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings

AAm A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Am A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories

BBBm A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

BBm A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

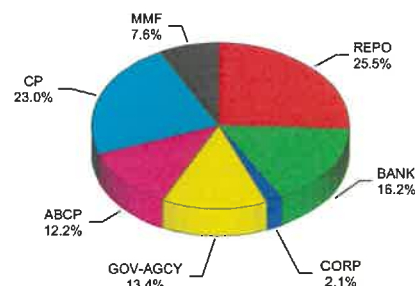
Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

Plus (+) or Minus (-) The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

About the Pool

Pool Rating **AAAm**
Pool Type Stable NAV Government Investment Pool
Investment Adviser PFM Asset Management LLC
Phone 1-800-731-6870
Website www.iiit.us
Portfolio Manager Jeffrey Rowe, CFA
Pool Rated Since October 2002
Custodian U.S. Bank N.A.
Distributor PFM Fund Distributors, Inc.

Portfolio Composition as of March 30, 2023



REPO - Repurchase Agreement; BANK - Bank Deposits; CORP - Corporate; GOV-AGCY - Agency and Government; ABCP - Asset-backed commercial paper; CP - Commercial Paper; MMF - Money Market Fund

Rationale

Illinois Portfolio is rated 'AAAm' by S&P Global Ratings. The rating is based on S&P Global Ratings' analysis of the fund's credit quality, investment policies, market price exposure, and management. The rating signifies our forward-looking opinion about a fixed-income fund's ability to maintain principal value (i.e., stable net asset value, or 'NAV').

Overview

The Illinois Portfolio is a series of the Illinois Trust which is organized under the laws of the state of Illinois. The trust was established for the purpose of allowing various public agencies—including counties, townships, cities, towns, villages, school districts, housing authorities, and public water supply districts—to jointly invest funds in accordance with the laws of the state of Illinois. The fund seeks to provide investors with strong current income that is consistent with the preservation of capital and the maintenance of liquidity.

Management

The Illinois Portfolio is managed by PFM Asset Management LLC (PFMAM), a subsidiary of U.S. Bancorp Asset Management, Inc. through acquisition as of December 7, 2021. As the fund's investment adviser and administrator, PFMAM is responsible for the purchase and sale of all portfolio assets. PFMAM is registered with the SEC under the Investment Advisers Act of 1940 and specializes in creating investment strategies and managing funds for public sector, not-for-profit and other institutional clients.

Portfolio Assets

The fund invests in fixed-income investments authorized by the Illinois Public Funds Investment Act, which governs the investment of public funds in Illinois. These instruments include U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, money-market mutual funds registered under the Investment Company Act of 1940, commercial paper, and certificates of deposits. The weighted average maturity to reset (WAM(R)) of the fund's portfolio is managed at 60 days or less to help provide liquidity for redemptions and to limit market price exposure.

S&P Global Ratings Analyst: Marissa Zuccaro - 1 (303) 721 4762

www.spratings.com

Participants should consider the investment objectives, risks and charges and expenses of the pool before investing. The investment guidelines which can be obtained from your broker-dealer, contain this and other information about the pool and should be read carefully before investing.

Principal Stability Rating Approach and Criteria

A S&P Global Ratings principal stability fund rating, also known as a "money market fund rating", is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, S&P Global Ratings analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter maturity and higher quality investments.

Principal stability fund ratings, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from a S&P Global Ratings traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects S&P Global Ratings view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

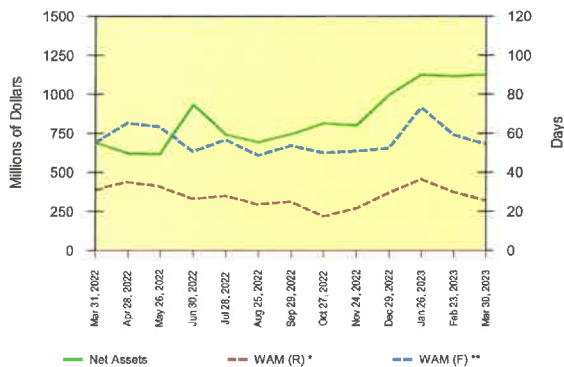
Illinois Trust - Illinois Portfolio

AAAm

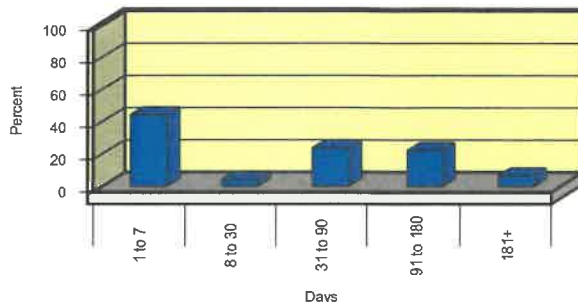
Data Bank as of March 30, 2023

Net Asset Value per Share.....	\$0.99997	Net Assets (millions).....	\$1,127.17	Inception Date.....	October 2002
WAM (R) *	26 days	WAM (F) **	55 days	7 Day Yield.....	4.83%
* Weighted Average Maturity (Reset)		** Weighted Average Maturity (Final)			

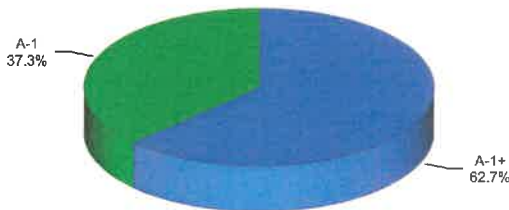
Net Assets, WAM (R) and WAM (F)



