

CITY OF NORTH CHICAGO

INVESTMENT POLICY

Policy: The City of North Chicago ("City"), as a public agency, has an inherent fiduciary responsibility to properly account for and manage public funds. Public funds are to be considered current operating funds, special funds, reserve funds, debt service and other funds of any kind or character belonging to or in the custody of the City (30 ILCS 235/1, et seq., Public Funds Investment Act).

General Objectives: The City's investment portfolio shall be managed in a manner to attain a market rate of return throughout economic cycles while at the same time preserving and protecting capital in the overall portfolio. The primary objectives, in priority order, of investment activities shall be **(1) legality, (2) safety, (3) liquidity, and (4) yield.** A secondary objective is to invest in companies promoting sustainability. Preservation of capital shall have priority at all times over the investment rate of return. Investment activity prior to the enactment of this policy must be brought into compliance upon maturity.

1. Legality

Investment activity must be in compliance with all statutes governing the investment of public funds and conforms to federal, state and other legal requirements and the terms and conditions of this policy, as amended from time to time.

2. Safety

Investment activity must be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio, as well as mitigates "credit risk" and "interest rate risk." Safety of principal is the foremost objective. The City will minimize credit risks, which is the risk of loss due to the failure of the security issuer, by diversifying its investments and purchasing the safest type of securities; and the City will minimize interest rate risk, which is the risk that the market values of securities in the portfolio will fall due to changes in market interest rates, by staggering maturity dates to match liquidity needs.

3. Liquidity

To ensure adequate liquidity regarding investment activity, the City Treasurer must consult with the City Comptroller to reasonably predict the City's cash flow needs. 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).

4. Yield

Investment activity must align with the investment portfolio's 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 described above.

5. Sustainability

Material, relevant, and decision-useful sustainability factors will be regularly considered by the City, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act, 30 ILCS 238/1, et seq.

Standards of Care

Prudence: Investment activity must 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.

Ethics and Conflicts of Interest: Any conflict of interest that could conflict with the proper execution and management of any investment activity, or that could impair the ability to make impartial decisions, must be disclosed to the City Council. Officers and employees shall disclose any personal financial investment positions that could be related to the performance of the City's investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions and/or loans with the same individual or advisor with whom business is conducted on behalf of the City.

Safekeeping and Custody

All trades of marketable securities must be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

Suitable and Authorized Investments

Except as otherwise described in this policy, the City may invest in any type of the security permitted by the Public Funds Investment Act (30 ILCS 235/2). The following describes additional restrictions on investment in otherwise permitted securities:

- Short-term obligations of corporations organized in the United States (30 ILCS 230(2)(a)(4)):
 - Cumulatively with long-term corporate obligations no more than 25% of the City's funds may be invested obligations of such corporations.
- Obligations of corporations organized in the United States (30 ILCS 230(2)(a)(4.5)):
 - Cumulatively with short-term corporate obligations no more than 25% of the City's funds may be invested obligations of such corporations.

Collateralization

It is the policy of the City and in accordance with State law and the GFOA's Recommended Practices on the Collateralization of Public Deposits, that the City requires funds on deposit in excess of FDIC limits be secured with some form of collateral. The City recognizes that the FDIC limits apply on a per depositor per bank—not on a per account basis. The City will accept any of the following assets as collateral:

- Government Securities
- Direct Obligations of Federal Agencies
- Direct Obligations of Federal Instrumentalities
- Letters of Credit issued by the Federal Home Loan Bank
- Letters of Credit issued by a Federal Reserve Bank

The City reserves the right to accept/reject any form of the above-named securities.

The amount of collateral provided will not be less than 102% of the fair market value of the net amount of public funds Secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed monthly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in safekeeping by an independent third-party depository designated by the City and evidenced by a custodial and safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the City. The City realizes that there is a cost factor involved with collateralization and the City will pay any reasonable and customary fees related to collateralization.

The City Treasurer must provide the City Comptroller with digital copies of all collateral agreements and/or other documents relating to the month-end status of collateralization of the City funds.

