

ORDINANCE NO. 14 - O - 93

An Ordinance adopting a new Investment Policy for the City of Waukegan

Whereas, the City of Waukegan (hereinafter "the City") is a home-rule unit of government pursuant to Section 6(a), Article VII of the 1970 Illinois Constitution; and

Whereas, the Corporate Authorities of the City of Waukegan previously approved an investment policy 13-O-14; and

Whereas, the Corporate Authorities of the City of Waukegan now wish to update that investment policy to keep it current with evolving standards for financial assets;

Now, therefore, be it ordained by the Mayor and City Council of the City of Waukegan, County of Lake, State of Illinois, as follows:

Section 1: That Ordinance 13-O-14 is hereby repealed.

Section 2: That the following language is adopted as the Investment Policy for the City of Waukegan:

**City Of Waukegan
Investment Policy**

1.0 Scope:

This Investment Policy applies to all financial assets accounted for in the Annual Financial Report of the City of Waukegan ("City"), except the Pension Funds, which are governed by a separate Board of Trustees and Investment Policy. Proceeds from certain bond issues may be covered by a separate policy or ordinance enacted by the City.

Investments of these various funds may be commingled in order to maximize investment earnings when advantageous and prudent to do so; however, investments will be accounted for separately for each fund and investment income will be allocated to the various funds based upon respective participation.

2.0 Objectives:

It is the policy of the City to invest public funds in a manner which is consistent with all state and local statutes governing the investment of public funds and which will meet the following objectives:

1. Preservation and protection of capital
2. Maintenance of sufficient liquidity to meet operating needs
3. Conformance with federal, state and other legal requirements
4. Diversification to avoid incurring unreasonable risk in either security type or financial institution
5. Attainment of market rate of return
6. Local consideration to promote economic development in the City of Waukegan

3.0 Delegation of Authority:

Management of the City's investment program is the responsibility of the Treasurer. Purchases and sales of securities, wire transfers, release of pledged collateral, and execution of documents and agreements shall be made by the Treasurer, or his or her designee, in accordance with this policy.

4.0 Prudence & Indemnification:

The standard of prudence to be used by investment personnel shall be the "prudent person" rule, which states, "Investments shall 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 and shall be applied in the context of managing the entire portfolio." Additionally, all participants in the investment process shall subordinate their personal investment transactions to those of the City. Investment personnel, acting with this Investment Policy and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

5.0 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.

6.0 Authorized & Suitable Investments:

All securities purchased under this Investment Policy shall be governed by the Public Funds Investment Act 30 ILCS 235/1 et seq. and all revisions made by the Illinois Legislature. Listed below are the acceptable investments.

1. Bonds, notes, bills or other securities guaranteed by the full faith and credit of the United States government;
2. Bonds, notes, debentures, or other similar obligation of an agency of the United States government created by Act of Congress;
3. Domestic interest bearing savings accounts, domestic interest bearing certificates of deposit or domestic interest bearing time deposits or any other investments that are direct obligations of any bank, savings and loan associations which are insured by the FDIC, and credit unions chartered under the United States or the State of Illinois;
4. Short term obligations of U.S. corporations, commercial paper, with assets over \$500,000,000 provided that:
 - A. these obligations are rated in the three highest classifications established by at least two standard rating services and mature not later than 180 days from the purchase date, and
 - B. these purchases do not exceed 10% of the corporation's outstanding obligations, and
 - C. no more than one-third of the City's funds are invested in short term obligations of corporations.
5. Money market mutual funds registered under the Investment Company Act of 1940 and the Illinois Public Treasurer's Investment Pool (IL Funds) provided that the portfolio of any such money market fund or investment pool is limited to obligations described in this Investment Policy;
6. Repurchase Agreements, collateralized by full faith and credit U.S. Treasury securities, and in compliance with State law.

The City will specifically avoid any purchase of financial forward contracts or futures, any leveraged investments, or reverse repurchase agreements.

