



DuPage Water Commission

600 E. Butterfield Road, Elmhurst, IL 60126-4642
(630) 834-0100 Fax: (630) 834-0120

AGENDA FINANCE COMMITTEE

THURSDAY, JUNE 18, 2015
6:00 P.M.

600 EAST BUTTERFIELD ROAD
ELMHURST, IL 60126

COMMITTEE MEMBERS

P. Suess, Chair

R. Gans

J. Pruyn

D. Russo

J. Zay

- I. Roll Call
- II. Approval of Minutes for Regular Committee Meeting of May 21, 2015 Finance Committee of the DuPage Water Commission
- III. Approval of Reconciliations
- IV. Treasurer's Report – May 2015
- V. Financial Statements – May 2015
- VI. Resolution No. R-16-15: A Resolution Amending and Restating the Investment Policy of the DuPage Water Commission
- VII. Resolution No. R-20-15: A Resolution Approving, Ratifying, and Accepting the Appointment of Commissioner Pruyn as Treasurer of the Commission for No Additional Compensation
- VIII. Status of 2015 Audit
- IX. Accounts Payable
- X. Other
- XI. Adjournment

Board\Agendas\Finance\2015\FC 2015-06.docx

All visitors must present a valid driver's license or other government-issued photo identification, sign in at the reception area and wear a visitor badge while at the DuPage Pumping Station.

DRAFT

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, MAY 21, 2015
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:07 P.M.

Committee members in attendance: P. Suess, R. Gans, D. Russo, and J. Zay (arrived at 6:09 P.M.)

Committee members absent: J. Pruyn

Non-Committee members in attendance: none

Also in attendance: J. Spatz, C. Peterson, D. Ellsworth, and a Representative from PFM

Minutes

Commissioner Gans moved to approve the Minutes of the Regular Committee Meeting of April 16, 2015 of the Finance Committee. Seconded by Commissioner Russo and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Approval of Reconciliations

Treasurer Ellsworth stated that he had reviewed and approved the journal entries and bank reconciliations for the month of April 2015.

Treasurer's Report – April 2015

Treasurer Ellsworth stated that he had provided the Committee with a written summary of the April Treasurer's Report. Cash and Investments were \$99.6M, up by \$2.2M from last month.

Treasurer Ellsworth discussed the detailed investment schedules, individual account balances and market yield. As the discussion moved to discussing the Supranationals in the portfolio last month, General Manager Spatz detailed that the Commission was able to get additional information from the State of Illinois Treasurer's office regarding categorizing Supranationals. Jeff Schroeder from PFM detailed that the Supranationals were sold during the month as they were in a gain position and additive to the portfolio. Mr. Schroeder noted that the investment will be adding them again to the portfolio in the future when available and beneficial to the Commission's portfolio.

Commissioner Gans asked that in the future new types of investments to the Commission be brought before the Finance Committee before PFM purchases them for the Commission. Chairman Suess agreed with Commissioner Gans request and asked that PFM provide some detail as to the new types of investments that PFM is considering at the next investment update. Commissioner Russo asked if political changes can affect the United States involvement with the banks listed as Supranationals. Mr. Schroeder noted that while that may be a possibility, the chance is slim. General Manager Spatz noted that the U.S. involvement in these banks is based upon an act of Congress and it would take a similar act to change that position.

Treasurer Ellsworth continued his report stating that over the past year, cash and investments increased by a total of \$29.6 million. Market yield on the portfolio was at 81 basis points, up from the prior month. The Commission ended the year with unrealized gains of \$215,000 compared to unrealized losses at the prior year end of approximately \$47,000.

Treasurer Ellsworth noted that on the Statement of Cash Flows shows the breakdown of the \$29.6M increase year-to-date. He stated that all targeted reserve levels were met or exceeded targets. He noted the significant excess funds in some of the reserve accounts was due to the transfer done in April to meet fiscal year 2015/2016 targeted balances.

Financial Statements – April 2015

Financial Administrator Peterson provided the Committee with a summary of the April Financial Statements. She noted that for the just ended fiscal year, revenues exceeded expenses ahead of budgeted seasonal expectations, even as water sales were below budget by approximately 1%. An offset is water purchases were approximately 2.5% below budgeted seasonal expectations.

Sales Tax collections were higher than prior year revenue amounts by approximately 9.6% in April. Cumulatively Sales Tax collections as of April 30, 2015, were approximately \$1.8M over the prior year.

Financial Administrator Peterson discussed balances and activity within the cash and investment accounts compared to targets and liabilities.

Financial Administrator Peterson noted that cash balances were up compared to prior year by over \$29M. Receivables were slightly higher compared to prior year due to higher water costs. Debt has declined by \$21M compared to prior year balances at April 30th.

Financial Administrator Peterson noted that other than the year-end entry to record the unrealized gain of \$215,000 in the investment income account, there was no unusual activity or significant variances to discuss.

O-4-15

General Manager Spatz described how the same percentages used the last 2 years in determining the Appropriation Budget compared to the Management Budget were used this year. He reiterated that Commission staff is bound by the Management Budget passed in April and the Appropriation Budget gives the Board and Commission the legal authority to spend all the money. General Manager Spatz reviewed how the Appropriation Budget has changed over the past few years to simplify the process, allowing the Board and Commission to be able to react quicker should an emergency occur.

Commissioner Russo moved to recommend to the Board an Ordinance Approving and Adopting an Annual Budget and Appropriation Ordinance for the Fiscal Year Commencing May 1, 2015 and Ending April 30, 2016. Seconded by Chairman Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

R-16-15

General Spatz noted that in addition to the changes in the first read; PFM had one other edit. The original edits were as follows: 1) Adding language to limit Supranational investments to 5% of total portfolio (Section 7.0, b); 2) Extend the ability to invest in Commercial Paper to 270 days from 210 (Section 7.0, d); 3) Edited language regarding Bond Ordinances to delete references to a specific ordinance and enter language for any ordinances outstanding (Section 8.0). The additional edit from PFM was to add language to invest in Mortgage-backed securities based upon weighted average life of 5 years, rather than the final maturity (Section 3.2).

Mr. Schroeder reviewed the reasons for the suggested changes. Chairman Suess asked if limiting the Supranationals to 5% would be difficult for PFM, Mr. Schroeder responded no due the limited amount of Supranationals in the market.

Chairman Zay asked staff to email a red-line version with the additional PFM recommended changes to the Board as soon as possible.

John Spatz left the meeting at 6:35 P.M.

Investment Review

The detailed investment review was delayed until the end of the next quarter. Mr. Schroeder did detail how some of the longer-term investments and interest rates have been affecting the portfolio.

Accounts Payable

Financial Administrator Peterson presented the Accounts Payable to the committee members. The numbers below were to be presented in the General Meeting.

April 8, 2015 to May 11, 2015	\$7,906,833.94
<u>Estimated</u>	<u>\$1,086,325.00</u>
Total	\$8,993,158.94

Discussion of the Treasurer's Search

It was discussed that Treasurer Ellsworth had given the Board notice that he was resigning from the Treasurer position after the June 2015 meeting. The Committee discussed how to begin the search for a successor. Chairman Zay recommended sending out a notice to the mayors and managers of our customers and posting a notice on the Commission's website.

Chairman Zay also asked Commission staff to put together the documents needed to assign a temporary Treasurer while the Commission searches for a permanent replacement. He discussed the possibility of asking Commissioner Pruyn to fill that role again as he did back in 2011.

Other

None

Adjournment

Commissioner Russo moved to adjourn the meeting at 6:49 P.M. Seconded by Commissioner Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried.



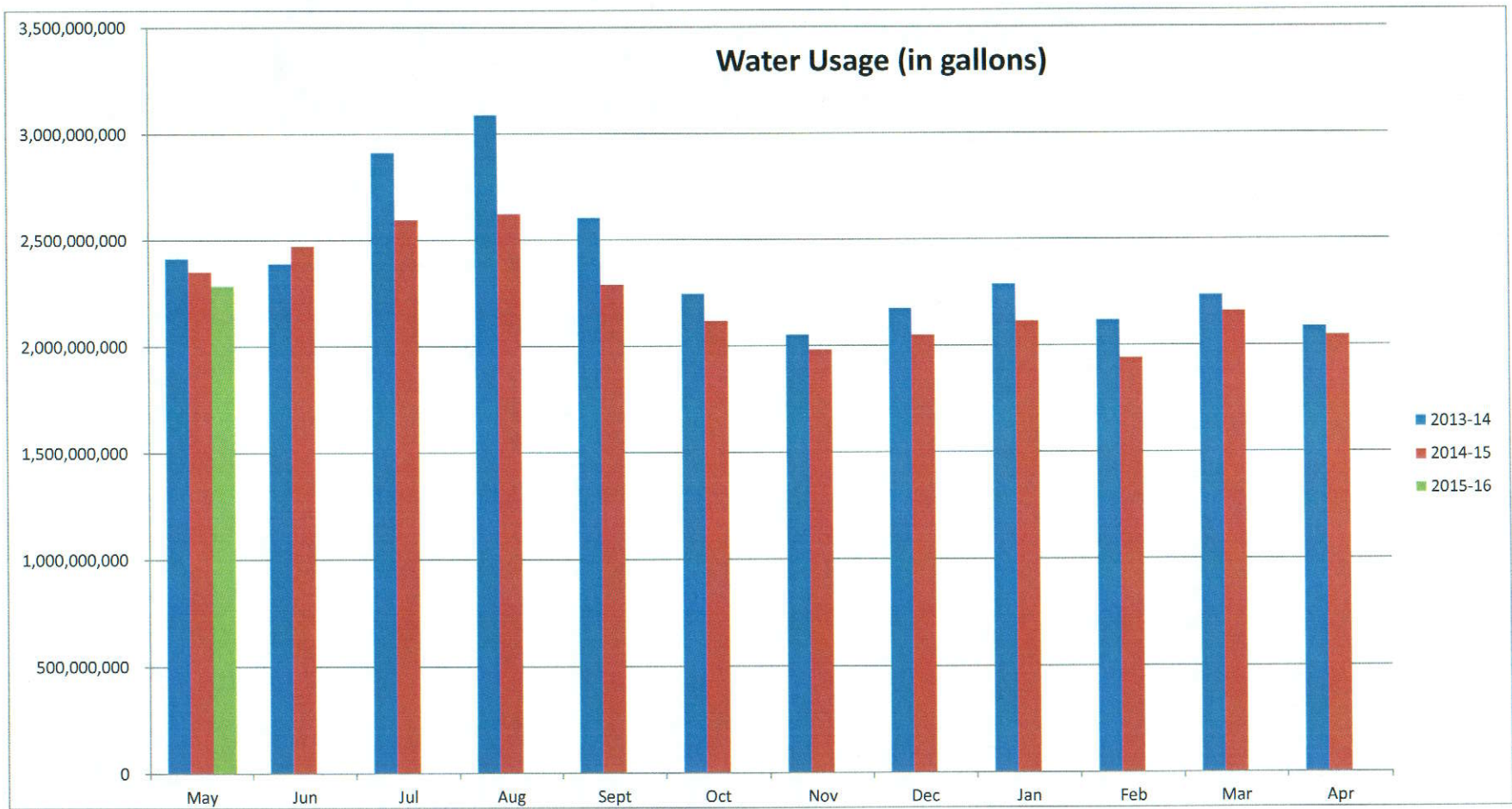
DuPage Water Commission

MEMORANDUM

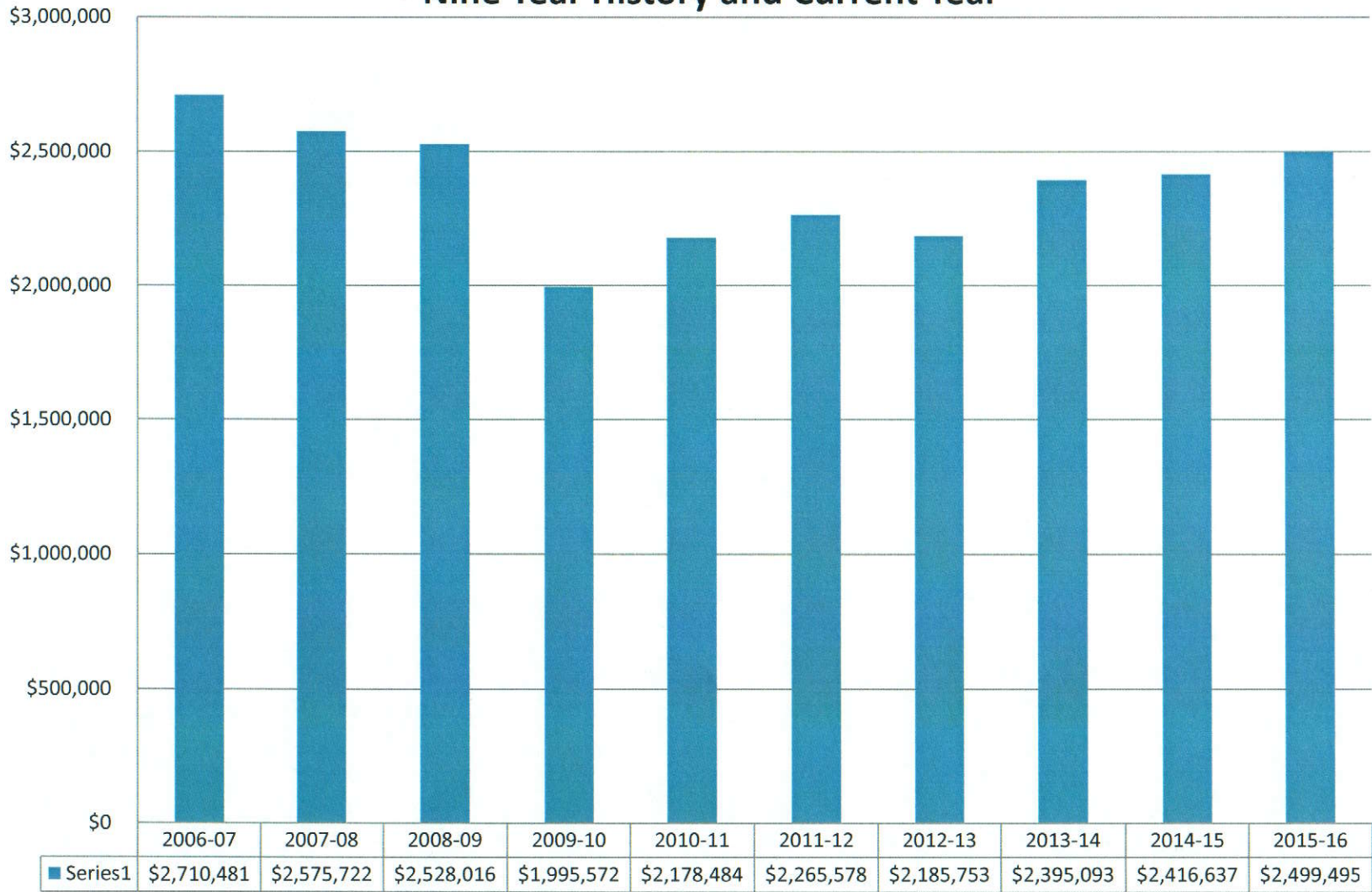
TO: John Spatz, General Manager
FROM: Cheryl Peterson, Financial Administrator *CP*
DATE: June 9, 2015
SUBJECT: Financial Report – May 31, 2015