Investment Parameters

Diversification

In order to reduce the risk of default, the investment portfolio of the City shall be diversified by limiting investments to avoid over-concentration in securities from a specific issuer or business sector (U.S. Treasury and Agency securities) and in compliance with the following limits¹:

- Except as otherwise described herein, the city shall not invest more than 25% of its investment portfolio in any individual financial holding or investment. No financial institution shall be responsible for investing more than 45% of the City's investment portfolio.
- US Treasury Securities shall not exceed 50% of the City's investment portfolio.
- Commercial paper shall not to exceed 25% of the City's investment portfolio.
- Certificate of Deposits of any Financial Institutions shall not to exceed 25% of the City's investment portfolio (except when the CDs are being invested using the CDARS (Certificate of

¹ These limits are in addition to other limits described in this policy.

Deposit Account Registry Service), or similar system. This is an investment system that ensures each CD has complete FDIC coverage.)

- Illinois Funds or other Money Market Securities shall not to exceed 35% of the City's investment portfolio.
- Any non-State operated Local Government Investment Pool shall not to exceed 35% of the City's investment portfolio
- The City shall invest in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Maximum Maturities

Investment maturities (short-term) for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue (tax turnover, franchise fee payments). Maturities in this category shall be timed to comply with the following guidelines:

Short-Term

Under 30 days	10% (minimum) of total short-term investments
Under 90 days	25% (minimum) of total short-term investments
Under 270 days	50% (minimum) of total short-term investments
Under 1 year	90% (minimum) of total short-term investments
Under 18 months	100% (minimum) of total short-term investments

If the City is not currently in compliance with the foregoing schedule of maturities, the Treasurer may present a plan to achieve compliance to the City Council and a timeframe to perform such plan.

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 Local Government Investment Pools (LGIPs) and money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Long Term

Instruments and diversification for the long-term portfolio shall be the same as for the short-term portfolio with the exception that such investments will not be permitted without the secondary approval of the Comptroller or the Comptroller's designee for the purpose of protecting anticipated cash flow requirements. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase.

Competitive Selection of Investment Instruments

Before the City invests any surplus funds in Certificates of Deposit, a survey of competitive rates shall be conducted. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, rates will be requested for instruments which meet the maturity requirement. If no

specific maturity is required, a market trend (yield curve) analysis will be conducted to determine which maturities would be most advantageous.

Rates will be requested from financial institutions for various options with regard to term and instrument. The City will accept the bid which provides the highest rate of return within the maturity required and within the parameters for these policies. Records will be kept of the rates offered, the rates accepted and a brief explanation of the decision which was made regarding the investment.

Reporting

The City Treasurer shall prepare an investment report at least monthly, including a management summary that provides a snapshot of the status of the current investment portfolio and the individual transactions executed over the preceding month. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. This report will be provided to the City Clerk for inclusion and distribution to the Mayor and City Council at the 2nd Council Meeting of each month. The report will include the following:

- Summary of investments by financial institutions; and applicable pledged collateral limits
- Advisors and investment brokerage firms currently authorized by the City and engaged by the Treasurer;
- Listing of individual securities held at the end of the previous reporting period;
- Average weighted net yield to maturity of portfolio, applying each security's most recently reported APY (the report shall disclose all premiums paid to enhance APY);
- Listing of investments by maturity date;
- Percentage of total portfolio which each type of investment represents; and
- Comparison of overall net investment performance to the monthly net investment returns reported by Illinois Funds.

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 Illinois Funds net return on investment over common investment periods. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmark shall have similar weighted average as the portfolio.

Market Yield

The City's investment strategy is *passive*. Given this strategy, the basis used by the City Treasurer to determine whether market yields are being achieved shall be the Illinois Funds annual APY.

Marking to Market

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 and included in monthly reports. This will ensure that

review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA recommended Practices in "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.

Internal Controls

The **City Comptroller** and **City Treasurer**, or their respective designee, are jointly responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The formal internal control structure will be presented to the Council for review on no less than an annual basis on or before April 1st of each year.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Definitions

Annual Comprehensive

Financial Report (ACFR): The official annual financial report for the City.

APY: Annual Percentage Yield. The real rate of return earned on investments, taking into account the effect of premiums, investment brokerage fees and compounding interest. It reflects the actual interest rate you earn on an investment because it considers the interest you make on your interest.

Bid: The price offered for securities.