7.0 Investment Parameters:

Measures will be taken to avoid risk and ensure diversification by avoiding over concentration in securities from a specific issuer, limiting high-risk securities, and varying maturities. To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. The Treasurer can maintain a list of qualified banks, brokers and fund managers. Quotes for various investment instruments may be obtained from among the institutions on the qualified list. Investment decisions shall be made according to what best fits the City's portfolio based on the maturity required, liquidity requirements, current makeup of the investment portfolio, and the offered rate. All financial institutions and brokers/managers who desire to become a qualified bidder and accepted on the list must meet the following criteria:

1. Be insured by the FDIC
2. Be able to collateralize the securities as described in this Investment Policy under 9.0 Collateralization
3. Provide a Certification of having read and understand the City's Investment Policy

8.0 Safekeeping & Custody:

All security transactions, including collateral for repurchase agreements, entered into by the (entity), shall be conducted on a delivery-verses-payment (DVP) basis. A third party custodian shall be selected to hold City assets in the City's name, as evidenced by safekeeping receipts and a written custodial agreement.

9.0 Collateralization:

It is the policy of the City and in accordance with 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 by some form of collateral. The City will accept any of the following assets as collateral:

- Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Obligations of the State of Illinois
- Letters of Credit issued by a Federal Home Loan Bank (FHLB)

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

The City also requires that all depositories that hold the City's deposits in excess of the FDIC limit must provide and sign a Collateralization Agreement.

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured except when a Letter of Credit issued this amount will not be less than 100% 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 at least 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, or the Federal Reserve Bank of Chicago, evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the City when securities are not pledged on a daily basis.

10.0 Reporting & Review:

All investment transactions and holdings shall be recorded in the various funds of the City in accordance with generally accepted accounting principles (GAAP). From time to time, the Treasurer, or his or her designee, shall report to the Mayor and City Council on the status of the City's investment portfolio, market conditions, and other pertinent facts. The Treasurer shall review the Investment Policy on an annual basis and the City Council must approve any modifications made thereto.

11.0 Support of the Community Reinvestment Act of 1977

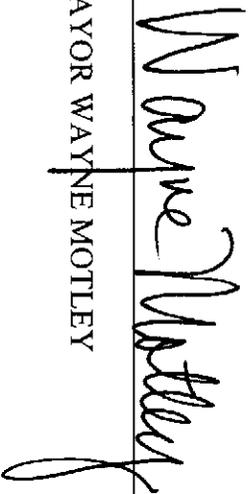
It is the City policy to discourage discrimination by area banks and lending institutions. The City desires that the local banks and lending institutions shall provide for fair and equal access to loans, investments and services for all people. The City of Waukegan strongly supports the Community Reinvestment Act of 1977; and therefore the City of Waukegan's designated financial institutions will be required to meet the following criteria in order to receive City funds for investment. The financial institution's most recent "Overall Community Reinvestment Act Rating" shall be satisfactory or above. If the institution's overall rating is rated "need to improve" or "lower", no new funds will be deposited with that institution. Existing funds deposited in the institution will remain until maturity, but will not be reinvested with that institution.

Section 3: This ordinance shall be in full force and effect from and after its passage, approval and publication as provided by law.

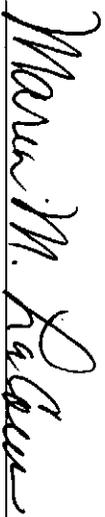
Section 4: If any section, paragraph, clause or provision of this Ordinance is held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 5: All ordinances, resolutions, orders, or parts thereof, which conflict with the provisions of this Ordinance, to the extent of such conflict, are hereby repealed.

MAYOR WAYNE MOTLEY



ATTEST:



MARIA M. LACOUR, City Clerk

Presented and read at a regular meeting of the Waukegan City Council on the **15th** day of **September, 2014.**

Passed and approved at a regular meeting of the Waukegan City Council on the **15th** day of **September, 2014.**

ROLL CALL: Aldermen Rivera, Cunningham, Koncan, Moisiso, Beadling, Newsome, TenPas, May, and Valko

AYES: Aldermen Rivera, Cunningham, Koncan, Moisiso, Beadling, Newsome, TenPas, May, and Valko

NAYS: None

ABSENT: None

ABSTAIN: None