- Water sales to Commission customers for May 2015 were 63.2 million gallons (2.8%) less than May 2014, but increased by 230.4 million gallons compared to April 2015.
- Water sales to Commission customers for May were relatively flat (-0.4%) compared to the budgeted anticipated/forecasted sales for the month.
- May sales tax collections (Feb) were \$2.5 million or 3.4% more than the same period last fiscal year.
- For the month of May, water billings to customers for O&M costs were \$10.7 million and water purchases from the City of Chicago was \$8.7 million. Water billing receivables at May month end (\$13.5 million) increased compared to the prior month (\$12.6 million) primarily due to higher water sales.
- The Commission is one month or 8% into the fiscal year. As of May 31, 2015, \$13.4 million of the \$160.8 million revenue budget has been realized. Therefore, 8% of the revenue budget has been accounted for year to date. For the same period, \$10.3 million of the \$123.3 million expenditure budget has been realized, and this accounts for 8% of the expenditure budget.
- Adjusted for seasonality based on a monthly trend, year to date revenues are 100% percent of the current budget and expenses are 97% of the current budget.
- The Operating Reserve, Capital Reserve and Long Term Water Capital Accounts had reached their respective 2015/2016 fiscal year end targeted levels. The O&M, General Account and the Sales Tax Subaccount have balances of \$17.2 million, \$4.0 million and \$2.1 million, respectively.
- Debt Balances declined by approximately \$1.2 million to \$10.8 million outstanding in the current month.

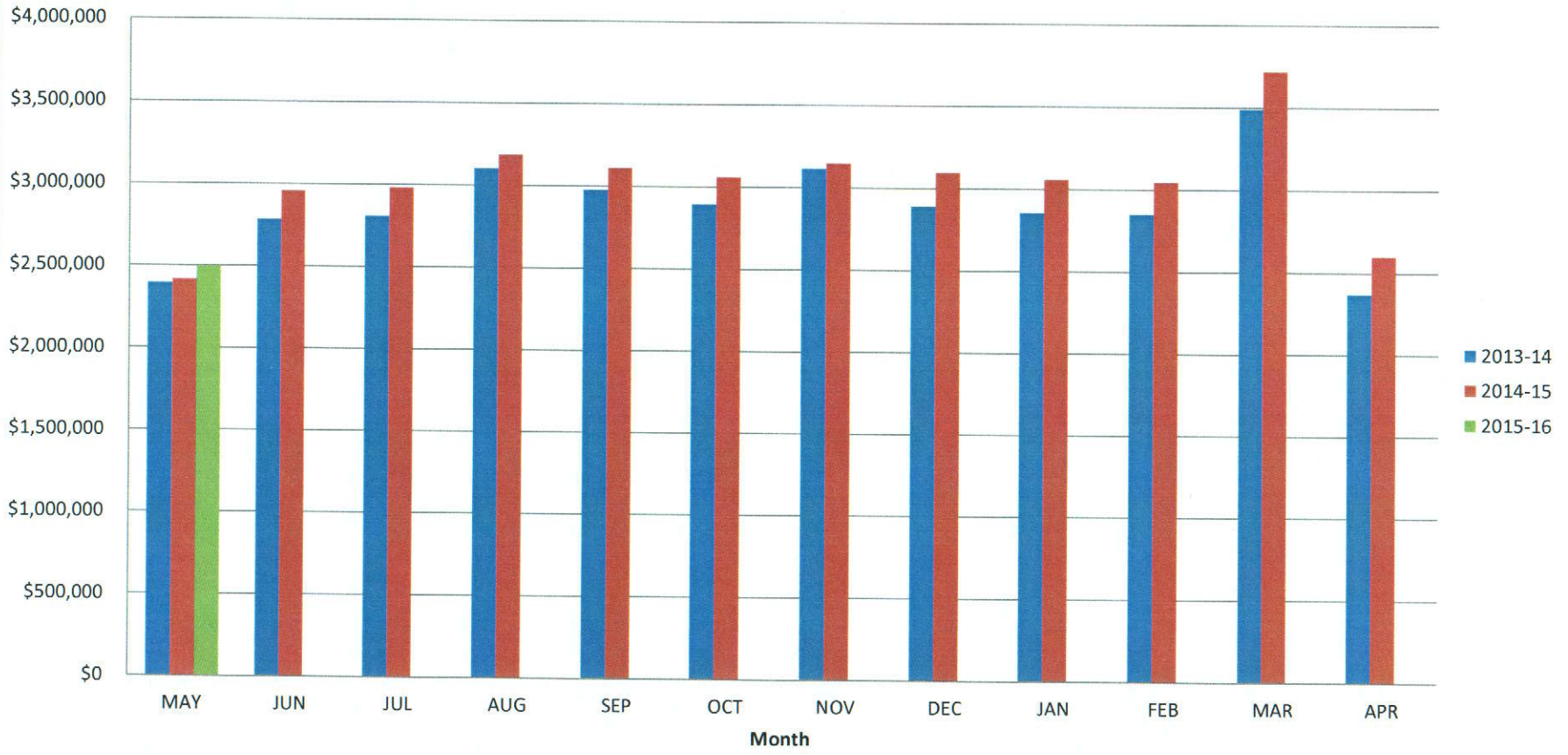
cc: Chairman and Commissioners



DuPage Water Commission - Sales Tax Collections - Month of May - Nine Year History and Current Year



Three Year Sales Tax Analysis



DuPage Water Commission

Summary of Specific Account Target and Summary of Net Assets

May 31, 2015

Revenue Bond Ordinance Accounts and Commission Policy Reserves	Account / Reserve Assets Balance (1)	Offsetting Liabilities	Year-End Specific Account Target	Status
Operations and Maintenance Account	\$ 17,219,388.79	\$ 10,169,225.83		Positive Net Assets
Revenue Bond Interest Account	\$ 11,157.41	\$ 8,802.90		Positive Net Assets
Revenue Bond Principal Account	\$ 904,500.00	\$ 898,250.00		Positive Net Assets
General Account	\$ 4,040,130.57	\$ -		Positive Net Assets
Sales Tax Subaccount	\$ 2,124,254.50	\$ 70,148.81		Positive Net Assets
Operating Reserve	\$ 41,068,725.24		\$ 40,158,396.00	Target Met
Capital Reserve	\$ 29,376,290.68		\$ 29,180,884.00	Target Met
L-T Water Capital Reserve	\$ 7,952,265.00		\$ 7,825,000.00	Target Met
	\$ 102,696,712.19	\$ 11,146,427.54	\$ 77,164,280.00	\$ 14,386,004.65

Total Net Assets - All Commission Accounts

Unrestricted	\$ 111,351,911.95
Principal & Interest Accounts	\$ 907,052.90
Invested in Capital Assets, net	\$ 340,219,642.00
Total	<u>\$ 452,478,606.85</u>

(1) Includes Interest Receivable



	Current Year Balance	Prior Year Balance	Variance Favorable / (Unfavorable)
Fund: 01 - WATER FUND			
Assets			
Level1: 10 - CURRENT ASSETS			
110 - CASH	4,782,175.12	2,802,589.17	1,979,585.95
120 - INVESTMENTS	97,704,993.11	69,742,472.00	27,962,521.11
131 - WATER SALES	13,469,136.18	12,823,418.06	645,718.12
132 - INTEREST RECEIVABLE	209,543.96	166,978.50	42,565.46
133 - SALES TAX RECEIVABLE	8,295,000.00	7,900,000.00	395,000.00
134 - OTHER RECEIVABLE	215,019.18	-47,728.14	262,747.32
135 - WATER QUALITY LOAN - CURRENT	49,043.73	49,043.73	0.00
150 - INVENTORY	150,968.00	167,080.00	-16,112.00
155 - PREPAIDS	311,639.40	309,870.71	1,768.69
Total Level1 10 - CURRENT ASSETS:	125,187,518.68	93,913,724.03	31,273,794.65
Level1: 17 - NONCURRENT ASSETS			
170 - FIXED ASSETS	500,584,736.75	500,227,930.75	356,806.00
175 - LESS: ACCUMULATED DEPRECIATION	-150,793,227.85	-142,801,655.82	-7,991,572.03
180 - CONSTRUCTION IN PROGRESS	738,644.19	333,914.49	404,729.70
190 - LONG-TERM RECEIVABLES	490,437.35	539,481.08	-49,043.73
Total Level1 17 - NONCURRENT ASSETS:	351,020,590.44	358,299,670.50	-7,279,080.06
Total Assets:	476,208,109.12	452,213,394.53	23,994,714.59
Liability			
Level1: 21 - CURRENT LIABILITIES			
210 - ACCOUNTS PAYABLE	8,915,266.54	8,155,847.95	-759,418.59
211 - OTHER CURRENT LIABILITIES	886,184.96	505,067.69	-381,117.27
220 - ACCOUNTS PAYBLE CAPITAL	8,564.59	8,038.29	-526.30
225 - ACCRUED PAYROLL LIABILITIES	132,990.36	121,542.32	-11,448.04
226 - ACCRUED VACATION	234,783.97	205,855.59	-28,928.38
232 - NOTES PAYABLE	0.00	7,000,000.00	7,000,000.00
234 - BONDS PAYABLE	9,880,750.00	12,930,500.00	3,049,750.00
244 - ACCRUED INTEREST	8,802.90	26,104.34	17,301.44
250 - CONTRACT RETENTION	5,957.96	5,957.96	0.00
251 - CUSTOMER DEPOSITS	64,190.85	64,190.85	0.00
270 - DEFERRED REVENUE	3,125,352.54	3,475,859.34	350,506.80
Total Level1 21 - CURRENT LIABILITIES:	23,262,844.67	32,498,964.33	9,236,119.66
Level1: 25 - NONCURRENT LIABILITIES			
282 - CAPITAL LEASE PAYABLE	3,239.90	12,558.68	9,318.78
283 - REVENUE BONDS	898,300.00	11,954,550.00	11,056,250.00
284 - UNAMORTIZED PREMIUM	-489,146.30	-978,292.46	-489,146.16
297 - OTHER POST EMPLOYMENT BENEFITS LIABILITY	54,264.00	52,362.00	-1,902.00
Total Level1 25 - NONCURRENT LIABILITIES:	466,657.60	11,041,178.22	10,574,520.62
Total Liability:	23,729,502.27	43,540,142.55	19,810,640.28
Equity			
Level1: 30 - EQUITY			
300 - EQUITY	449,334,103.32	405,688,713.88	43,645,389.44
Total Level1 30 - EQUITY:	449,334,103.32	405,688,713.88	43,645,389.44
Total Beginning Equity:	449,334,103.32	405,688,713.88	43,645,389.44

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Board Balance Sheet

As Of 05/31/2015

	Current Year Balance	Prior Year Balance	Variance Favorable / (Unfavorable)
Total Revenue	13,414,486.65	12,169,237.30	1,245,249.35
Total Expense	10,269,983.12	9,184,699.20	-1,085,283.92
Revenues Over/(Under) Expenses	<u>3,144,503.53</u>	<u>2,984,538.10</u>	<u>159,965.43</u>
Total Equity and Current Surplus (Deficit):	452,478,606.85	408,673,251.98	43,805,354.87
Total Liabilities, Equity and Current Surplus (Deficit):	<u>476,208,109.12</u>	<u>452,213,394.53</u>	<u>23,994,714.59</u>