Portfolio Maturity Distribution as of March 30, 2023

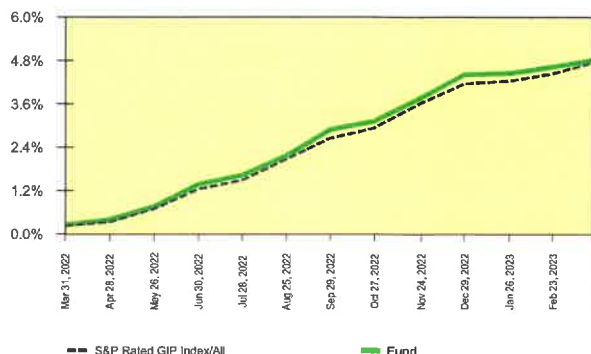


Portfolio Credit Quality as of March 30, 2023 *



*As assessed by S&P Global Ratings

Portfolio 7 Day Net-Yield Comparison *



*S&P 'AAAm' Money Fund Indices are calculated weekly by iMoneyNet, Inc., and are comprised of funds rated or assessed by S&P Global Ratings to within the specific rating categories. The S&P Global Ratings Rated LGIP Indices are calculated weekly by S&P Global Ratings and are comprised of 'AAAm' and 'AAm' government investment pools. *The yield quoted represents past performance. Past performance does not guarantee future results. Current yield may be lower or higher than the yield quoted.*

Pool portfolios are monitored weekly for developments that could cause changes in the ratings. Rating decisions are based on periodic meetings with senior pool executives and public information.

S&P Global Ratings is neither associated nor affiliated with the fund.

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RESOLUTION NO. _____

**A RESOLUTION APPROVING THE DECLARATION OF TRUST OF THE
ILLINOIS TRUST (FORMERLY KNOWN AS THE ILLINOIS INSTITUTIONAL INVESTORS TRUST)
AND AUTHORIZING THE EXECUTION THEREOF,
AND AUTHORIZING CERTAIN OFFICIALS TO ACT ON BEHALF
OF THE CITY OF WASHINGTON**

WHEREAS, the **Washington City Council** (the "Governing Board") of the **City of Washington** (the "Agency") has been presented with and reviewed the Declaration of Trust dated October 18, 2002 (the "Declaration of Trust"); and

WHEREAS, the Declaration of Trust creates a common law trust (the "Trust") to provide an instrumentality and agency through which public agencies organized under the laws of the State of Illinois may jointly act, agree, and cooperate in accordance with the laws of the State of Illinois in the performance of their responsibilities to invest available funds so as to enhance their investment opportunities pursuant to an investment program conducted in accordance with the laws of the State of Illinois, from time to time in effect, governing the investment of the funds of public agencies; and

WHEREAS, this Governing Board of the Agency has also been presented with and reviewed the appropriate Information Statement providing detailed information about the investment objectives, organization, structure, and operation of the Trust and its investment opportunities; and

WHEREAS the Agency is a public agency and unit of local government or school district within the meaning of Section 10 of Article VII of the 1970 Constitution of the State of Illinois (the "Illinois Constitution"), the Intergovernmental Cooperation Act, 5 ILCS 220/1, *et seq.*, and the Public Funds Investment Act, 30 ILCS 235/0.01, *et seq.*, and is authorized to enter into intergovernmental agreements, including the Declaration of Trust, pursuant to, *inter alia*, the provisions of Section 10, Article VII of the Illinois Constitution, the Intergovernmental Cooperation Act, and the Public Funds Investment Act; and

WHEREAS, the Agency does hereby find that by entering into the Declaration of Trust and becoming a Participant (as such term is defined in Section 1.4 of the Declaration of Trust) in the Trust, it shall be better able to perform its responsibility to invest its funds in accordance with the laws of the State of Illinois; and

WHEREAS, the Agency does hereby find and declare that it is in the best interest of the residents of the Agency that the Agency enter into the Declaration of Trust, become a Participant of the Trust, and use the Trust's services from time to time at the discretion of the Treasurer [and/or other authorized official];

NOW THEREFORE BE IT RESOLVED by the Governing Board of the Agency, **City of Washington, Tazewell County, Illinois**, as follows:

Section 1. The facts and statements contained in the preamble to this Resolution are hereby found to be true and correct and are hereby adopted as part of this Resolution.

Section 2. The terms and conditions of the Declaration of Trust are hereby approved, and the Agency is hereby authorized to become a Participant in the Trust. The persons listed below are authorized to execute said Declaration of Trust and enter into the Intergovernmental Agreement, and said persons are duly authorized present incumbents of said offices; and actual samples of their respective signatures are listed below:

<u>Gary W. Manier</u> Print Name	<u>Mayor</u> Title	_____ Signature
<u>Abbey M. Strubhar</u> Print Name	<u>Treasurer</u> Title	_____ Signature

Section 3. This Resolution shall take effect from and after its passage and approval as provided by law.

Signature of Official designated in Section 2

Gary W. Manier
Print Name

Mayor
Title

City of Washington
Agency

Attest:

I hereby certify that the foregoing is a full, true and complete transcript of a Resolution was adopted at the meeting held on _____, 20_____.

I do further certify that the deliberations of the _____ (the "Governing Board") on the adoption of said Resolution were conducted openly, that the vote on the adoption of said Resolution was taken openly, that said meeting was held at a specified time and place convenient to the public, that notice of said meeting was duly given to all of the news media requesting such notice, that said meeting was called and held in strict compliance with the provisions of the Open Meetings Act of the State of Illinois, and that the Governing Board has complied with said Act and with all of the procedural rules of the Governing Board.

I do further certify that such Resolution is in full force and effect as of the date hereof, and that such Resolution has not been modified, amended, or rescinded since its adoption.

[Clerk or Secretary]

Date

[seal]

[Signature pages may be modified as appropriate.]