



VILLAGE OF OAK PARK INVESTMENT POLICY

Village Board Approved and Adopted: July 31, 2023

Table of Contents

I.	Governing Authority	1
II.	Scope.....	1
III.	General Objectives.....	1
IV.	Standards of Care.....	3
V.	Authorized Financial Institutions, Depositories, and Brokers/Dealers.....	3
VI.	Safekeeping and Custody.....	4
VII.	Suitable and Authorized Investments.....	4
VIII.	Investment Diversification and Constraints	6
IX.	Reporting.....	6
X.	Policy Considerations.....	7

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I. Governing Authority

The Village of Oak Park's (hereinafter referred to as the "Village") investment program shall be operated to provide a reasonable balance for obtaining a competitive investment rate of return at the lowest possible risk. Furthermore, all investments must be weighed against the daily cash flow demands of the Village while conforming to all state and local statutes governing the investment of public funds. Should there be any conflict, whether in the present or future, between any provision of the Village's Investment Policy (hereinafter referred to as the "Policy") and the Public Funds Investment Act (PFIA), 30 ILCS 235/0.01 *et seq.*, as amended, the provision of the PFIA shall control.

II. Scope

This Policy is applicable to the investment of all funds of the Village, excluding those of the legally independent fiduciary Police and Fire Pension Fund Boards.

Except for cash in certain restricted and special funds, the Village will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income shall be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. General Objectives

The primary objectives of investment activities, in priority order, shall be Legality, Safety, Liquidity, and Yield.

A. *Legality.* Conformance with federal, state and other legal requirements is the foremost objective of the investment of Village funds.

B. *Safety.* 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.

1. *Credit Risk.* The Village will minimize credit risk and the risk of loss due to the failure of the security issuer or backer by:

i. Limiting investments to securities set forth in this Policy;

ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers; and

iii. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

2. *Interest Rate Risk.* The Village will minimize the risk that the market value of securities in the Village's portfolio will fall due to changes in general 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; and
 - ii. Investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools.
 3. *Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of a bank or counterparty failure, the Village's collateral securing uninsured deposits or investments may not be recovered. The Village will minimize custodial credit risk with financial institutions by ensuring that all deposits are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in the Village's name by the Village's agent. When feasible, securities will be held by a third-party securities custodian separate from where an investment was purchased.
- C. *Liquidity.* The Village's 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 consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity.
- D. *Yield.* The Village's investment portfolio shall be designed with the objective of attaining a market rate of return, based on appropriate performance benchmarks, throughout budgetary and economic cycles while considering the investment risk constraints and liquidity needs. Return on investment shall always be of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a competitive rate of return relative to the risk being assumed. Securities may be sold prior to maturity for cash flow needs or upon a determination by the Village's Chief Financial Officer/Treasurer that investment returns can be improved by selling and re-investing proceeds in an alternative investment vehicle eligible under this policy. The portfolio should be reviewed periodically as to its effectiveness in meeting the Village's needs for safety, liquidity, rate of return, diversification, and its general performance.

IV. Standards of Care

- A. *Prudence.* The standard of prudence to be used by the Village Manager, Chief Financial Officer/Treasurer, or other Board approved Village employees authorized to invest on behalf of the Village shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. The prudent person standard means investments shall be made with judgment and care, under circumstances then prevailing, with an appropriate level of discretion and intelligence that a reasonable, risk-adverse investor would use rather than conducting speculative investing. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for any individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.
- B. *Ethics and Conflicts of Interest.* The Village Manager, CFO/Treasurer, or other Village Board approved employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment portfolio, or that could impair their ability to make impartial decisions. Employees shall disclose any material interest in financial institutions with which they conduct business as required under applicable law.
- C. *Delegation of Authority.* Management and administrative responsibility of the Village’s investment portfolio is delegated to the Village’s Chief Financial Officer/Treasurer who, under the delegation by the Board of Trustees, shall determine an appropriate investment strategy.

No person may engage in any investment transaction except as provided under the terms of this policy and the procedures established by the Village’s Chief Financial Officer/Treasurer. The Chief Financial Officer/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, including outside investment managers.

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

- A. *Authorized Financial Institutions, Depositories, and Brokers/Dealers.* All financial institutions, depositories, and/or brokers/dealers must be approved by the Village Board prior to conducting business.