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		May 2015-2016 Budget	May 2015-2016 Activity	2015-2016 Seasonal YTD Bud	2015-2016 YTD Activity	Seasonal Percent Used	2015-2016 Total Budget	Total Percent Used
01 - WATER FUND								
Revenue								
510 - WATER SERVICE								
% of Year Completed: 8.3%								
01-511100	O&M PAYMENTS- GOVERNMENTAL	(10,525,784.50)	(10,490,239.60)	(10,525,784.50)	(10,490,239.60)	100 %	(121,685,369.95)	9 %
01-511200	O&M PAYMENTS- PRIVATE	(265,464.93)	(254,421.30)	(265,464.93)	(254,421.30)	96 %	(3,068,958.75)	8 %
01-513100	SUBSEQUENT CUSTOMER - GO	(27,091.63)	(32,008.69)	(27,091.63)	(32,008.69)	118 %	(325,100.00)	10 %
01-513200	SUBSEQUENT CUSTOMER - PRIVAT	(48,191.63)	(54,427.62)	(48,191.63)	(54,427.62)	113 %	(578,300.00)	9 %
01-514100	EMERGENCY WATER SERVICE- GOV	(1,657.25)	0.00	(1,657.25)	0.00	0 %	(19,887.00)	0 %
510 - WATER SERVICE Totals:		(10,868,189.94)	(10,831,097.21)	(10,868,189.94)	(10,831,097.21)	100 %	(125,677,615.70)	9 %
520 - TAXES								
% of Year Completed: 8.3%								
01-530010	SALES TAXES - WATER REVENUE	(2,460,746.80)	(2,499,495.21)	(2,460,746.80)	(2,499,495.21)	102 %	(27,793,600.00)	9 %
01-530030	WATER FUND - GENERAL	0.00	0.00	0.00	0.00	0 %	(6,948,400.00)	0 %
520 - TAXES Totals:		(2,460,746.80)	(2,499,495.21)	(2,460,746.80)	(2,499,495.21)	102 %	(34,742,000.00)	7 %
540 - OTHER INCOME								
% of Year Completed: 8.3%								
01-581000	INVESTMENT INCOME	(29,791.66)	(69,974.23)	(29,791.66)	(69,974.23)	235 %	(357,500.00)	20 %
01-590000	OTHER INCOME	0.00	(13,920.00)	0.00	(13,920.00)	0 %	0.00	0 %
540 - OTHER INCOME Totals:		(29,791.66)	(83,894.23)	(29,791.66)	(83,894.23)	282 %	(357,500.00)	23 %
Revenue Totals:		(13,358,728.40)	(13,414,486.65)	(13,358,728.40)	(13,414,486.65)	100 %	(160,777,115.70)	8 %

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Expense		May 2015-2016 Budget	May 2015-2016 Activity	2015-2016 Seasonal YTD Bud	2015-2016 YTD Activity	Seasonal Percent Used	2015-2016 Total Budget	Total Percent Used
		% of Year Completed: 8.3%						
610 - PERSONNEL SERVICES								
01-60-611100	ADMIN SALARIES	108,295.39	103,294.07	108,295.39	103,294.07	95 %	1,277,068.39	8 %
01-60-611200	OPERATIONS SALARIES	133,294.98	112,890.56	133,294.98	112,890.56	85 %	1,526,861.20	7 %
01-60-611300	SUMMER INTERNS	2,000.00	3,935.00	2,000.00	3,935.00	197 %	24,000.00	16 %
01-60-611600	ADMIN OVERTIME	616.63	0.00	616.63	0.00	0 %	7,400.00	0 %
01-60-611700	OPERATIONS OVERTIME	11,996.54	11,417.90	11,996.54	11,417.90	95 %	137,417.51	8 %
01-60-612100	PENSION	26,556.54	24,166.21	26,556.54	24,166.21	91 %	318,678.49	8 %
01-60-612200	MEDICAL/LIFE BENEFITS	40,980.14	34,335.87	40,980.14	34,335.87	84 %	660,970.00	5 %
01-60-612300	FEDERAL PAYROLL TAXES	18,951.26	16,971.19	18,951.26	16,971.19	90 %	227,415.15	7 %
01-60-612800	STATE UNEMPLOYMENT	406.25	3.84	406.25	3.84	1 %	4,875.00	0 %
01-60-613100	TRAVEL	900.00	826.85	900.00	826.85	92 %	10,800.00	8 %
01-60-613200	TRAINING	3,920.83	2,130.89	3,920.83	2,130.89	54 %	47,050.00	5 %
01-60-613301	CONFERENCES	2,720.83	3,281.63	2,720.83	3,281.63	121 %	32,650.00	10 %
01-60-619100	OTHER PERSONNEL COSTS	2,191.66	401.55	2,191.66	401.55	18 %	26,300.00	2 %
610 - PERSONNEL SERVICES Totals:		352,831.05	313,655.56	352,831.05	313,655.56	89 %	4,301,485.74	7 %
620 - CONTRACT SERVICES								
% of Year Completed: 8.3%								
01-60-621000	WATER CONSERVATION PROGRAM	2,083.33	0.00	2,083.33	0.00	0 %	25,000.00	0 %
01-60-623300	TRUST SERVICES & BANK CHARGE	5,666.66	5,059.22	5,666.66	5,059.22	89 %	68,000.00	7 %
01-60-625100	LEGAL SERVICES- GENERAL	7,500.00	2,740.00	7,500.00	2,740.00	37 %	90,000.00	3 %
01-60-625300	LEGAL SERVICES- SPECIAL	4,166.63	0.00	4,166.63	0.00	0 %	50,000.00	0 %
01-60-625800	LEGAL NOTICES	2,458.33	0.00	2,458.33	0.00	0 %	29,500.00	0 %
01-60-626000	AUDIT SERVICES	5,000.00	5,500.00	5,000.00	5,500.00	110 %	32,000.00	17 %
01-60-628000	CONSULTING SERVICES	20,875.00	1,660.00	20,875.00	1,660.00	8 %	250,500.00	1 %
01-60-629000	CONTRACTUAL SERVICES	31,133.34	13,915.63	31,133.34	13,915.63	45 %	373,600.08	4 %
620 - CONTRACT SERVICES Totals:		78,883.29	28,874.85	78,883.29	28,874.85	37 %	918,600.08	3 %
640 - INSURANCE								
% of Year Completed: 8.3%								
01-60-641100	GENERAL LIABILITY INSURANCE	4,291.66	3,606.70	4,291.66	3,606.70	84 %	51,500.00	7 %
01-60-641200	PUBLIC OFFICIAL LIABILITY	1,858.33	1,588.13	1,858.33	1,588.13	85 %	22,300.00	7 %
01-60-641500	WORKER'S COMPENSATION	8,750.00	8,017.00	8,750.00	8,017.00	92 %	105,000.00	8 %
01-60-641600	EXCESS LIABILITY COVERAGE	2,916.63	2,585.08	2,916.63	2,585.08	89 %	35,000.00	7 %
01-60-642100	PROPERTY INSURANCE	31,750.00	29,477.16	31,750.00	29,477.16	93 %	381,000.00	8 %
01-60-642200	AUTOMOBILE INSURANCE	1,250.00	867.75	1,250.00	867.75	69 %	15,000.00	6 %
01-60-649100	SELF INSURANCE PROPERTY	4,166.66	0.00	4,166.66	0.00	0 %	50,000.00	0 %
640 - INSURANCE Totals:		54,983.28	46,141.82	54,983.28	46,141.82	84 %	659,800.00	7 %

		May 2015-2016 Budget	May 2015-2016 Activity	2015-2016 Seasonal YTD Bud	2015-2016 YTD Activity	Seasonal Percent Used	2015-2016 Total Budget	Total Percent Used
650 - OPERATIONAL SUPPORT SRVS								
% of Year Completed: 8.3%								
01-60-651200	GENERATOR DIESEL FUEL	9,375.00	0.00	9,375.00	0.00	0 %	112,500.00	0 %
01-60-651300	NATURAL GAS	2,750.00	870.41	2,750.00	870.41	32 %	33,000.00	3 %
01-60-651401	TELEPHONE	2,178.33	2,784.31	2,178.33	2,784.31	128 %	26,140.00	11 %
01-60-651402	CELL PHONE & CORR. TELEMTRY	2,508.33	2,095.49	2,508.33	2,095.49	84 %	30,100.00	7 %
01-60-651403	RADIOS	780.00	0.00	780.00	0.00	0 %	9,360.00	0 %
01-60-651404	REPAIRS & EQUIPMENT	391.63	0.00	391.63	0.00	0 %	4,700.00	0 %
01-60-652100	OFFICE SUPPLIES	2,531.66	135.62	2,531.66	135.62	5 %	30,380.00	0 %
01-60-652200	BOOKS & PUBLICATIONS	366.33	0.00	366.33	0.00	0 %	4,396.00	0 %
01-60-653100	PRINTING- GENERAL	720.87	0.00	720.87	0.00	0 %	8,650.00	0 %
01-60-653200	POSTAGE & DELIVERY	550.00	401.91	550.00	401.91	73 %	6,600.00	6 %
01-60-654000	PROFESSIONAL DUES	708.33	0.00	708.33	0.00	0 %	21,700.00	0 %
01-60-655000	REPAIRS & MAINT- OFFICE EQUI	693.33	260.98	693.33	260.98	38 %	8,320.00	3 %
01-60-656000	REPAIRS & MAINT- BLDGS & GRN	17,803.33	8,264.61	17,803.33	8,264.61	46 %	213,640.00	4 %
01-60-658000	COMPUTER SOFTWARE	1,016.66	355.08	1,016.66	355.08	35 %	12,200.00	3 %
01-60-659000	COMPUTER/SOFTWARE MAINTENA	7,950.41	0.00	7,950.41	0.00	0 %	95,405.00	0 %
01-60-659100	OTHER ADMINISTRATIVE EXPENSE	1,241.63	82.68	1,241.63	82.68	7 %	14,900.00	1 %
650 - OPERATIONAL SUPPORT SRVS Totals:		51,565.84	15,251.09	51,565.84	15,251.09	30 %	631,991.00	2 %
660 - WATER OPERATION								
% of Year Completed: 8.3%								
01-60-661101	WATER BILLING	8,887,547.29	8,705,273.68	8,887,547.29	8,705,273.68	98 %	102,746,211.48	8 %
01-60-661102	ELECTRICITY	112,450.00	83,303.70	112,450.00	83,303.70	74 %	1,300,000.00	6 %
01-60-661103	OPERATIONS & MAINTENANCE	38,000.00	34,333.04	38,000.00	34,333.04	90 %	456,000.00	8 %
01-60-661201	PUMP STATION	158,333.33	146,788.24	158,333.33	146,788.24	93 %	1,900,000.00	8 %
01-60-661202	METER STATION, ROV, TANK SITE	10,083.33	7,669.39	10,083.33	7,669.39	76 %	121,000.00	6 %
01-60-661300	WATER CHEMICALS	2,225.00	0.00	2,225.00	0.00	0 %	26,700.00	0 %
01-60-661400	WATER TESTING	2,062.50	1,036.08	2,062.50	1,036.08	50 %	24,750.00	4 %
01-60-662100	PUMPING SERVICES	18,483.33	1,978.00	18,483.33	1,978.00	11 %	221,800.00	1 %
01-60-662300	METER TESTING & REPAIRS	1,508.33	0.00	1,508.33	0.00	0 %	18,100.00	0 %
01-60-662400	SCADA / INSTRUMENTATION	3,366.66	3,042.16	3,366.66	3,042.16	90 %	40,400.00	8 %
01-60-662500	EQUIPMENT RENTAL	975.00	0.00	975.00	0.00	0 %	11,700.00	0 %
01-60-662600	UNIFORMS	2,500.00	875.60	2,500.00	875.60	35 %	30,000.00	3 %
01-60-662700	SAFETY	5,682.91	2,815.80	5,682.91	2,815.80	50 %	68,195.00	4 %
01-60-663100	PIPELINE REPAIRS	37,500.00	153,151.00	37,500.00	153,151.00	408 %	450,000.00	34 %
01-60-663200	COR TESTING & MITIGATION	1,458.33	0.00	1,458.33	0.00	0 %	17,500.00	0 %
01-60-663300	REMOTE FACILITIES MAINTENANCE	16,541.66	1,657.16	16,541.66	1,657.16	10 %	198,500.00	1 %
01-60-663400	PLAN REVIEW- PIPELINE CONFLI	1,700.00	0.00	1,700.00	0.00	0 %	80,000.00	0 %
01-60-663700	PIPELINE SUPPLIES	6,945.83	786.59	6,945.83	786.59	11 %	83,350.00	1 %
01-60-664000	MACHINERY & EQUIP- NON CAP	1,595.83	0.00	1,595.83	0.00	0 %	19,150.00	0 %
01-60-664100	REPAIRS & MAINT- VEHICLES	3,291.63	625.26	3,291.63	625.26	19 %	39,500.00	2 %

Monthly & YTD Budget Report

For Fiscal: 2015-2016 Period Ending: 5/31/2015

		May 2015-2016 Budget	May 2015-2016 Activity	2015-2016 Seasonal YTD Bud	2015-2016 YTD Activity	Seasonal Percent Used	2015-2016 Total Budget	Total Percent Used
01-60-664200	FUEL- VEHICLES	3,100.00	1,871.73	3,100.00	1,871.73	60 %	37,200.00	5 %
01-60-664300	LICENSES- VEHICLES	179.16	0.00	179.16	0.00	0 %	2,150.00	0 %
660 - WATER OPERATION Totals:		9,315,530.12	9,145,207.43	9,315,530.12	9,145,207.43	98 %	107,892,206.48	8 %

670 - BOND INTEREST

% of Year Completed: 8.3%

01-60-672200	BOND INTEREST- REV BONDS	50,333.33	49,565.07	50,333.33	49,565.07	98 %	580,000.00	9 %
01-60-672400	INTEREST EXPENSE	83.33	66.55	83.33	66.55	80 %	1,000.00	7 %
670 - BOND INTEREST Totals:		50,416.66	49,631.62	50,416.66	49,631.62	98 %	581,000.00	9 %

680 - LAND & LAND RIGHTS

% of Year Completed: 8.3%

01-60-681000	LEASES	83.33	0.00	83.33	0.00	0 %	1,000.00	0 %
01-60-682000	PERMITS & FEES	1,204.16	0.00	1,204.16	0.00	0 %	14,450.00	0 %
680 - LAND & LAND RIGHTS Totals:		1,287.49	0.00	1,287.49	0.00	0 %	15,450.00	0 %