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not take a position (take ownership of securities). In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

Collateral: Securities pledged by a bank to secure deposits of public monies.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling securities from an inventory.

Delivery v. Payment:	There are two (2) methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with a contemporaneous exchange of money for the securities. Delivery versus receipt is delivery of the securities with an exchange of a signed receipt for the securities.
Diversification:	Dividing investment funds among a variety of securities and issuers offering independent returns and maturities.
FDIC:	Federal Deposit Insurance Corporation. A Federal agency that insures bank deposits, currently up to \$250,000 per depositor, per insured bank.
FHLB:	Federal Home Loan Banks. The institutions that regulate and lend to savings and loan associations.
Repurchase Agreement:	A holder of securities sells such securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the security “seller” money for the period of the agreement and the terms of the agreement are structured to compensate the purchaser for doing so.
Safekeeping:	A service to customers rendered by banks for a fee whereby securities are held in the bank’s vaults for protection.
SEC:	Securities and Exchange Commission. Agency created by Congress to protect investors in securities transactions by enforcing legislation and administrative regulations.
Treasury Bills:	A short-dated government security, yielding no interest but issued at a discount on its redemption price. Most Treasury bills are issued in three (3), six (6) or twelve (12) month maturities.
Treasury Notes:	A marketable U.S. government debt security with a fixed interest rate and a maturity between two and 10 years. Treasury notes are available from the government with either a competitive or noncompetitive bid.
Yield:	The rate of annual income return on an investment, expressed as a percentage.
Net Yield; Yield to Maturity:	Yield minus any premium above par or plus any discount below par in the purchase price for a security and minus any brokerage or transaction fees paid. It is adjusted over the period from the date of purchase to the date of maturity of the security.

CITY OF NORTH CHICAGO

INVESTMENT POLICY CHECKLIST

Investment _____

Buyer In House _____

Broker _____ Rate _____

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General Objectives: The City's investment portfolio shall be managed in a manner to attain a market rate of return throughout economic cycles while at the same time preserving and protecting capital in the overall portfolio. The primary objectives, in priority order, of investment activities shall be **(1) legality, (2) safety, (3) liquidity, and (4) yield**. A secondary objective is to invest in companies promoting sustainability. Preservation of capital shall have priority at all times over the investment rate of return. Investment activity made prior to the enactment of this policy must be brought into compliance upon maturity.

1. Legality

This investment activity is in compliance with all statutes governing the investment of public funds and conforms to federal, state and other legal requirements and the terms and conditions of this policy, as amended from time to time. This investment is in compliance with the Legality requirement detailed in the City's Investment Policy.

- See “Authorized and Suitable Investments” section below

City Treasurer, or Designee

Date

Chief of Staff, Comptroller, or Designee

Date

2. Safety

This investment activity is being undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio, as well as mitigates “credit risk” and “interest rate risk.” Safety of principal is the

foremost objective. This investment is in compliance with the Safety requirement detailed in the City's Investment Policy.

- The City will minimize credit risks by staggering maturity dates, which is the risk of loss due to the failure of the security issuer or backer; and
- The City will minimize interest rate risk by staggering maturity dates, which is the risk that the market values of securities in the portfolio will fall due to changes in market interest rates.

City Treasurer, or Designee Date

Chief of Staff, Comptroller, or Designee Date

3. Liquidity

To ensure adequate liquidity regarding this investment activity, the City Treasurer has consulted with the City Comptroller to reasonably predict the City's cash flow needs. This investment is in compliance with the Liquidity requirement detailed in the City's Investment Policy.

- 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).

City Treasurer, or Designee Date

Chief of Staff, Comptroller, or Designee Date

4. Yield

This investment activity is aligned with the investment portfolio's 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 described above. This investment is in compliance with the Yield criteria detailed in the City's Investment Policy.

Expected Return Rate _____ Net of Fees _____

Monthly IL Funds rate (benchmark rate) _____

City Treasurer, or Designee Date

Chief of Staff, Comptroller, or Designee Date

5. Sustainability

Material, relevant, and decision-useful sustainability factors will be regularly considered by the City, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act, 30 ILCS 238/1, et seq.

City Treasurer, or Designee Date

Chief of Staff, Comptroller, or Designee Date

Standards of Care

Prudence: This investment activity will 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.

