

## 207: Investment

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It is the policy of the Northbrook Public Library to invest all funds under the library's control in a manner which will provide the highest investment return using authorized instruments, while meeting the library's daily cash flow demands and in conformance with all state statutes governing the investment of public funds.

### INVESTMENT GUIDELINES

The primary objective in the investment of library funds is to ensure the safety of principal, while managing liquidity to pay financial obligations, and providing the highest investment return using authorized instruments.

#### Safety

The safety of principal is the foremost objective of the investment program. To attain this objective, diversification and internal controls, as defined in the policy, are required to ensure that the library prudently manages market, interest rate and credit risk.

#### Liquidity

The investment portfolio shall remain sufficiently liquid to enable the library to meet all operating requirements which might be reasonably projected.

#### Return on Investment

The investment portfolio shall be designed to obtain the highest available return, taking into account the library's investment risk constraints and cash flow needs and the library's desire to promote fiscal responsibility. The rate of return achieved on the library's portfolio will be measured against relevant industry benchmarks at regular intervals to determine the effectiveness of investment decisions in meeting investment goals.

## **Periodic Review of Investment Portfolio**

The Board of Trustees shall review investment safety, liquidity, rate of return, diversification and general performance.

## **PRUDENCE**

Investments shall be made with the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived. This “prudent person” standard shall be used by all investment officers of the library and shall be followed in making and managing investments for the library.

## **ETHICS AND CONFLICTS OF INTEREST**

Authorized investment officers of the library and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the library any material financial interest in financial institutions which conduct business with the library, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

No person acting as Treasurer or financial officer for the library, or who is employed in any similar capacity by or for the library, may do any of the following:

1. Have any interest, directly or indirectly, in any investments in which the library 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 library is authorized to invest.

## **AUTHORIZED AND SUITABLE INVESTMENTS**

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

Bonds, notes, debentures or other similar obligations of the United States of America, or its agencies. For purposes of this policy, the term "agencies of the United States of America" includes 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 and the federal home loan banks and the Federal Home Loan Mortgage Corporation; and any other agency created by Act of Congress

Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS5/1 et seq.), provided, however, that such investments may be made only in banks which are insured by the Federal Insurance Corporation

The Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act (15ILCS 505/17) or 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.

## **COLLATERALIZATION**

Collateral securities guaranteed by the full faith and credit of the United States of America shall be required for deposits in excess of \$100,000 per institution. The percentage of collateralization shall be in conformance with all State statutes governing the investment of public funds.

## **DIVERSIFICATION**

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets with a specific maturity date. The library shall invest the

majority of its funds in authorized investments of less than one (1) year maturity. No investment shall exceed two (2) years maturity.

## **INTERNAL CONTROLS**

The library's Finance and Operations Manager in conjunction with the Executive Director shall establish a system of internal controls, which shall be documented in writing, reviewed by the auditor, and filed with the Board of Trustees for review and approval. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties.

## **LIMITATION OF LIABILITY**

The standard of prudence to be used by authorized investment officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Authorized investment officers acting in accordance with written procedures and this policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and necessary action is taken to control adverse developments.

## **REPORTING**

Financial reports shall be presented to the Board of Trustees by the Executive Director or Finance and Operations Manager on a monthly basis. This report shall include the following:

1. Type of Investment
2. Liquidity (including maturity dates)
3. Rate of Return
4. Location of Investment
5. Impact of any material change in investment policy adopted

## **DELEGATION OF AUTHORITY**

The Board of Trustees may employ one or more investment advisors possessing superior capabilities in the management of assets of governmental bodies. The Board

of Trustees shall require the investment advisor(s) selected and working on behalf of the library to meet the following conditions:

1. To take actions in the exercise of its discretion which in its best professional judgement are in the best interests of the library and in accordance with this policy.
2. To execute all investment transactions on behalf of the library at the best net price, utilizing such approved brokers and dealers as it deems appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy, at the lowest cost to the library.
3. Such additional responsibilities as are set forth in such investment advisor's written contract with the library.

The library's investment advisors shall be responsible for establishing the internal controls in written procedures for the operation of the library's investment program as set forth in this policy.

Until the Board of Trustees appoints one or more investment advisors, management responsibility for the investment program set forth in this policy is delegated to the Executive Director and/or the Finance and Operations Manager.