

Ordinance 2018-0125-3
An Investment Policy for Downers Grove Township General Funds

WHEREAS, the Board of **Downers Grove Township** in the County of DuPage in the State of Illinois, in exercising its fiduciary responsibilities desires to safeguard the funds of the township as well as secondarily to maximize returns on held funds; and,

WHEREAS, state statute (30 ILCS 235/2.5) authorizes **Downers Grove Township** to establish an Investment Policy for adoption by the Board of Trustees; and,

WHEREAS, this investment policy has been reviewed and considered, and a copy of such proposed investment policy as attached and marked as Exhibit A; and,

WHEREAS, this policy would apply to **Downers Grove Township General Fund** public funds belonging to **Downers Grove Township** and in the custody of the Township Supervisor.

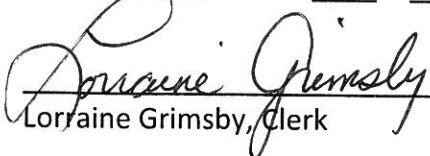
NOW THEREFORE BE IT RESOLVED that the **Downers Grove Township Board of Trustees** adopts an Investment Policy as provided in Exhibit A and that said **Investment Policy for Township General Funds** shall continue to have effect until expressly rescinded or modified.

BE IT FURTHER RESOLVED that the **Township Supervisor** is hereby authorized and directed to invest any monies he designates as in the best interest of the **Township of Downers Grove** as allowed for in the **Investment Policy for Township General Funds**.

BE IT FURTHER RESOLVED, That the **Township Supervisor** and the **Township of Downers Grove** will comply with all applicable statutes related to public fund investments.

Adopted this 25th day of January, 2018, pursuant to a roll call vote by the Board of Trustees of Downers Grove Township, DuPage County, Illinois.

Board of Trustees	AYE	NAY	ABSENT
Art Donner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Abby Ferguson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Karen Kelly	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dave Van Der Laan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Thoman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>


Lorraine Grimsby, Clerk


Mark S. Thoman, Supervisor

SEAL

(Exhibit A)

Ordinance 2018-0125-3

INVESTMENT POLICY FOR DOWNERS GROVE TOWNSHIP GENERAL FUNDS

It is the policy of Downers Grove Township 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 Township and conforming to all state and Township ordinances governing the investment of public funds. (30 ILCS 235/2.5)

Scope

This policy includes all **Downers Grove Township General Fund** funds. This Investment Policy will also apply to any new funds or temporary funds placed under the jurisdiction of the **Downers Grove Township General Fund**. 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 General Fund funds in accordance with generally accepted accounting principles.

Objective

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

- 1) **Legality:** The investment program shall operate in conformance with applicable state statutes.
- 2) **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.
 - a. **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:
 - i. Limiting investments to the types of securities listed in **Authorized Investment Instruments** of the Investment Policy.
 - ii. Limiting investment pathways to those banks, subsidiaries of banks, or bank holding companies that are approved by Annual Resolution as Designated and Authorized Banking Facilities, authorized by the Board of Trustees in accordance with Section IV.
 - iii. 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.
 - b. **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:
 - 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 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. **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.

- 3) 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 which offer same day liquidity.
- 4) 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 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:
 - a. A security with declining credit may be sold early to minimize loss of principal.
 - b. Liquidity needs of the portfolio require that the security be sold.
 - c. A security swap would improve the quality, yield, or target duration.

Authorized Investment Instruments

When the Township Supervisor's analysis of the township's cash flow requirements reveal that surplus funds will not be required to meet current expenditures for a specific length of time, the Township Supervisor is authorized to make prudent investments for a length of time that will provide a reasonable return on investment, yet ensure that such funds will be available when needed and will not be exposed to undue risk. The Township Supervisor is authorized to invest township funds through authorized institutions in the following instruments:

- 1) Money Market Accounts
- 2) Short term Certificates of Deposit
- 3) Short term US Treasury notes
- 4) Short term corporate bond funds rated Prime or High Grade by at least two credit rating agencies.
- 5) Short term securities issued by the government national mortgage association.

Standards of Care

The Township Supervisor shall make such investments and other such investments as a prudent person would make in dealing with property of another, having in view the preservation of the principal and the amount and regularity of the income to be derived. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

Safekeeping and Custody

The Township Supervisor shall defer to the current Designation of Depositories for Township Funds for institutions approved as financial depositories. Recommendations as to any appropriate changes in approved depositories shall be derived from an updated Designation of Depositories for Township Funds. The Township Supervisor shall:

- 1) Keep written confirmations of all transactions.
- 2) Avoid physical delivery of investment vehicles.
- 3) Provide written record for delegation of authority to subordinate staff members.

Reporting

The Township Supervisor shall prepare an investment report quarterly. The report shall be accompanied by a management summary that provides an analysis of the status of the current investment portfolio. The report will be available upon request to the Board of Trustees and will be in a format suitable for review by the general public. The report will include a listing of individual investments held at the end of the reporting period.

- 1) Performance Standards: This investment portfolio will be managed in accordance with the parameters specified within this policy. Any benchmark comparisons used shall be reflective of the actual investments held.
- 2) Marking to Market: Reports on the market value of the investments, as provided by the authorized investment institution, shall be updated quarterly and kept on file for evaluation and inspection.

Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the Township Supervisor and Board of Trustees.

Investment Policy Adoption

This **INVESTMENT POLICY FOR DOWNERS GROVE TOWNSHIP GENERAL FUNDS** adopted by the Board of Trustees on January 25, 2018, by approval of Ordinance 2018-0125-3.