Ethics and Conflicts of Interest: Any conflict of interest that could conflict with the proper execution and management of this investment activity, or that could impair the ability to make impartial decisions, have been disclosed to the City Council in accordance with the Standards of Care requirement in the City's Investment Policy.

- Officers and employees shall disclose any personal financial investment positions that could be related to the performance of the City's investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions and/or loans with the same individual with whom business is conducted on behalf of the City.

City Treasurer, or Designee Date

Chief of Staff, Comptroller, or Designee Date

Safekeeping and Custody

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.

Suitable and Authorized Investments

Except as otherwise described in this policy, the City may invest in any type of the security permitted by the Public Funds Investment Act (30 ILCS 235/2). The following describes additional restrictions on investment in otherwise permitted securities:

- Short-term obligations of corporations organized in the United States (30 ILCS 230(2)(a)(4):
 - Cumulatively with long-term corporate obligations no more than 25% of the City's funds may be invested obligations of such corporations.
- Obligations of corporations organized in the United States (30 ILCS 230(2)(a)(4.5):
 - Cumulatively with short-term corporate obligations no more than 25% of the City's funds may be invested obligations of such corporations.

Collateralization

It is the policy of the City and in accordance with State law and the GFOA's Recommended Practices on the Collateralization of Public Deposits, the City requires that funds on deposit in excess of FDIC limits be secured with some form of collateral. The City recognizes that the FDIC limits apply on a per depositor per bank—not on a per account basis. The City will accept any of the following assists as collateral:

- Government Securities
- Direct Obligations of Federal Agencies
- Direct Obligations of Federal Instrumentalities
- Letters of Credit issued by the Federal Home Loan Bank
- Letters of Credit issued by a Federal Reserve Bank

The City reserves the right to accept/reject any form of the above-named securities.

The amount of collateral provided will not be less than 102% of the fair market value of the net amount of public funds Secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed monthly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in safekeeping by an independent third-party depository designated by the City and evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the City. The City realizes that there is a cost factor involved with collateralization and the City will pay any reasonable and customary fees related to collateralization.

This investment is in compliance with the Safekeeping and Custody requirements detailed in the City's Investment Policy. The City Treasurer will provide the City Comptroller with digital copies of all collateral agreements and/or other documents relating to the month-end status of collateralization of the City funds.

Investment Parameters

Diversification

In order to reduce the risk of default, the investment portfolio of the City shall be diversified by limiting investments to avoid over-concentration in securities from a specific issuer or business sector (U.S. Treasury and Agency securities) and in compliance with the following limits:

- Except as otherwise described herein, the city shall not invest more than 25% of its investment portfolio in any individual financial holding or investment. No financial institution shall be responsible for investing more than 45% of the City's investment portfolio.
- US Treasury Securities shall not exceed 50% of the City's investment portfolio.
- Commercial paper shall not to exceed 25% of the City's investment portfolio.
- Certificate of Deposits of any Financial Institutions not to exceed 25% of the City's investment portfolio (except when the CDs are being invested using the CDARS (Certificate of Deposit Account Registry Service), or similar system. This is an investment system that ensures each CD has complete FDIC coverage.)
- Illinois Funds or other Money Market Securities shall not to exceed 35% of the City's investment portfolio.
- Any non-State operated Local Government Investment Pool shall not to exceed 35% of the City's investment portfolio
- The City shall invest in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Maximum Maturities

Investment maturities (short-term) for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue (tax turnover, franchise fee payments). Maturities in this category shall be timed to comply with the following guidelines:

<u>Short-Term</u>	<u>Present Position</u>
Under 30 days	10% (minimum) of total short-term investments
Under 90 days	25% (minimum) of total short-term investments
Under 270 days	50% (minimum) of total short-term investments
Under 1 year	90% (minimum) of total short-term investments
Under 18 months	100% (minimum) of total short-term investments

If the City is not currently in compliance with the foregoing schedule of maturities, the Treasurer may present a plan to achieve compliance to the City Council and a timeframe to perform such plan.

Long Term

Instruments and diversification for the long-term portfolio shall be the same as for the short-term portfolio with the exception that such investments will not be permitted without the secondary approval of the

Comptroller or the Comptroller's designee. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase.

