

# DeKalb County Treasurer

## Investment Policy

This policy applies to the investment of all funds under the jurisdiction of the DeKalb County Treasurer including funds of the DeKalb County Forest Preserve District and the DeKalb County ETSB 911. This investment policy will also apply to any new or temporary funds placed under the jurisdiction of the DeKalb County Treasurer.

### **General Objectives**

The primary objectives, in priority order, of investment activities shall be legality, safety, liquidity and yield:

**1. *Legality***

Investments will conform to federal and state laws, including the Public Funds Investment Act, and the internal policy of the DeKalb County Treasurer's office.

**2. *Safety of Principal***

Safety of principal is an objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

**3. *Liquidity***

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

A portion of the portfolio may also be placed in SEC-registered money market mutual funds or local government investment pools which offer same-day liquidity.

**4. *Yield***

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the statutory investment constraints and liquidity needs. Return on investment is of secondary importance compared to the legality, safety, and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall only be sold prior to maturity if liquidity needs of the portfolio require that the security be sold.

Reviewed For Updates March 1, 2018

## **Standards of Care**

### 1. ***Prudence***

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with Illinois Compiled Statutes, written procedures, and this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

### 2. ***Ethics and Conflicts of Interest***

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, could impair their ability to make impartial decisions, or could impair public confidence in the government of DeKalb County. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio.

### 3. ***Investment Authority and Responsibility***

Authority to manage the investment program is the direct responsibility of the DeKalb County Treasurer.

The DeKalb County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of DeKalb County Treasurer's office employees directly involved in the assistance of such investment activities.

## **Cash Management**

All funds are monitored daily and will be invested for a period of one day or longer, depending upon the need for the disbursement of those funds.

All funds shall be deposited within two working days at prevailing rates or better in accordance with Illinois Compiled Statutes.

## **Safekeeping and Custody**

### **1. *Authorized Financial Institutions***

The DeKalb County Treasurer's office will maintain a list of financial institutions, which have been approved by the DeKalb County Board to act as designated depositories.

### **2. *Internal Controls***

The DeKalb County Treasurer is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the County are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognized that (1) the cost of a control should not exceed the benefits likely to be derived and (2) that valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the DeKalb County Treasurer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

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

### **3. *Delivery vs. Payment***

All trades where applicable will be executed by delivery vs. payment (DVP) to insure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

4. A quarterly review of the financial condition and registration of financial institutions will be conducted by the DeKalb County Treasurer, and her staff.
5. All designated depositories will be evaluated on a quarterly basis by an independent rating service such as Veribanc, Inc.
6. One element of internal control is timely reconciliation of all investment and cash accounts. Reconciliation shall be performed on a monthly basis and shall be completed no later than 30 days after the end of the monthly cycle.
7. Only the DeKalb County Treasurer shall be authorized to establish financial accounts for the office of DeKalb County Treasurer, DeKalb County Forest Preserve District, and

DeKalb County ETSB 911. At all times either the DeKalb County Treasurer, singly, or jointly with two or more signatures as designated by the DeKalb County Treasurer shall be authorized to sign on financial accounts. Authorized signatories should not be permitted to reconcile bank accounts at any time.

8. If securities are purchased (e.g. Treasury Bills) that are not subject to FDIC, the securities will be held by a third-part custodian who is acting as an agent of the County.

### **Authorized Investments**

#### **1. *Investment Types***

Investments will be consistent with the Illinois Compiled Statutes regarding permitted investments. The following investments will be permitted by this policy and are those defined by state law:

- \* U.S. Treasury Bills
- \* Certificates of deposit issued by banks located within and in close proximity to DeKalb County
- \* Mutual funds consisting of U.S. Treasury Bills, Notes, Bonds or Agencies.
- \* Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act.
- \* This policy prohibits the investment of County Funds in derivatives.

#### **2. *Collateralization***

Recognizing that collateralization of deposits is not a statutory requirement, full collateralization will be required on investments exceeding FDIC coverage. Collateral agreements will be executed with all depositories prior to placing funds in excess of FDIC insurance with those banks. Collateral will be marked to market on a quarterly basis.

Acceptable collateral is U.S. Treasuries, U.S. Agencies, obligation bonds of the State of Illinois and it's municipalities, or of any other state, and their municipalities, rated A or better.

If U.S. Treasuries or Agencies are pledged as collateral, the market value of the collateral will be required to be greater than or equal to 105% of the bank balance of deposits.

If other collateral is pledged, the market value of the collateral will be required to be equal to or greater than 110% of the bank balance of deposits.

Collateral must be held in a third-party custodial bank, legally separate from the pledger, who should act as the County's agent, on behalf of the County. All collateral is subject to acceptance by the DeKalb County Treasurer.

## **Investment Parameters**

### 1. ***Diversification***

The investments shall be diversified to avoid unreasonable risks.

The DeKalb County Treasurer's office will:

- \* limit investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- \* Invest in securities with varying maturities, and
- \* use the option of investing a portion of the portfolio in readily-available funds such as The Illinois Funds Pool of the State Treasurer's Office, or money market funds, to insure that appropriate liquidity is maintained to meet ongoing obligations.

### 2. ***Maximum Maturities***

To the extent possible, the DeKalb County Treasurer's office shall attempt to match its investments with anticipated cash flow requirements.

### 3. ***Investment Selection***

County monies will be invested in accordance with all applicable Illinois Compiled Statutes regarding permitted investments.

Investments shall be selected on the basis of competitive bid whenever practical. Consideration will be given to banks located within or in close proximity to DeKalb County.

The depository that receives the bid award, should there be a tie, is determined in the following manner:

1. The bank currently holding the investment,
  2. The bank with the most available collateral,
  3. The Treasurer's discretion.
4. Deposits in an approved depository shall not exceed 75% of the capital stock and surplus of such bank, per Illinois Compiled Statutes.

## **Reporting**

The DeKalb County Treasurer shall prepare a monthly cash and investment report, which shall be submitted to the DeKalb County Board.

### 1. ***Performance Measures***

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A performance benchmark that may be used is the average monthly interest yield of at least five DeKalb County Bank's NOW accounts.

### 2. ***Marking to Market***

The market value of the portfolio shall be calculated at least quarterly.

## **Policy Considerations**

1. The DeKalb County Treasurer shall review this policy on an annual basis. The Treasurer will also request a review of this policy by an independent audit firm annually. Any changes must be approved by the DeKalb County Treasurer.
2. This policy will be available to the public at the DeKalb County Treasurer's office.

## **Attachments**

The following document(s) are attached to this policy:

- \* Listing of authorized broker/dealers and financial institutions.

## **Adoption**

This investment policy, or a similar one, has been in effect since March 17, 1994.