At a minimum, all active financial institutions and broker/dealers must provide the following upon request from the Village:

1. Audited financial statements;

2. Proof of Financial Industry Regulatory Authority (FINRA) certification;
3. Certification of agreement to comply with the Village of Oak Park's investment policy; and
4. Evidence of adequate FDIC and/or collateralization coverage.

VI. Safekeeping and Custody

- A. *Safekeeping.* When feasible, securities will be held by an independent third-party custodian with all securities held in the Village's name. The safekeeping institution shall provide a copy of their most recent report on internal controls to the Village annually, if applicable.
- B. *Internal Controls.* The Village's Chief Financial Officer/Treasurer shall establish reasonable and customary internal controls for accessing investment information as well as performing investment transactions. Accordingly, as part of the normal annual Village financial audit, the Village's external auditor shall also assure compliance with policies and procedures. The internal controls shall address the following points:
 1. Control of collusion;
 2. Separation of transaction authority from accounting and recordkeeping;
 3. Custodial safekeeping;
 4. Avoidance of physical delivery securities;
 5. Clear delegation of authority to subordinate staff members;
 6. Written confirmation of transactions for investments and wire transfers; and
 7. Dual authorizations of wire transfers.

VII. Suitable and Authorized Investments

- A. *Allowable Investments.* Consistent with the PFIA, as well as the Government Finance Officers Association (GFOA) Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this Policy:
 1. Bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States Government.

2. Bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities.
 3. Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any investment constituting direct obligations of any bank, as defined by the Illinois Banking Act, 205 ILCS 5/1 *et seq.*, and insured by the Federal Deposit Insurance Corporation.
 4. Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 pursuant to the conditions as outlined in the PFIA, 30 ILCS 235/2, as amended.
 5. Money Market Mutual Funds registered under the federal Investment Company Act of 1940, as amended, provided that the portfolio of any such money market mutual fund is limited to obligations described in the PFIA 30 ILCS 235/2(5).
 6. Investment-grade, interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district of the State of Illinois or any other State of the United States.
 7. Repurchase agreements of government securities having the meaning set out in the federal Government Securities Act of 1986, as amended.
 8. A Public Treasurers' Investment Pool created under Section 17 of the Illinois State Treasurer Act, 15 ILCS 505/17, as amended.
- B. *Sustainability Factors.* Material, relevant, and decision-useful sustainability factors are regularly considered by the Village, 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.
- C. *Collateralization.* Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral as set forth in 30 ILCS 235/6(d), as amended. Furthermore, collateral held must maintain a minimum valuation of 105% for any amounts exceeding FDIC coverage.

Collateral used in safekeeping should be held in the Village's name with an independent third-party bank, the Federal Reserve Bank, or by an escrow agent of the pledging institution. Collateral agreements shall not allow for the release of the pledged assets without an authorized signature from the Village, but will allow for an exchange of collateral of like value.

VIII. Investment Diversification and Constraints

- A. *Diversification.* It is the policy of the Village of Oak Park to diversify its investment portfolio, excluding any securities issued and guaranteed by the full faith and credit of the United States Government. To eliminate the risk of loss resulting from the overconcentration of assets in a specific maturity, issuer or class of securities, all cash and cash equivalent assets in all funds shall be diversified by maturity, issuer, and security type.

In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.
2. Risks of market price volatility shall be controlled through maturity diversification and duration management.
3. Reserve funds and other funds with longer-term investment horizons may be invested in securities of up to five (5) years, if the maturity date of said investments is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Village Board.
4. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously deposited/invested in highly liquidity checking, money market, or short-term certificate of deposit accounts.

IX. Reporting

- A. *Methods.* The Village's Chief Financial Officer/Treasurer shall prepare a cash balance/investment report at least quarterly. The report should be made available as requested by the Village Board of Trustees or other interested parties. The report will include the following:

1. Name of financial institution holding the deposit/investment;
2. Fair market investment value or cash deposit balance by financial institution;
and

3. The allocation of investments/deposits by Village Fund as reported under the financial principles and standards of the Governmental Accounting Standards Board.

B. *Write Up 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. This review of the investment portfolio, in terms of value and price volatility, should be performed consistent with the GFOA Recommended Practices on “Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools.”

X. **Policy Considerations**

A. *Amendments.* This Policy shall be adopted by Resolution of the Village Board of Trustees. Any future amendment to this Policy shall be approved and adopted by the Village Board of Trustees.

B. *Exemption.* Any investment currently held that does not meet the requirements of Policy shall be exempt from the requirements of this Policy. At maturity or liquidation, such funds shall be reinvested only as provided by this Policy.