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 Local Government Investment Pools (LGIPs) and money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

This investment is in compliance with the Investment Parameters requirements detailed in the City's Investment Policy.

City Treasurer, or Designee

Date

Chief of Staff, Comptroller, or Designee

Date

Competitive Selection of Investment Instruments

Before the City invests any surplus funds in Certificates of Deposit, a survey of competitive rates shall be conducted.

Survey conducted on or between: _____
Date/Date Range

If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, rates will be requested for instruments which meet the maturity requirement. If no specific maturity is required, a market trend (yield curve) analysis will be conducted to determine which maturities would be most advantageous.

Yes, a specific maturity date is required and completed: _____
 No, a specific maturity date is not required.

Rates will be requested from financial institutions for various options with regard to term and instrument. The City will accept the bid which provides the highest rate of return within the maturity required and within the parameters for these policies. Records will be kept of the rates offered, the rates accepted and a brief explanation of the decision which was made regarding the investment.

This investment is in compliance with the Competitive Selection of Investment Instruments requirements detailed in the City's Investment Policy.

City Treasurer, or Designee

Date

Reporting

The City Treasurer shall prepare an investment report at least monthly, including a management summary that provides a snapshot of the status of the current investment portfolio and the individual transactions executed over the preceding month. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. This report will be provided to the City Clerk for inclusion and distribution to the Mayor and City Council at the 2nd Council Meeting of each month. The report will include the following:

- Listing of all investment advisors and investment brokerage firms currently engaged by the Treasurer;
- Listing of individual securities held at the end of the previous reporting period;
- Average weighted yield to maturity of portfolio, applying each security's most recently reported APY;
- Listing of investments by maturity date;
- Percentage of total portfolio which each type of investment represents; and
- Comparison of overall net investment performance to the monthly net investment returns reported by Illinois Funds.

This report has been prepared in accordance with the Reporting requirements detailed in the City's Investment Policy and has been provided to the City Clerk.

City Treasurer, or Designee

Date

City Clerk, or Designee

Date

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 Illinois Funds net return on investment over common investment periods. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmark shall have similar weighted average as the portfolio.

Market Yield

The City's investment strategy is *passive*. Given this strategy, the basis used by the City Treasurer to determine whether market yield are being achieved shall be the Illinois Funds annual APY.

Marking to Market

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 and included in monthly reports. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA recommended Practices in "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.

Internal Controls

The **City Comptroller** and **City Treasurer**, or their respective designee, are jointly responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The formal internal control structure will be presented to the Council for review on no less than an annual basis on or before April 1st of each year.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

This investment is in compliance with the Internal Controls requirements detailed in the City's Investment Policy.

City Treasurer, or Designee

Date

City Comptroller, or Designee

Date

Qualification Requirements Checklist for Prospective Brokers/Advisors/Dealers

Financial Institutions and Brokers/Dealers

The City Treasurer, or designee, is required to complete this checklist for all financial institutions and brokers/dealers who desire to become qualified bidders for investment-transactions.

Supporting documents demonstrating the fulfillment of each requirement must be attached to this checklist and submitted to the City Council for approval.

Name of Financial Institution or Brokers/Dealers under consideration

- Audited financial statements demonstrating compliance with state and federal capacity adequacy guidelines
- Proof of National Association of Security Dealers (NASO) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read the City's Investment Policy

Is the prospective bidder qualified?

- Yes**, all requirements have been met and the prospective bidder is qualified
- No**, all the requirements have not been met and the prospective bidder is not qualified

City Treasurer, or Designee

Date

Attachment # 1

CITY OF NORTH CHICAGO, ILLINOIS CERTIFICATE OF COMPLIANCE
THE UNDERSIGNED, BEING FIRST DULY SWORN ON OATH, DEPOSES AND STATES AS
FOLLOWS:

1. That the undersigned has authority to make this certification on behalf of the bidder.

Name of Company

2. That the undersigned has read and understands the contents of the City's Investment Policy which are contained herein. The undersigned covenants that all investments made of City funds shall conform to the Investment Policy.

3. Authorized Signature

Type or Print Name

Title

Instructions: This is to be completely filled out and executed by the chief officer or the individual authorized to submit the certification.