685 - CAPITAL EQUIP / DEPREC

% of Year Completed: 8.3%

01-60-685100	COMPUTERS	2,000.00	3,361.41	2,000.00	3,361.41	168 %	24,000.00	14 %
01-60-685200	OFFICE FURNITURE & EQUIPMT	1,416.66	0.00	1,416.66	0.00	0 %	17,000.00	0 %
01-60-685600	MACHINERY & EQUIPMENT	7,083.33	0.00	7,083.33	0.00	0 %	85,000.00	0 %
01-60-685800	CAPITALIZED EQUIP	(8,500.00)	0.00	(8,500.00)	0.00	0 %	(102,000.00)	0 %
01-60-692000	DEPRECIATION- TRANS MAINS	380,416.63	378,977.26	380,416.63	378,977.26	100 %	4,565,000.00	8 %
01-60-693000	DEPRECIATION- BUILDINGS	216,666.63	215,203.31	216,666.63	215,203.31	99 %	2,600,000.00	8 %
01-60-694000	DEPRECIATION-PUMPING EQUIPME	75,833.37	62,410.57	75,833.37	62,410.57	82 %	910,000.00	7 %
01-60-695200	DEPRECIATION- OFFICE FURN &	8,250.00	6,975.04	8,250.00	6,975.04	85 %	99,000.00	7 %
01-60-696000	DEPRECIATION- VEHICLES	5,166.63	4,293.16	5,166.63	4,293.16	83 %	62,000.00	7 %
685 - CAPITAL EQUIP / DEPREC Totals:		688,333.25	671,220.75	688,333.25	671,220.75	98 %	8,260,000.00	8 %

710 - CONSTRUCTION IN PROGRESS

% of Year Completed: 8.3%



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		May 2015-2016 Budget	May 2015-2016 Activity	2015-2016 Seasonal YTD Bud	2015-2016 YTD Activity	Seasonal Percent Used	2015-2016 Total Budget	Total Percent Used
01-60-721600	ROOF REPLACEMENT	58,333.33	0.00	58,333.33	0.00	0 %	700,000.00	0 %
01-60-721800	RESERVOIR HATCH REPLACEMENT	10,416.66	0.00	10,416.66	0.00	0 %	125,000.00	0 %
01-60-721900	EFFLUENT VAULT STAIRS REPLACEN	10,833.33	0.00	10,833.33	0.00	0 %	130,000.00	0 %
01-60-770701	STANDPIPE PAINTING-CONSTR	186,000.00	0.00	186,000.00	0.00	0 %	2,232,000.00	0 %
01-60-770801	STANDPIPE MIXING SYSTEM-CONST	66,666.63	0.00	66,666.63	0.00	0 %	800,000.00	0 %
01-60-771000	VALVE REHAB & REPLACEMENT	25,000.00	0.00	25,000.00	0.00	0 %	300,000.00	0 %
01-60-771100	METER REPLACEMENT	8,333.33	0.00	8,333.33	0.00	0 %	100,000.00	0 %
01-60-771200	CONDITION ASSESSMENT	68,750.00	3,125.57	68,750.00	3,125.57	5 %	825,000.00	0 %
01-60-771400	HL PUMP VIBRATION MONITORING	20,825.00	0.00	20,825.00	0.00	0 %	250,000.00	0 %
01-60-771500	PORTABLE GENERATOR EMERG UPC	4,581.50	0.00	4,581.50	0.00	0 %	55,000.00	0 %
01-60-771600	GEN BLDG-WALL & MASONRY REHA	66,383.43	0.00	66,383.43	0.00	0 %	796,920.00	0 %
01-60-771700	REPLACEMENT OF SCADA SYSTEM	41,650.00	0.00	41,650.00	0.00	0 %	500,000.00	0 %
01-60-771800	REPLACEMENT OF TELEPHONE SYS	4,998.00	0.00	4,998.00	0.00	0 %	60,000.00	0 %
01-60-771900	HIGHLIFT PUMP REHAB	20,825.00	0.00	20,825.00	0.00	0 %	250,000.00	0 %
01-60-798000	CAPITALIZED FIXED ASSETS	(593,660.00)	(3,125.57)	(593,660.00)	(3,125.57)	1 %	(7,123,920.00)	0 %
710 - CONSTRUCTION IN PROGRESS Totals:		(63.79)	0.00	(63.79)	0.00	0 %	0.00	0 %
Expense Totals:		10,593,767.19	10,269,983.12	10,593,767.19	10,269,983.12	97 %	123,260,533.30	8 %
01 - WATER FUND Totals:		(2,764,961.21)	(3,144,503.53)	(2,764,961.21)	(3,144,503.53)	114 %	(37,516,582.40)	8 %

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DATE: June 1, 2015

REQUEST FOR BOARD ACTION

AGENDA SECTION	Finance Committee	ORIGINATING DEPARTMENT	General Manager's Office
ITEM	A Resolution Amending and Restating the Investment Policy of the DuPage Water Commission Resolution No. R-16-15	APPROVAL	 
<p>The Commission's Investment Policy was last updated on December 18, 2014. The proposed resolution amends the Commission's Investment Policy (a) to specifically allow investment in supranational securities, subject to certain limitations, and (b) to make other minor changes consistent with Illinois statute.</p> <p>The changes include the following:</p> <ol style="list-style-type: none">1. Adding language to invest in Mortgage-backed securities based upon weighted average life of 5 years, rather than final maturity. (Section 3.2)2. Adding language to limit Supranational investments to 5% of total portfolio. (Section 7.0, b)3. Extend the ability to invest in Commercial Paper to 270 days from 210. (Section 7.0, d)4. Edited language regarding Bond Ordinances to delete references to a specific ordinance and enter language for any ordinances outstanding. (Section 8.0)			
MOTION: To adopt Resolution No. R-16-15.			

DuPAGE WATER COMMISSION

RESOLUTION NO. R-16-15

A RESOLUTION AMENDING AND RESTATING
THE INVESTMENT POLICY OF THE DuPAGE WATER COMMISSION

WHEREAS, Resolution No. R-34-14 amended and restated the Investment Policy of the DuPage Water Commission on December 18, 2014 (the "Investment Policy"); and

WHEREAS, the Board of Commissioners of the DuPage Water Commission has determined that it is reasonable, necessary, and desirable, and in the best interest of the Commission, to further amend and update the Investment Policy.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the DuPage Water Commission as follows:

SECTION ONE: Recitals. The foregoing recitals are incorporated herein and made a part hereof as findings of the Board of Commissioners of the DuPage Water Commission.

SECTION TWO: Adoption. The Investment Policy of the DuPage Water Commission shall be and is hereby amended and restated so that said Investment Policy shall hereafter be and read as set forth in Exhibit 1 attached hereto and by this reference incorporated herein and made a part hereof.

SECTION THREE: Repealer. All resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, expressly repealed.

SECTION FOUR: Effective Date. This Resolution shall be in full force and effect from and after its adoption.

Resolution No. R-16-15

AYES:

NAYS:

ABSENT:

ADOPTED this _____ day of _____, 2015.

Chairman

ATTEST:

Clerk

Board/Resolutions/R-16-15.docx

INVESTMENT POLICY

This policy authorizes the Commission to invest funds in certain authorized classes of securities. All persons from the Commission involved in the investment of public funds are to comply with the provisions relating to the deposit and investment of public funds. The purpose of this Statement of Investment Policy and Guidelines (this "Policy") is to establish cash management and investment guidelines for the Commission. This Policy has been prepared in accordance with the Public Funds Investment Act (30 ILCS 235), Exhibit A.

1.0 POLICY

The Commission is responsible for the management of daily receipt and investment of cash and related accounting operations. The Treasurer is the Chief Investment Officer of the Commission and investments may be directed by the Treasurer, General Manager, Office designees, or outside professional fund managers, in accordance with this Policy.

It is the policy of the Commission to invest all funds under the control in a manner that provides the highest investment return using authorized instruments while meeting the Commission's daily cash flow demands in conformance with this policy, its objectives, applicable ordinances and laws.

2.0 SCOPE OF POLICY:

This Policy applies to all investments held within and made on behalf of the Commission.

3.0 OBJECTIVES:

The primary objective in the investment of funds under control of the Commission is to ensure the safety of principal, while managing liquidity requirements of debt service and other financial obligations of the Commission, and providing the highest investment return using authorized investment instruments.

3.1 Safety.

The safety of principal is the foremost objective of the investment program. Commission investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification is required to ensure that the Commission prudently manages market, interest rate and credit risk. Each investment purchase shall be limited to those defined as eligible under this Policy.

3.2 Liquidity.

The investment portfolio shall remain sufficiently liquid to enable the Commission to meet all operating requirements that might be reasonably anticipated. Unless otherwise authorized by the Board, all investments shall be fully payable as to principal and interest within five years from the date of purchase. The only exception will be in regards to investments within the Long-Term Water Capital Reserve Fund which may include investments that shall be fully payable as to principal and interest within ten years from the date of purchase due to the longstanding nature of the reserve fund; provided, however, that such investments shall have a maximum five-year weighted average maturity. For U.S. Government Agency Mortgage Backed Securities (MBS), the 5 year maturity limit will be the weighted average life (WAL) calculation, rather than final maturity.

3.3 Return on Investments.

The investment portfolio shall be designed to obtain the highest available return, taking into account the Commission's investment risk constraints and cash flow needs. The

Commission shall seek to obtain the highest available return using authorized investments.

4.0 STANDARD OF CARE:

To accomplish the objectives of the Commission, all authorized persons engaged in the investment process will perform their duties responsibly in accordance with the following standard:

“Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the Commission, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of investing funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Commission.”

The standard of care to be used by the Commission shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Those involved in investing shall: (i) act in accordance with written procedures and this Policy, (ii) exercise due diligence, (iii) prepare all reports in a timely fashion and (iv) exercise appropriate action to control adverse developments.

5.0 OPERATIONAL GUIDELINES:

5.1 Particular Fund Investments:

The Commission requires that any investments of a particular restricted account be credited to that account. Principal and interest shall be credited to the particular restricted account so invested. Any two of the following four officials, 1) General Manager, 2) Treasurer, 3) Finance Committee Chairman, and 4) Commission Chairman, may transfer ownership of any security purchased with monies of a particular restricted account to another restricted or unrestricted account of the Commission. The particular restricted account originally invested shall be credited with the amount of the principal and accrued interest up to the date of the transfer of ownership of such security from that particular restricted account to the other restricted/unrestricted account.

5.2 Competitive Bidding:

At least three (3) competitive bids are to be solicited on most investment transactions made by the Commission. Bids/quotes and markups or discounts need to be consistent with prevailing institutional trades at the time of each transaction and are to be compared to market quotations for the same type and maturity investment. In certain emergency circumstances, the Commission may solicit less than three (3) competitive bids. The guiding principle with choosing any bid for any investment transaction made by the Commission is the quality of the bid and the assurance that the bidder can complete the investment transaction.

5.3 Selection of Investment Advisors and Money Managers:

The services of investment advisors and money managers shall only be employed after the solicitation of at least three written quotations and, as required by the Commission's By-Laws, as amended, approved by the Board of Commissioners pursuant to the majority affirmative vote of all of the Commissioners, including the votes of at least 1/3 of the Commissioners appointed by the Chairman of the DuPage County Board and at least 40% of the Commissioners appointed by the groups of mayors as provided in the Water Commission Act of 1985, 70 ILCS 3720/0.001 et seq.

6.0 ETHICS AND CONFLICT OF INTEREST:

It is the policy of the Commission that no person acting on behalf of the investment function shall, in any manner, have any interest, either directly or indirectly in, or receive in any manner compensation from, any investments in which the Commission is authorized to invest; or have any interest, either directly or indirectly in, or receive, in any manner, compensation of any kind from, the sellers, sponsors or managers of such investments. Officers and other staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED INVESTMENTS:

The Board has authorized the following types of investments subject to the provisions of the Public Funds Investment Act (30 ILCS 235) and other applicable law:

The investment portfolio will be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution or maturities.

- a. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed as to the payment of principal and interest by the full faith and credit of the United States of America.

Maximum Aggregate Position No Limit

- b. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies and its instrumentalities.

Maximum Aggregate Position No Limit, except for obligations classified as supranational securities, which shall be limited to a maximum aggregate position of 5% of total portfolio. For purposes of this Policy, "supranational securities" shall mean obligations issued by a multinational development institution, when the United States is, by virtue of legislation enacted by the United States Congress, a member thereof, including, but not limited to:

- International Bank for Reconstruction and Development (World Bank) (22 USC 286 *et seq.*);
- International Finance Corporation (22 USC 282 *et seq.*);
- Inter-American Development Bank (22 USC 283 *et seq.*);
- African Development Bank (22 USC 290i *et seq.*);
- Asian Development Bank (22 USC 285 *et seq.*);
- European Bank of Reconstruction and Development (22 USC 290l *et seq.*)

- c. Interest-bearing savings accounts, certificates of deposit, time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, the deposits of which are insured by the Federal Deposit Insurance Corporation. Any such investments made in excess of such deposit insurance shall be secured as provided in Section 10.0.

Maximum Aggregate Position 50% of total portfolio

- d. Short-term obligations of corporations (Commercial Paper) organized in the United States of America with assets exceeding \$500,000,000; obligations must be rated at the time of

purchase A1/P1 or better by Standard & Poor's and Moody's, respectively, and must mature not later than 270 days from the date of purchase; the Board's investment in the short-term obligations of a single issuer shall not exceed 10% of that corporation's outstanding obligations.

Maximum Position with Single Issuer	5% of total portfolio
Maximum Aggregate Position	33% of total portfolio

- e. Money market mutual funds registered under the Investment Company Act of 1940, as from time to time amended; the portfolio of any such money market fund must be limited to obligations specified in subsection [a] or [b] of this section and to agreements to repurchase such obligations. All underlying securities of the fund must mature within twelve months or less, and the fund must maintain a weighted average portfolio maturity of 90 days or less. Prospectuses must be on file, reviewed, and approved before investing.

Maximum Aggregate Position	No Limit
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- f. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of any state or of the United States of America, the shares or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such investments made in excess of such deposit insurance shall be secured as provided in Section 10.0.

Maximum Aggregate Position	50% of total portfolio
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- g. Dividend-bearing share accounts, share certificate accounts, or other such class of share accounts of a credit union chartered under the laws of the State of Illinois or of the United States of America, provided that deposits are insured by applicable law and that the credit union's principal office is located within the State of Illinois. Any such investments made in excess of such deposit insurance, shall be secured as provided in Section 10.0

Maximum Aggregate Position	25% of total portfolio
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- h. Subject to the limitation of Section 12 of the Local Government Debt Reform Act, 30 ILCS 350/12, 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, or of any political subdivision or agency of the State of Illinois or of any other state, if the interest earned thereon is tax-exempt under federal law. The bonds shall be registered in the name of the Commission or held under a custodial agreement at a bank. The bonds shall be rated at least A- by Standard and Poor's or A3 by Moody's at the time of purchase.

Maximum Aggregate Position	25% of total portfolio
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- i. Any other suitable investment instrument permitted by applicable state laws governing public investments subject to the reasonable exercise of prudence in making investments of public fund.

8.0 BOND ORDINANCES:

The provisions and restrictions of any bond ordinance(s) of the Commission regarding permitted investments must be observed during the time that any bonds of the Commission authorized by said ordinance(s) are outstanding.

9.0 INVESTMENT RESTRICTIONS:

The Commission will not utilize investment of leveraged transactions, financial forwards, futures, hedged investments, index amortizing notes, dual index notes, de-leveraged bonds, range bonds, inverse floaters, and any other financial derivative. The Commission is not authorized, without the approval of the Board, to (i) invest in financial agreements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities products, or (ii) borrow against or otherwise obligate Commission investments. No investment maturity can be longer than 5 years except as otherwise authorized by the Board per Section 3.2.

10.0 COLLATERALIZATION:

In order to protect the Commission's deposits, depository institutions are to maintain collateral pledges on Commission certificates of deposit during the term of the deposit of at least 102% of marketable U.S. government or approved securities or surety bonds issued by top-rated insurers. Collateral is required as security for any amount in excess of the federal deposit insurance limit. The collateral required to secure Commission funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the Treasurer or General Manager. However, substitutions may be made without prior approval from the Commission provided: security types are of the type allowed for collateralization in the Policy, the market value of the securities to be substituted is at least equal to the amount withdrawn; notification is given to the Treasurer or General Manager; and the custodian has not received any prior notification from the Treasurer or General Manager prohibiting substitution. Repurchase agreements must also be collateralized in an amount of 102% of market value of principal and accrued interest.

The final maturity of acceptable collateral pledged shall not exceed 60 months. Collateral pledged for repurchase agreements shall be marked to market at least weekly during the term of the agreement. Additional collateral will be required when the ratio falls below the level required.

11.0 SAFEKEEPING AND CUSTODY:

All securities and collateral will be held by a third party custodian designated by the Commission and evidenced by safekeeping receipts. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

12.0 DIVERSIFICATION:

A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions.

13.0 INTERNAL CONTROLS:

The Commission shall maintain a system of internal controls and written operational procedures that shall be documented. The controls shall be designed to prevent the loss of public funds arising from

fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

In addition, the Commission has established a system of internal controls to ensure that staff positions and functional duties are adequately segregated for separation of duties between the investment and accounting operations.

These controls shall be tested and reviewed periodically by external auditors during the audit.

14.0 PERFORMANCE EVALUATION:

The Commission will utilize the following benchmarks as appropriate to determine whether market average yields are being achieved:

Account	Benchmark
General Account	BoA/Merrill Lynch 3-Month U.S. Treasury Bill Index
Sales Tax	BoA/Merrill Lynch 1 – 3 Year U.S. Treasury Index
Operating Reserve Fund	BoA/Merrill Lynch 1 – 5 Year U.S. Treasury Index
Capital Reserve Fund	BoA/Merrill Lynch 1 – 3 Year U.S. Treasury Index
Long-Term Water Capital Reserve Fund	BoA/Merrill Lynch 1 – 10 Year U.S. Treasury Index

For all other funds (i.e., the Interest and Principal accounts), the rate of return should equal or exceed the rate of return on Treasury securities of like maturities and like purchase dates.

15.0 REPORTING:

The Commission shall record all investment transactions. A written report will be generated monthly for internal purposes listing all active investments by class or type, maturity of investments, book value, interest rate, income earned, including the fair market value of all investments as of the report date and other pertinent information deemed necessary. This report will be submitted to the General Manager of the Commission for distribution to the Board no less than on a quarterly basis pursuant to the Public Funds Investment Act.

16.0 POLICY ADOPTION AND AMENDMENT:

This Policy shall be adopted by a resolution of the Board. This Policy may be reviewed from time to time and amended upon approval of the Board.

Exhibit A

FINANCE

(30 ILCS 235/) Public Funds Investment Act.

(30 ILCS 235/0.01) (from Ch. 85, par. 900)

Sec. 0.01. Short title. This Act may be cited as the Public Funds Investment Act.

(Source: P.A. 86-1324.)

(30 ILCS 235/1) (from Ch. 85, par. 901)

Sec. 1. The words "public funds", as used in this Act, mean current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any public agency.

The words "public agency", as used in this Act, mean the State of Illinois, the various counties, townships, cities, towns, villages, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, the Illinois Bank Examiners' Education Foundation, the Chicago Park District, and all other political corporations or subdivisions of the State of Illinois, now or hereafter created, whether herein specifically mentioned or not. This Act does not apply to the Illinois Prepaid Tuition Trust Fund, private funds collected by the Illinois Conservation Foundation, or pension funds or retirement systems established under the Illinois Pension Code, except as otherwise provided in that Code.

The words "governmental unit", as used in this Act, have the same meaning as in the Local Government Debt Reform Act.

(Source: P.A. 98-297, eff. 1-1-14.)

(30 ILCS 235/2) (from Ch. 85, par. 902)

Sec. 2. Authorized investments.

(a) Any public agency may invest any public funds as follows:

(1) in bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;

(2) in bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;

(3) in interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;

(4) in short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or

(5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.

(a-1) In addition to any other investments authorized under this Act, a municipality, park district, forest preserve district, conservation district, county, or other governmental unit may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the municipality, park district, forest preserve district, conservation district, county, or other governmental unit, or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

(b) Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. Any public agency may invest any public funds in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of such governing authority, the public funds so invested will be required for expenditure by such public agency or its governing authority. The expressed judgment of any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive. Any public agency may invest any public funds in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

(c) For purposes of this Section, the term "agencies of the United States of America" includes: (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.

(d) Except for pecuniary interests permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as treasurer or financial officer or who is employed in any similar capacity by or for a public agency may do any of the following:

(1) have any interest, directly or indirectly, in any investments in which the agency is authorized to invest.

(2) have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.

(3) receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

(e) Any public agency may also invest any public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.

(f) To the extent a public agency has custody of funds not owned by it or

another public agency and does not otherwise have authority to invest such funds, the public agency may invest such funds as if they were its own. Such funds must be released to the appropriate person at the earliest reasonable time, but in no case exceeding 31 days, after the private person becomes entitled to the receipt of them. All earnings accruing on any investments or deposits made pursuant to the provisions of this Act shall be credited to the public agency by or for which such investments or deposits were made, except as provided otherwise in Section 4.1 of the State Finance Act or the Local Governmental Tax Collection Act, and except where by specific statutory provisions such earnings are directed to be credited to and paid to a particular fund.

(g) A public agency may purchase or invest in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(h) Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, no public agency may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of any public agency unless the instrument and the transaction meet the following requirements:

(1) The securities, unless registered or inscribed in the name of the public agency, are purchased through banks or trust companies authorized to do business in the State of Illinois.

(2) An authorized public officer after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, which acts for the public agency in connection with repurchase agreements involving the investment of funds by the public agency. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements. To the extent the Treasurer acts in this capacity, he is hereby authorized to pass through to such public agencies any charges assessed by the Federal Reserve Bank.

(3) A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the public agency on the records of the custodial bank and the transaction must be confirmed in writing to the public agency by the custodial bank.

(4) Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.

(5) The security interest must be perfected.

(6) The public agency enters into a written master repurchase agreement which outlines the basic responsibilities and liabilities of both buyer and seller.

(7) Agreements shall be for periods of 330 days or less.

(8) The authorized public officer of the public agency informs the custodial bank in writing of the maturity details of the repurchase agreement.

(9) The custodial bank must take delivery of and maintain the securities in its custody for the account of the public agency and confirm the transaction in writing to the public agency. The Custodial Undertaking shall provide that the custodian takes possession of the securities exclusively for the public agency; that the securities

are free of any claims against the trading partner; and any claims by the custodian are subordinate to the public agency's claims to rights to those securities.

(10) The obligations purchased by a public agency may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the public agency or officer authorized to make such investments.

(11) The custodial bank shall be liable to the public agency for any monetary loss suffered by the public agency due to the failure of the custodial bank to take and maintain possession of such securities.

(i) Notwithstanding the foregoing restrictions on investment in instruments constituting repurchase agreements the Illinois Housing Development Authority may invest in, and any financial institution with capital of at least \$250,000,000 may act as custodian for, instruments that constitute repurchase agreements, provided that the Illinois Housing Development Authority, in making each such investment, complies with the safety and soundness guidelines for engaging in repurchase transactions applicable to federally insured banks, savings banks, savings and loan associations or other depository institutions as set forth in the Federal Financial Institutions Examination Council Policy Statement Regarding Repurchase Agreements and any regulations issued, or which may be issued by the supervisory federal authority pertaining thereto and any amendments thereto; provided further that the securities shall be either (i) direct general obligations of, or obligations the payment of the principal of and/or interest on which are unconditionally guaranteed by, the United States of America or (ii) any obligations of any agency, corporation or subsidiary thereof controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States and provided further that the security interest must be perfected by either the Illinois Housing Development Authority, its custodian or its agent receiving possession of the securities either physically or transferred through a nationally recognized book entry system.

(j) In addition to all other investments authorized under this Section, a community college district may invest public funds in any mutual funds that invest primarily in corporate investment grade or global government short term bonds. Purchases of mutual funds that invest primarily in global government short term bonds shall be limited to funds with assets of at least \$100 million and that are rated at the time of purchase as one of the 10 highest classifications established by a recognized rating service. The investments shall be subject to approval by the local community college board of trustees. Each community college board of trustees shall develop a policy regarding the percentage of the college's investment portfolio that can be invested in such funds.

Nothing in this Section shall be construed to authorize an intergovernmental risk management entity to accept the deposit of public funds except for risk management purposes.

(Source: P.A. 97-129, eff. 7-14-11; 98-297, eff. 1-1-14; 98-390, eff. 8-16-13; 98-756, eff. 7-16-14.)

(30 ILCS 235/2.5)

Sec. 2.5. Investment policy.

(a) Investment of public funds by a public agency shall be governed by a written investment policy adopted by the public agency. The level of detail and complexity of the investment policy shall be appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio. The policy shall address safety of principal, liquidity of funds, and return on investment and shall require that the investment portfolio be structured in such manner as to provide

sufficient liquidity to pay obligations as they come due. In addition, the investment policy shall include or address the following:

- (1) a listing of authorized investments;
- (2) a rule, such as the "prudent person rule", establishing the standard of care that must be maintained by the persons investing the public funds;
- (3) investment guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (4) a policy regarding diversification of the investment portfolio that is appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (5) guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to this Act, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral;
- (6) a policy regarding the establishment of a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity;
- (7) identification of the chief investment officer who is responsible for establishing the internal controls and written procedures for the operation of the investment program;
- (8) performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (9) a policy regarding appropriate periodic review of the investment portfolio, its effectiveness in meeting the public agency's needs for safety, liquidity, rate of return, and diversification, and its general performance;
- (10) a policy establishing at least quarterly written reports of investment activities by the public agency's chief financial officer for submission to the governing body and chief executive officer of the public agency. The reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date;
- (11) a policy regarding the selection of investment advisors, money managers, and financial institutions; and
- (12) a policy regarding ethics and conflicts of interest.

(b) For purposes of the State or a county, the investment policy shall be adopted by the elected treasurer and presented to the chief executive officer and the governing body. For purposes of any other public agency, the investment policy shall be adopted by the governing body of the public agency.

(c) The investment policy shall be made available to the public at the main administrative office of the public agency.

(d) The written investment policy required under this Section shall be developed and implemented by January 1, 2000.

(Source: P.A. 90-688, eff. 7-31-98.)

(30 ILCS 235/2.10)

Sec. 2.10. Unit of local government; deposit at reduced rate of interest. The treasurer of a unit of local government may, in his or her discretion, deposit public moneys of that unit of local government in a financial institution pursuant to an agreement that provides for a reduced rate of interest, provided that the institution agrees to expend an amount of money equal to the amount of the reduction for senior centers.

(Source: P.A. 93-246, eff. 7-22-03.)

(30 ILCS 235/3) (from Ch. 85, par. 903)

Sec. 3. If any securities, purchased under authority of Section 2 hereof, are issuable to a designated payee or to the order of a designated payee, then the public agency shall be so designated, and further, if such securities are purchased with money taken from a particular fund of a public agency, the name of such fund shall be added to that of such public agency. If any such securities are registerable, either as to principal or interest, or both, then such securities shall be so registered in the name of the public agency, and in the name of the fund to which they are to be credited. (Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/4) (from Ch. 85, par. 904)

Sec. 4. All securities purchased under the authority of this Act shall be held for the benefit of the public agency which purchased them, and if purchased with money taken from a particular fund, such securities shall be credited to and deemed to be a part of such fund, and shall be held for the benefit thereof. All securities so purchased shall be deposited and held in a safe place by the person or persons having custody of the fund to which they are credited, and such person or persons are responsible upon his or their official bond or bonds for the safekeeping of all such securities. Any securities purchased by any such public agency under authority of this Act, may be sold at any time, at the then current market price thereof, by the governing authority of such public agency. Except as provided in Section 4.1 of "An Act in relation to State finance", all payments received as principal or interest, or otherwise, derived from any such securities shall be credited to the public agency and to the fund by or for which such securities were purchased.

(Source: P.A. 84-1378.)

(30 ILCS 235/5) (from Ch. 85, par. 905)

Sec. 5. This Act, without reference to any other statute, shall be deemed full and complete authority for the investment of public funds, as hereinabove provided, and shall be construed as an additional and alternative method therefor.

(Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/6) (from Ch. 85, par. 906)

Sec. 6. Report of financial institutions.

(a) No bank shall receive any public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last two sworn statements of resources and liabilities which the bank is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency. Each bank designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency; provided, that if such funds or moneys are deposited in a bank, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the capital stock and surplus of such bank, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any bank in excess of such limitation.

(b) No savings bank or savings and loan association shall receive public funds unless it has furnished the corporate authorities of a public agency

submitting a deposit with copies of the last 2 sworn statements of resources and liabilities which the savings bank or savings and loan association is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation. Each savings bank or savings and loan association designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation; provided, that if such funds or moneys are deposited in a savings bank or savings and loan association, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the net worth of such savings bank or savings and loan association as defined by the Federal Deposit Insurance Corporation, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any savings bank or savings and loan association in excess of such limitation.

(c) No credit union shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a share deposit with copies of the last two reports of examination prepared by or submitted to the Illinois Department of Financial Institutions or the National Credit Union Administration. Each credit union designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all reports of examination prepared by or furnished to the Illinois Department of Financial Institutions or the National Credit Union Administration; provided that if such funds or moneys are invested in a credit union account, the amount of all such investments not collateralized or insured by an agency of the federal government or other approved share insurer shall not exceed 50% of the unimpaired capital and surplus of such credit union, which shall include shares, reserves and undivided earnings and the corporate authorities of a public agency making an investment shall not be discharged from responsibility for any funds or moneys invested in a credit union in excess of such limitation.

(d) Whenever a public agency deposits any public funds in a financial institution, the public agency may enter into an agreement with the financial institution requiring any funds not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer to be collateralized by any of the following classes of securities, provided there has been no default in the payment of principal or interest thereon:

(1) Bonds, notes, or other securities constituting direct and general obligations of the United States, the bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States, and bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality.

(2) Direct and general obligation bonds of the State of Illinois or of any other state of the United States.

(3) Revenue bonds of this State or any authority, board, commission, or similar agency thereof.

(4) Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes.

(5) Revenue bonds of any city, town, county, or school district of the State of Illinois.

(6) Obligations issued, assumed, or guaranteed by the International Finance Corporation, the principal of which is not amortized during the life of the obligation, but no such obligation shall be accepted at more than 90% of its market value.

(7) Illinois Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing

Development Act.

(8) In an amount equal to at least market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer: (i) securities, (ii) mortgages, (iii) letters of credit issued by a Federal Home Loan Bank, or (iv) loans covered by a State Guarantee under the Illinois Farm Development Act, if that guarantee has been assumed by the Illinois Finance Authority under Section 845-75 of the Illinois Finance Authority Act, and loans covered by a State Guarantee under Article 830 of the Illinois Finance Authority Act.

(9) Certificates of deposit or share certificates issued to the depository institution pledging them as security. The public agency may require security in the amount of 125% of the value of the public agency deposit. Such certificate of deposit or share certificate shall:

(i) be fully insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund or issued by a depository institution which is rated within the 3 highest classifications established by at least one of the 2 standard rating services;

(ii) be issued by a financial institution having assets of \$15,000,000 or more; and

(iii) be issued by either a savings and loan association having a capital to asset ratio of at least 2%, by a bank having a capital to asset ratio of at least 6% or by a credit union having a capital to asset ratio of at least 4%.

The depository institution shall effect the assignment of the certificate of deposit or share certificate to the public agency and shall agree that, in the event the issuer of the certificate fails to maintain the capital to asset ratio required by this Section, such certificate of deposit or share certificate shall be replaced by additional suitable security.

(e) The public agency may accept a system established by the State Treasurer to aggregate permissible securities received as collateral from financial institutions in a collateral pool to secure public deposits of the institutions that have pledged securities to the pool.

(f) The public agency may at any time declare any particular security ineligible to qualify as collateral when, in the public agency's judgment, it is deemed desirable to do so.

(g) Notwithstanding any other provision of this Section, as security a public agency may, at its discretion, accept a bond, executed by a company authorized to transact the kinds of business described in clause (g) of Section 4 of the Illinois Insurance Code, in an amount not less than the amount of the deposits required by this Section to be secured, payable to the public agency for the benefit of the People of the unit of government, in a form that is acceptable to the public agency.

(h) Paragraphs (a), (b), (c), (d), (e), (f), and (g) of this Section do not apply to the University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the Cooperative Computer Center and public community colleges.

(Source: P.A. 95-331, eff. 8-21-07.)

(30 ILCS 235/6.5)

(Text of Section from P.A. 98-703)

Sec. 6.5. Federally insured deposits at Illinois financial institutions.

(a) Notwithstanding any other provision of this Act or any other statute, whenever a public agency invests public funds in an interest-bearing savings

account, demand deposit account, interest-bearing certificate of deposit, or interest-bearing time deposit under Section 2 of this Act, the provisions of Section 6 of this Act and any other statutory requirements pertaining to the eligibility of a bank to receive or hold public deposits or to the pledging of collateral by a bank to secure public deposits do not apply to any bank receiving or holding all or part of the invested public funds if (i) the public agency initiates the investment at or through a bank located in Illinois and (ii) the invested public funds are at all time fully insured by an agency or instrumentality of the federal government.

(b) Nothing in this Section is intended to:

(1) prohibit a public agency from requiring the bank at or through which the investment of public funds is initiated to provide the public agency with the information otherwise required by subsections (a), (b), or (c) of Section 6 of this Act as a condition of investing the public funds at or through that bank; or

(2) permit a bank to receive or hold public deposits if that bank is prohibited from doing so by any rule, sanction, or order issued by a regulatory agency or by a court.

(c) For purposes of this Section, the term "bank" includes any person doing a banking business whether subject to the laws of this or any other jurisdiction.

(Source: P.A. 98-703, eff. 7-7-14.)

(Text of Section from P.A. 98-756)

Sec. 6.5. Federally insured deposits at Illinois financial institutions.

(a) Notwithstanding any other provision of this Act or any other statute, whenever a public agency invests public funds in an interest-bearing savings account, interest-bearing certificate of deposit, or interest-bearing time deposit under Section 2 of this Act, the provisions of Section 6 of this Act and any other statutory requirements pertaining to the eligibility of a bank to receive or hold public deposits or to the pledging of collateral by a bank to secure public deposits do not apply to any bank receiving or holding all or part of the invested public funds if (i) the public agency initiates the investment at or through a bank located in Illinois and (ii) the invested public funds are at all times fully insured by an agency or instrumentality of the federal government.

(b) Nothing in this Section is intended to:

(1) prohibit a public agency from requiring the bank at or through which the investment of public funds is initiated to provide the public agency with the information otherwise required by subsection (a), (b), or (c) of Section 6 of this Act as a condition of investing the public funds at or through that bank; or

(2) permit a bank to receive or hold public deposits if that bank is prohibited from doing so by any rule, sanction, or order issued by a regulatory agency or by a court.

(c) For purposes of this Section, the term "bank" includes any person doing a banking business whether subject to the laws of this or any other jurisdiction.

(Source: P.A. 98-756, eff. 7-16-14.)

(30 ILCS 235/7) (from Ch. 85, par. 907)

Sec. 7. When investing or depositing public funds, each custodian shall, to the extent permitted by this Act and by the lawful and reasonable performance of his custodial duties, invest or deposit such funds with or in minority-owned financial institutions within this State.

(Source: P.A. 84-754.)

(30 ILCS 235/8)

Sec. 8. Consideration of financial institution's commitment to its

community.

(a) In addition to any other requirements of this Act, a public agency is authorized to consider the financial institution's record and current level of financial commitment to its local community when deciding whether to deposit public funds in that financial institution. The public agency may consider factors including, but not necessarily limited to:

(1) for financial institutions subject to the federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the federal Community Reinvestment Act of 1977;

(2) any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;

(3) the financial impact that the withdrawal or denial of deposits of public funds might have on the financial institution;

(4) the financial impact to the public agency as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and

(5) any additional burden on the resources of the public agency that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

(b) Nothing in this Section shall be construed as authorizing the public agency to conduct an examination or investigation of a financial institution or to receive information that is not publicly available and the disclosure of which is otherwise prohibited by law.

(Source: P.A. 93-251, eff. 7-1-04.)

DuPage Water Commission

Investment Policy

~~December 18, 2014~~ June 18, 2015

INVESTMENT POLICY

This policy authorizes the Commission to invest funds in certain authorized classes of securities. All persons from the Commission involved in the investment of public funds are to comply with the provisions relating to the deposit and investment of public funds. The purpose of this Statement of Investment Policy and Guidelines (this "Policy") is to establish cash management and investment guidelines for the Commission. This Policy has been prepared in accordance with the Public Funds Investment Act (30 ILCS 235), Exhibit A.

1.0 POLICY

The Commission is responsible for the management of daily receipt and investment of cash and related accounting operations. The Treasurer is the Chief Investment Officer of the Commission and investments may be directed by the Treasurer, General Manager, Office designees, or outside professional fund managers, in accordance with this Policy.

It is the policy of the Commission to invest all funds under the control in a manner that provides the highest investment return using authorized instruments while meeting the Commission's daily cash flow demands in conformance with this policy, its objectives, applicable ordinances and laws.

2.0 SCOPE OF POLICY:

This Policy applies to all investments held within and made on behalf of the Commission.

3.0 OBJECTIVES:

The primary objective in the investment of funds under control of the Commission is to ensure the safety of principal, while managing liquidity requirements of debt service and other financial obligations of the Commission, and providing the highest investment return using authorized investment instruments.

3.1 **Safety.**

The safety of principal is the foremost objective of the investment program. Commission investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification is required to ensure that the Commission prudently manages market, interest rate and credit risk. Each investment purchase shall be limited to those defined as eligible under this Policy.

3.2 **Liquidity.**

The investment portfolio shall remain sufficiently liquid to enable the Commission to meet all operating requirements that might be reasonably anticipated. Unless otherwise authorized by the Board, all investments shall be fully payable as to principal and interest within five years from the date of purchase. The only exception will be in regards to investments within the Long-Term Water Capital Reserve Fund which may include investments that shall be fully payable as to principal and interest within ten years from the date of purchase due to the longstanding nature of the reserve fund; provided, however, that such investments shall have a maximum five-year weighted average maturity. For U.S. Government Agency Mortgage Backed Securities (MBS), the 5 year maturity limit will be the weighted average life (WAL) calculation, rather than final maturity.

3.3 **Return on Investments.**

The investment portfolio shall be designed to obtain the highest available return, taking into account the Commission's investment risk constraints and cash flow needs. The Commission shall seek to obtain the highest available return using authorized investments.

4.0 STANDARD OF CARE:

To accomplish the objectives of the Commission, all authorized persons engaged in the investment process will perform their duties responsibly in accordance with the following standard:

“Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the Commission, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of investing funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Commission.”

The standard of care to be used by the Commission shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Those involved in investing shall: (i) act in accordance with written procedures and this Policy, (ii) exercise due diligence, (iii) prepare all reports in a timely fashion and (iv) exercise appropriate action to control adverse developments.

5.0 OPERATIONAL GUIDELINES:

5.1 Particular Fund Investments:

The Commission requires that any investments of a particular restricted account be credited to that account. Principal and interest shall be credited to the particular restricted account so invested. Any two of the following four officials, 1) General Manager, 2) Treasurer, 3) Finance Committee Chairman, and 4) Commission Chairman, may transfer ownership of any security purchased with monies of a particular restricted account to another restricted or unrestricted account of the Commission. The particular restricted account originally invested shall be credited with the amount of the principal and accrued interest up to the date of the transfer of ownership of such security from that particular restricted account to the other restricted/unrestricted account.

5.2 Competitive Bidding:

At least three (3) competitive bids are to be solicited on most investment transactions made by the Commission. Bids/quotes and markups or discounts need to be consistent with prevailing institutional trades at the time of each transaction and are to be compared to market quotations for the same type and maturity investment. In certain emergency circumstances, the Commission may solicit less than three (3) competitive bids. The guiding principle with choosing any bid for any investment transaction made by the Commission is the quality of the bid and the assurance that the bidder can complete the investment transaction.

5.3 Selection of Investment Advisors and Money Managers:

The services of investment advisors and money managers shall only be employed after the solicitation of at least three written quotations and, as required by the Commission's By-Laws, as amended, approved by the Board of Commissioners pursuant to the majority affirmative vote of all of the Commissioners, including the votes of at least 1/3 of the Commissioners appointed by the Chairman of the DuPage County Board and at least 40% of the Commissioners appointed by the groups of mayors as provided in the Water Commission Act of 1985, 70 ILCS 3720/0.001 et seq.

6.0 ETHICS AND CONFLICT OF INTEREST:

It is the policy of the Commission that no person acting on behalf of the investment function shall, in any manner, have any interest, either directly or indirectly in, or receive in any manner compensation from, any investments in which the Commission is authorized to invest; or have any interest, either directly or indirectly in, or receive, in any manner, compensation of any kind from, the sellers, sponsors or managers of such investments. Officers and other staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED INVESTMENTS:

The Board has authorized the following types of investments subject to the provisions of the Public Funds Investment Act (30 ILCS 235) and other applicable law:

The investment portfolio will be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution or maturities.

- a. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed as to the payment of principal and interest by the full faith and credit of the United States of America.

Maximum Aggregate Position No Limit

- b. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies and its instrumentalities.

Maximum Aggregate Position No Limit, except for obligations classified as supranational securities, which shall be limited to a maximum aggregate position of 5% of total portfolio. For purposes of this Policy, "supranational securities" shall mean obligations issued by a multinational development institution, when the United States is, by virtue of legislation enacted by the United States Congress, a member thereof, including, but not limited to:

- International Bank for Reconstruction and Development (World Bank) (22 USC 286 et seq.);
- International Finance Corporation (22 USC 282 et seq.);
- Inter-American Development Bank (22 USC 283 et seq.);
- African Development Bank (22 USC 290i et seq.);
- Asian Development Bank (22 USC 285 et seq.);
- European Bank of Reconstruction and Development (22 USC 2901 et seq.)

- c. Interest-bearing savings accounts, certificates of deposit, time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, the deposits of which are insured by the Federal Deposit Insurance Corporation. Any such investments made in excess of such deposit insurance shall be secured as provided in Section 10.0.

Maximum Aggregate Position 50% of total portfolio

- d. Short-term obligations of corporations (Commercial Paper) organized in the United States of America with assets exceeding \$500,000,000; obligations must be rated at the time of

purchase A1/P1 or better by Standard & Poor's and Moody's, respectively, and must mature not later than ~~210-270~~ days from the date of purchase; the Board's investment in the short-term obligations of a single issuer shall not exceed 10% of that corporation's outstanding obligations.

Maximum Position with Single Issuer 5% of total portfolio
Maximum Aggregate Position 33% of total portfolio

- e. Money market mutual funds registered under the Investment Company Act of 1940, as from time to time amended; the portfolio of any such money market fund must be limited to obligations specified in subsection [a] or [b] of this section and to agreements to repurchase such obligations. All underlying securities of the fund must mature within twelve months or less, and the fund must maintain a weighted average portfolio maturity of 90 days or less. Prospectuses must be on file, reviewed, and approved before investing.

Maximum Aggregate Position No Limit

- f. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of any state or of the United States of America, the shares or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such investments made in excess of such deposit insurance shall be secured as provided in Section 10.0.

Maximum Aggregate Position 50% of total portfolio

- g. Dividend-bearing share accounts, share certificate accounts, or other such class of share accounts of a credit union chartered under the laws of the State of Illinois or of the United States of America, provided that deposits are insured by applicable law and that the credit union's principal office is located within the State of Illinois. Any such investments made in excess of such deposit insurance, shall be secured as provided in Section 10.0

Maximum Aggregate Position 25% of total portfolio

- h. Subject to the limitation of Section 12 of the Local Government Debt Reform Act, 30 ILCS 350/12, 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, or of any political subdivision or agency of the State of Illinois or of any other state, if the interest earned thereon is tax-exempt under federal law. The bonds shall be registered in the name of the Commission or held under a custodial agreement at a bank. The bonds shall be rated at least A- by Standard and Poor's or A3 by Moody's at the time of purchase.

Maximum Aggregate Position 25% of total portfolio

- i. Any other suitable investment instrument permitted by applicable state laws governing public investments subject to the reasonable exercise of prudence in making investments of public fund.

8.0 REVENUE BOND ORDINANCES:

The provisions and restrictions of ~~the 2013 Revenue Bond Ordinance~~ any bond ordinance(s) of the Commission regarding permitted investments must be observed during the time that any bonds of the Commission authorized by said ordinance(s) are outstanding.

9.0 INVESTMENT RESTRICTIONS:

The Commission will not utilize investment of leveraged transactions, financial forwards, futures, hedged investments, index amortizing notes, dual index notes, de-leveraged bonds, range bonds, inverse floaters, and any other financial derivative. The Commission is not authorized, without the approval of the Board, to (i) invest in financial agreements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities products, or (ii) borrow against or otherwise obligate Commission investments. No investment maturity can be longer than 5 years except as otherwise authorized by the Board per Section 3.2.

10.0 COLLATERALIZATION:

In order to protect the Commission's deposits, depository institutions are to maintain collateral pledges on Commission certificates of deposit during the term of the deposit of at least 102% of marketable U.S. government or approved securities or surety bonds issued by top-rated insurers. Collateral is required as security for any amount in excess of the federal deposit insurance limit. The collateral required to secure Commission funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the Treasurer or General Manager. However, substitutions may be made without prior approval from the Commission provided: security types are of the type allowed for collateralization in the Policy, the market value of the securities to be substituted is at least equal to the amount withdrawn; notification is given to the Treasurer or General Manager; and the custodian has not received any prior notification from the Treasurer or General Manager prohibiting substitution. Repurchase agreements must also be collateralized in an amount of 102% of market value of principal and accrued interest.

The final maturity of acceptable collateral pledged shall not exceed 60 months. Collateral pledged for repurchase agreements shall be marked to market at least weekly during the term of the agreement. Additional collateral will be required when the ratio falls below the level required.

11.0 SAFEKEEPING AND CUSTODY:

All securities and collateral will be held by a third party custodian designated by the Commission and evidenced by safekeeping receipts. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

12.0 DIVERSIFICATION:

A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions.

13.0 INTERNAL CONTROLS:

The Commission, shall maintain a system of internal controls and written operational procedures that shall be documented. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

In addition, the Commission has established a system of internal controls to ensure that staff positions and functional duties are adequately segregated for separation of duties between the investment and accounting operations.

These controls shall be tested and reviewed periodically by external auditors during the audit.

14.0 PERFORMANCE EVALUATION:

The Commission will utilize the following benchmarks as appropriate to determine whether market average yields are being achieved:

Account	Benchmark
General Account	BoA/Merrill Lynch 3-Month U.S. Treasury Bill Index
Sales Tax	BoA/Merrill Lynch 1 – 3 Year U.S. Treasury Index
Operating Reserve Fund	BoA/Merrill Lynch 1 – 5 Year U.S. Treasury Index
Capital Reserve Fund	BoA/Merrill Lynch 1 – 3 Year U.S. Treasury Index
Long-Term Water Capital Reserve Fund	BoA/Merrill Lynch 1 – 10 Year U.S. Treasury Index

For all other funds (i.e., the Interest and Principal accounts), the rate of return should equal or exceed the rate of return on Treasury securities of like maturities and like purchase dates.

15.0 REPORTING:

The Commission shall record all investment transactions. A written report will be generated monthly for internal purposes listing all active investments by class or type, maturity of investments, book value, interest rate, income earned, including the fair market value of all investments as of the report date and other pertinent information deemed necessary. This report will be submitted to the General Manager of the Commission for distribution to the Board no less than on a quarterly basis pursuant to the Public Funds Investment Act.

16.0 POLICY ADOPTION AND AMENDMENT:

This Policy shall be adopted by a resolution of the Board. This Policy may be reviewed from time to time and amended upon approval of the Board.

Exhibit A

FINANCE (30 ILCS 235/) Public Funds Investment Act.

(30 ILCS 235/0.01) (from Ch. 85, par. 900)

Sec. 0.01. Short title. This Act may be cited as the Public Funds Investment Act.

(Source: P.A. 86-1324.)

(30 ILCS 235/1) (from Ch. 85, par. 901)

Sec. 1. The words "public funds", as used in this Act, mean current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any public agency.

The words "public agency", as used in this Act, mean the State of Illinois, the various counties, townships, cities, towns, villages, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, the Illinois Bank Examiners' Education Foundation, the Chicago Park District, and all other political corporations or subdivisions of the State of Illinois, now or hereafter created, whether herein specifically mentioned or not. This Act does not apply to the Illinois Prepaid Tuition Trust Fund, private funds collected by the Illinois Conservation Foundation, or pension funds or retirement systems established under the Illinois Pension Code, except as otherwise provided in that Code.

The words "governmental unit", as used in this Act, have the same meaning as in the Local Government Debt Reform Act.

(Source: P.A. 98-297, eff. 1-1-14.)

(30 ILCS 235/2) (from Ch. 85, par. 902)

Sec. 2. Authorized investments.

(a) Any public agency may invest any public funds as follows:

(1) in bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;

(2) in bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;

(3) in interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;

(4) in short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or

(5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.

(a-1) In addition to any other investments authorized under this Act, a municipality, park district, forest preserve district, conservation district, county, or other governmental unit may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the municipality, park district, forest preserve district, conservation district, county, or other governmental unit, or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

(b) Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. Any public agency may invest any public funds in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of such governing authority, the public funds so invested will be required for expenditure by such public agency or its governing authority. The expressed judgment of any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive. Any public agency may invest any public funds in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

(c) For purposes of this Section, the term "agencies of the United States of America" includes: (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.

(d) Except for pecuniary interests permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as treasurer or financial officer or who is employed in any similar capacity by or for a public agency may do any of the following:

(1) have any interest, directly or indirectly, in any investments in which the agency is authorized to invest.

(2) have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.

(3) receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

(e) Any public agency may also invest any public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.

(f) To the extent a public agency has custody of funds not owned by it or

another public agency and does not otherwise have authority to invest such funds, the public agency may invest such funds as if they were its own. Such funds must be released to the appropriate person at the earliest reasonable time, but in no case exceeding 31 days, after the private person becomes entitled to the receipt of them. All earnings accruing on any investments or deposits made pursuant to the provisions of this Act shall be credited to the public agency by or for which such investments or deposits were made, except as provided otherwise in Section 4.1 of the State Finance Act or the Local Governmental Tax Collection Act, and except where by specific statutory provisions such earnings are directed to be credited to and paid to a particular fund.

(g) A public agency may purchase or invest in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(h) Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, no public agency may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of any public agency unless the instrument and the transaction meet the following requirements:

(1) The securities, unless registered or inscribed in the name of the public agency, are purchased through banks or trust companies authorized to do business in the State of Illinois.

(2) An authorized public officer after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, which acts for the public agency in connection with repurchase agreements involving the investment of funds by the public agency. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements. To the extent the Treasurer acts in this capacity, he is hereby authorized to pass through to such public agencies any charges assessed by the Federal Reserve Bank.

(3) A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the public agency on the records of the custodial bank and the transaction must be confirmed in writing to the public agency by the custodial bank.

(4) Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.

(5) The security interest must be perfected.

(6) The public agency enters into a written master repurchase agreement which outlines the basic responsibilities and liabilities of both buyer and seller.

(7) Agreements shall be for periods of 330 days or less.

(8) The authorized public officer of the public agency informs the custodial bank in writing of the maturity details of the repurchase agreement.

(9) The custodial bank must take delivery of and maintain the securities in its custody for the account of the public agency and confirm the transaction in writing to the public agency. The Custodial Undertaking shall provide that the custodian takes possession of the securities exclusively for the public agency; that the securities

are free of any claims against the trading partner; and any claims by the custodian are subordinate to the public agency's claims to rights to those securities.

(10) The obligations purchased by a public agency may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the public agency or officer authorized to make such investments.

(11) The custodial bank shall be liable to the public agency for any monetary loss suffered by the public agency due to the failure of the custodial bank to take and maintain possession of such securities.

(i) Notwithstanding the foregoing restrictions on investment in instruments constituting repurchase agreements the Illinois Housing Development Authority may invest in, and any financial institution with capital of at least \$250,000,000 may act as custodian for, instruments that constitute repurchase agreements, provided that the Illinois Housing Development Authority, in making each such investment, complies with the safety and soundness guidelines for engaging in repurchase transactions applicable to federally insured banks, savings banks, savings and loan associations or other depository institutions as set forth in the Federal Financial Institutions Examination Council Policy Statement Regarding Repurchase Agreements and any regulations issued, or which may be issued by the supervisory federal authority pertaining thereto and any amendments thereto; provided further that the securities shall be either (i) direct general obligations of, or obligations the payment of the principal of and/or interest on which are unconditionally guaranteed by, the United States of America or (ii) any obligations of any agency, corporation or subsidiary thereof controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States and provided further that the security interest must be perfected by either the Illinois Housing Development Authority, its custodian or its agent receiving possession of the securities either physically or transferred through a nationally recognized book entry system.

(j) In addition to all other investments authorized under this Section, a community college district may invest public funds in any mutual funds that invest primarily in corporate investment grade or global government short term bonds. Purchases of mutual funds that invest primarily in global government short term bonds shall be limited to funds with assets of at least \$100 million and that are rated at the time of purchase as one of the 10 highest classifications established by a recognized rating service. The investments shall be subject to approval by the local community college board of trustees. Each community college board of trustees shall develop a policy regarding the percentage of the college's investment portfolio that can be invested in such funds.

Nothing in this Section shall be construed to authorize an intergovernmental risk management entity to accept the deposit of public funds except for risk management purposes.

(Source: P.A. 97-129, eff. 7-14-11; 98-297, eff. 1-1-14; 98-390, eff. 8-16-13; 98-756, eff. 7-16-14.)

(30 ILCS 235/2.5)

Sec. 2.5. Investment policy.

(a) Investment of public funds by a public agency shall be governed by a written investment policy adopted by the public agency. The level of detail and complexity of the investment policy shall be appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio. The policy shall address safety of principal, liquidity of funds, and return on investment and shall require that the investment portfolio be structured in such manner as to provide

sufficient liquidity to pay obligations as they come due. In addition, the investment policy shall include or address the following:

- (1) a listing of authorized investments;
- (2) a rule, such as the "prudent person rule", establishing the standard of care that must be maintained by the persons investing the public funds;
- (3) investment guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (4) a policy regarding diversification of the investment portfolio that is appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (5) guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to this Act, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral;
- (6) a policy regarding the establishment of a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity;
- (7) identification of the chief investment officer who is responsible for establishing the internal controls and written procedures for the operation of the investment program;
- (8) performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (9) a policy regarding appropriate periodic review of the investment portfolio, its effectiveness in meeting the public agency's needs for safety, liquidity, rate of return, and diversification, and its general performance;
- (10) a policy establishing at least quarterly written reports of investment activities by the public agency's chief financial officer for submission to the governing body and chief executive officer of the public agency. The reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date;
- (11) a policy regarding the selection of investment advisors, money managers, and financial institutions; and
- (12) a policy regarding ethics and conflicts of interest.

(b) For purposes of the State or a county, the investment policy shall be adopted by the elected treasurer and presented to the chief executive officer and the governing body. For purposes of any other public agency, the investment policy shall be adopted by the governing body of the public agency.

(c) The investment policy shall be made available to the public at the main administrative office of the public agency.

(d) The written investment policy required under this Section shall be developed and implemented by January 1, 2000.

(Source: P.A. 90-688, eff. 7-31-98.)

(30 ILCS 235/2.10)

Sec. 2.10. Unit of local government; deposit at reduced rate of interest. The treasurer of a unit of local government may, in his or her discretion, deposit public moneys of that unit of local government in a financial institution pursuant to an agreement that provides for a reduced rate of interest, provided that the institution agrees to expend an amount of money equal to the amount of the reduction for senior centers.

(Source: P.A. 93-246, eff. 7-22-03.)

(30 ILCS 235/3) (from Ch. 85, par. 903)

Sec. 3. If any securities, purchased under authority of Section 2 hereof, are issuable to a designated payee or to the order of a designated payee, then the public agency shall be so designated, and further, if such securities are purchased with money taken from a particular fund of a public agency, the name of such fund shall be added to that of such public agency. If any such securities are registerable, either as to principal or interest, or both, then such securities shall be so registered in the name of the public agency, and in the name of the fund to which they are to be credited. (Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/4) (from Ch. 85, par. 904)

Sec. 4. All securities purchased under the authority of this Act shall be held for the benefit of the public agency which purchased them, and if purchased with money taken from a particular fund, such securities shall be credited to and deemed to be a part of such fund, and shall be held for the benefit thereof. All securities so purchased shall be deposited and held in a safe place by the person or persons having custody of the fund to which they are credited, and such person or persons are responsible upon his or their official bond or bonds for the safekeeping of all such securities. Any securities purchased by any such public agency under authority of this Act, may be sold at any time, at the then current market price thereof, by the governing authority of such public agency. Except as provided in Section 4.1 of "An Act in relation to State finance", all payments received as principal or interest, or otherwise, derived from any such securities shall be credited to the public agency and to the fund by or for which such securities were purchased.

(Source: P.A. 84-1378.)

(30 ILCS 235/5) (from Ch. 85, par. 905)

Sec. 5. This Act, without reference to any other statute, shall be deemed full and complete authority for the investment of public funds, as hereinabove provided, and shall be construed as an additional and alternative method therefor.

(Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/6) (from Ch. 85, par. 906)

Sec. 6. Report of financial institutions.

(a) No bank shall receive any public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last two sworn statements of resources and liabilities which the bank is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency. Each bank designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency; provided, that if such funds or moneys are deposited in a bank, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the capital stock and surplus of such bank, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any bank in excess of such limitation.

(b) No savings bank or savings and loan association shall receive public funds unless it has furnished the corporate authorities of a public agency

submitting a deposit with copies of the last 2 sworn statements of resources and liabilities which the savings bank or savings and loan association is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation. Each savings bank or savings and loan association designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation; provided, that if such funds or moneys are deposited in a savings bank or savings and loan association, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the net worth of such savings bank or savings and loan association as defined by the Federal Deposit Insurance Corporation, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any savings bank or savings and loan association in excess of such limitation.

(c) No credit union shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a share deposit with copies of the last two reports of examination prepared by or submitted to the Illinois Department of Financial Institutions or the National Credit Union Administration. Each credit union designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all reports of examination prepared by or furnished to the Illinois Department of Financial Institutions or the National Credit Union Administration; provided that if such funds or moneys are invested in a credit union account, the amount of all such investments not collateralized or insured by an agency of the federal government or other approved share insurer shall not exceed 50% of the unimpaired capital and surplus of such credit union, which shall include shares, reserves and undivided earnings and the corporate authorities of a public agency making an investment shall not be discharged from responsibility for any funds or moneys invested in a credit union in excess of such limitation.

(d) Whenever a public agency deposits any public funds in a financial institution, the public agency may enter into an agreement with the financial institution requiring any funds not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer to be collateralized by any of the following classes of securities, provided there has been no default in the payment of principal or interest thereon:

(1) Bonds, notes, or other securities constituting direct and general obligations of the United States, the bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States, and bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality.

(2) Direct and general obligation bonds of the State of Illinois or of any other state of the United States.

(3) Revenue bonds of this State or any authority, board, commission, or similar agency thereof.

(4) Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes.

(5) Revenue bonds of any city, town, county, or school district of the State of Illinois.

(6) Obligations issued, assumed, or guaranteed by the International Finance Corporation, the principal of which is not amortized during the life of the obligation, but no such obligation shall be accepted at more than 90% of its market value.

(7) Illinois Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing

Development Act.

(8) In an amount equal to at least market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer: (i) securities, (ii) mortgages, (iii) letters of credit issued by a Federal Home Loan Bank, or (iv) loans covered by a State Guarantee under the Illinois Farm Development Act, if that guarantee has been assumed by the Illinois Finance Authority under Section 845-75 of the Illinois Finance Authority Act, and loans covered by a State Guarantee under Article 830 of the Illinois Finance Authority Act.

(9) Certificates of deposit or share certificates issued to the depository institution pledging them as security. The public agency may require security in the amount of 125% of the value of the public agency deposit. Such certificate of deposit or share certificate shall:

(i) be fully insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund or issued by a depository institution which is rated within the 3 highest classifications established by at least one of the 2 standard rating services;

(ii) be issued by a financial institution having assets of \$15,000,000 or more; and

(iii) be issued by either a savings and loan association having a capital to asset ratio of at least 2%, by a bank having a capital to asset ratio of at least 6% or by a credit union having a capital to asset ratio of at least 4%.

The depository institution shall effect the assignment of the certificate of deposit or share certificate to the public agency and shall agree that, in the event the issuer of the certificate fails to maintain the capital to asset ratio required by this Section, such certificate of deposit or share certificate shall be replaced by additional suitable security.

(e) The public agency may accept a system established by the State Treasurer to aggregate permissible securities received as collateral from financial institutions in a collateral pool to secure public deposits of the institutions that have pledged securities to the pool.

(f) The public agency may at any time declare any particular security ineligible to qualify as collateral when, in the public agency's judgment, it is deemed desirable to do so.

(g) Notwithstanding any other provision of this Section, as security a public agency may, at its discretion, accept a bond, executed by a company authorized to transact the kinds of business described in clause (g) of Section 4 of the Illinois Insurance Code, in an amount not less than the amount of the deposits required by this Section to be secured, payable to the public agency for the benefit of the People of the unit of government, in a form that is acceptable to the public agency.

(h) Paragraphs (a), (b), (c), (d), (e), (f), and (g) of this Section do not apply to the University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the Cooperative Computer Center and public community colleges.

(Source: P.A. 95-331, eff. 8-21-07.)

(30 ILCS 235/6.5)

(Text of Section from P.A. 98-703)

Sec. 6.5. Federally insured deposits at Illinois financial institutions.

(a) Notwithstanding any other provision of this Act or any other statute, whenever a public agency invests public funds in an interest-bearing savings

account, demand deposit account, interest-bearing certificate of deposit, or interest-bearing time deposit under Section 2 of this Act, the provisions of Section 6 of this Act and any other statutory requirements pertaining to the eligibility of a bank to receive or hold public deposits or to the pledging of collateral by a bank to secure public deposits do not apply to any bank receiving or holding all or part of the invested public funds if (i) the public agency initiates the investment at or through a bank located in Illinois and (ii) the invested public funds are at all time fully insured by an agency or instrumentality of the federal government.

(b) Nothing in this Section is intended to:

(1) prohibit a public agency from requiring the bank at or through which the investment of public funds is initiated to provide the public agency with the information otherwise required by subsections (a), (b), or (c) of Section 6 of this Act as a condition of investing the public funds at or through that bank; or

(2) permit a bank to receive or hold public deposits if that bank is prohibited from doing so by any rule, sanction, or order issued by a regulatory agency or by a court.

(c) For purposes of this Section, the term "bank" includes any person doing a banking business whether subject to the laws of this or any other jurisdiction.

(Source: P.A. 98-703, eff. 7-7-14.)

(Text of Section from P.A. 98-756)

Sec. 6.5. Federally insured deposits at Illinois financial institutions.

(a) Notwithstanding any other provision of this Act or any other statute, whenever a public agency invests public funds in an interest-bearing savings account, interest-bearing certificate of deposit, or interest-bearing time deposit under Section 2 of this Act, the provisions of Section 6 of this Act and any other statutory requirements pertaining to the eligibility of a bank to receive or hold public deposits or to the pledging of collateral by a bank to secure public deposits do not apply to any bank receiving or holding all or part of the invested public funds if (i) the public agency initiates the investment at or through a bank located in Illinois and (ii) the invested public funds are at all times fully insured by an agency or instrumentality of the federal government.

(b) Nothing in this Section is intended to:

(1) prohibit a public agency from requiring the bank at or through which the investment of public funds is initiated to provide the public agency with the information otherwise required by subsection (a), (b), or (c) of Section 6 of this Act as a condition of investing the public funds at or through that bank; or

(2) permit a bank to receive or hold public deposits if that bank is prohibited from doing so by any rule, sanction, or order issued by a regulatory agency or by a court.

(c) For purposes of this Section, the term "bank" includes any person doing a banking business whether subject to the laws of this or any other jurisdiction.

(Source: P.A. 98-756, eff. 7-16-14.)

(30 ILCS 235/7) (from Ch. 85, par. 907)

Sec. 7. When investing or depositing public funds, each custodian shall, to the extent permitted by this Act and by the lawful and reasonable performance of his custodial duties, invest or deposit such funds with or in minority-owned financial institutions within this State.

(Source: P.A. 84-754.)

(30 ILCS 235/8)

Sec. 8. Consideration of financial institution's commitment to its

community.

(a) In addition to any other requirements of this Act, a public agency is authorized to consider the financial institution's record and current level of financial commitment to its local community when deciding whether to deposit public funds in that financial institution. The public agency may consider factors including, but not necessarily limited to:

(1) for financial institutions subject to the federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the federal Community Reinvestment Act of 1977;

(2) any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;

(3) the financial impact that the withdrawal or denial of deposits of public funds might have on the financial institution;


(4) the financial impact to the public agency as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and

(5) any additional burden on the resources of the public agency that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

(b) Nothing in this Section shall be construed as authorizing the public agency to conduct an examination or investigation of a financial institution or to receive information that is not publicly available and the disclosure of which is otherwise prohibited by law.

(Source: P.A. 93-251, eff. 7-1-04.)

REQUEST FOR BOARD ACTION

AGENDA SECTION Finance Committee	ORIGINATING DEPARTMENT Finance
ITEM A Resolution Approving, Ratifying, and Accepting the Appointment of Commissioner Pruyn as Treasurer of the Commission for No Additional Compensation Resolution No. R-20-15	APPROVAL 
Account No.: NA Douglas Ellsworth has given the Commission notice that he is resigning from the Treasurer's position as of June 30, 2015. Resolution No. R-20-15 would finalize that appointment subject to the advice and consent of the DuPage County Board. Commissioner Pruyn would serve as the Commission's Treasurer until the position is filled.	
MOTION: To adopt Resolution No. R-20-15	

DuPAGE WATER COMMISSION

RESOLUTION NO. R-20-15

A RESOLUTION APPROVING, RATIFYING, AND ACCEPTING
THE APPOINTMENT OF COMMISSIONER PRUYN AS TREASURER
OF THE COMMISSION FOR NO ADDITIONAL COMPENSATION

WHEREAS, pursuant to the By-Laws of the Commission, the Chairman may appoint the Treasurer of the Commission with the advice and consent of the other Commissioners;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the DuPage Water Commission as follows:

SECTION ONE: The foregoing recitals are hereby incorporated herein as findings of the Board of Commissioners of the DuPage Water Commission.

SECTION TWO: Subject to the advice and consent of the DuPage County Board, the Board of Commissioners of the DuPage Water Commission hereby ratifies, affirms, approves, and accepts Chairman Zay's appointment of Commissioner Pruyne to serve as Treasurer of the Commission until such time as an independent third party can be duly appointed and confirmed to serve in such office.

SECTION THREE: For so long as Commissioner Pruyne remains a Commissioner, Commissioner Pruyne shall receive no compensation for his service as the Treasurer of the Commission. For so long as the By-Laws of the Commission allow compensation for services as a Commissioner, and Commissioner Pruyne remains eligible for such compensation, Commissioner Pruyne shall be entitled to receive said compensation.

SECTION FOUR: All motions and appointments, or parts thereof, in conflict herewith, are to the extent of such conflict hereby superseded and repealed.

Resolution No. R-20-15

SECTION FIVE: This Resolution shall be in full force and effect from and after its adoption.

AYES:

NAYS:

ABSENT:

ADOPTED this _____ day of _____, 2015.

Chairman

ATTEST:

Clerk

Board\Resolutions\2015\R-20-15.docx