

ORDINANCE NO. 99-48


AN ORDINANCE AMENDING THE VILLAGE
INVESTMENT POLICY

BE IT ORDAINED BY THE PRESIDENT AND BOARD OF TRUSTEES OF
THE VILLAGE OF CHATHAM, ILLINOIS, AS FOLLOWS:

SECTION 1: The Investment Policy attached hereto marked as
Exhibit "A" supercedes and replaces in total the Investment
Policy established by Ordinance 90-10.

SECTION 2: This Ordinance is effective upon its passage and
approval.

PASSED THIS 28th DAY OF SEPTEMBER, 1999


Linda L. Koester, President
Village of Chatham

ATTEST:


Robert A. Krueger, Village Clerk

AYES: 6 _____

NAYS: 0 _____

ABSENT: 0 _____

PASSED: 9-28-99 _____

APPROVED: _____

VILLAGE OF CHATHAM

INVESTMENT POLICY

SCOPE OF INVESTMENT POLICY

This Investment Policy applies to the investment activities of all funds of the Village of Chatham, except for the Police Pension Fund, which is subject to the order of the Trustees of that fund. All financial assets of other funds, including: the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Special Assessment Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and other funds that may be created from time to time, shall be administered in accordance with the provisions of this policy.

Any monies received for the Police Pension Fund will be administered by the written order of the Trustees of that fund. In the absence of such orders, monies received and/or securities held by the Village of Chatham on behalf of these funds shall be administered in accordance with the provisions of this Policy.

OBJECTIVES OF INVESTMENT POLICY

The purpose of the Investment Policy of the Village of Chatham is to establish cash management and investment guidelines for Village officials responsible for the stewardship of public funds. Specific objectives include:

- Safety of principal is the foremost objective of the Investment Policy of the Village of Chatham. Except for the pension funds, for which short-term market fluctuations are tolerable, each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value.
- The Village shall diversify its investments to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions.
- The Village's investment portfolio shall remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated in any Village fund.
- The investment portfolio of the Village, except for the pension funds, shall be designed with the objective of regularly exceeding the average return of the three month U.S. Treasury Bills. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

- Assets of the pension funds shall be invested in securities which, over the term of the economic cycle, equal or exceed the market-average rates of return for comparable portfolios or categories of assets.
- In managing its investment portfolio, Village officials shall avoid any transaction that might impair public confidence in the Government of the Village of Chatham. 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.

RESPONSIBILITY FOR THE INVESTMENT PROGRAM

Except for the Police Pension Funds, management responsibility for the investment program of the Village of Chatham is hereby delegated to the Treasurer, who shall establish written procedures for the operation of the investment program consistent with this Policy and the Chair of the Administration Committee, who shall review and pass along recommendations of policy and investment to the Board of Trustees of the Village of Chatham for their review and approval. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and procedures established by the Treasurer and approved by the Board of Trustees. The Treasurer shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate officials.

The responsibility for investment activities of the Police Pension Funds rests with the respective Board of Trustees of that fund.

ACCOUNTING

The Village of Chatham maintains its accounting records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions recorded in the various funds of the Village in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board.

FINANCIAL INSTITUTIONS

It shall be the policy of the Village of Chatham to select financial institutions on the following basis:

- Security: The Village will not maintain funds in any financial institution that is not a member of the FDIC or the FSLIC systems. Furthermore, the Village of Chatham will not maintain funds in any financial institution not willing or capable of posting required collateral for funds in excess of the FDIC or FSLIC insurable limits.
- Size: The Village of Chatham will not select as a depository, any financial institution in which the Village funds on deposit will exceed 50% of the institution's capital stock and surplus.

- **Location:** The Village of Chatham will maintain operating and investment accounts in the financial institutions within the Village of Chatham whenever possible, and not precluded by other standards of this Policy. However, the Village may approve qualified depositories regardless of location.
- **Statement of Condition:** The Village of Chatham will obtain for public and managerial inspections current statements of condition for each financial institution named as depository. If, for any reason the information furnished is considered by the Village Treasurer to be insufficient, the Village may request additional data. The refusal of any institution to provide such data upon request may serve as sufficient cause for the withdrawal of Village funds.
- **Services and Fees:** Any financial institution selected by the Village of Chatham shall provide normal banking services, including, but not limited to: checking accounts, wire transfers, purchase and sales of investment securities and safekeeping services. Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Treasurer of the Village on an annual basis. Fees for services shall be substantiated by an account analysis and shall be reimbursed by means of compensating balances. The cost of the compensating balances shall not exceed the normal service fees.

INVESTMENT SELECTION

The Village of Chatham may invest in any type of security allowed by law as set out in Act 235. The Public Funds Investment Act in Chapter 30 of the Illinois Compiled Statutes. A summary of allowable securities follows:

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America.
- Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation(FDIC).
- Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of security legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States and only in those savings and loan associations insured by Federal Savings and Loan Insurance Corporation (FSLIC)
- The Illinois Funds, an investment pool administered by the State of Illinois Treasurer's Office.

The Village will specifically avoid any purchase of financial forwards or futures or any leveraged investments, lending securities or reverse repurchase agreements. Repurchase agreements will only be purchased if specific securities are under the control of the Village of Chatham.

DIVERSIFICATION AND MATURITIES

In order to reduce risk of default, the investment portfolio of the Village shall not exceed the following diversification limits:

- No financial institution shall hold more than \$100,000 of the Village of Chatham's investment portfolio, exclusive of the following: investments in U.S. Treasury securities held in safekeeping, investments in the Illinois Funds Investment Pool administered by the Treasurer of the State of Illinois and investments at a financial institution in which the deposits in excess of \$100,000 are secured by collateral.

Maturities of investments of the various funds of the Village shall be determined to enable the Village to have available sufficient cash for all operating purposes. Investment maturities in the General Fund and Special Revenue Funds shall be limited to a maximum maturity of fifteen months from the date of purchase. Investments in other funds may be purchased with maturities to match future project or payment requirements. However, any investment purchased with a maturity longer than two years must be supported by written documentation explaining the reason for the purchase and must be specifically pre-authorized by the Chair of the Administration Committee and the Village President.

Notwithstanding the provisions of the above paragraph, no investment in any fund shall have a maturity date greater than the period allowed by the Illinois Compiled Statutes, by Village Ordinance or other standards of this policy.

COLLATERAL

It is the policy of the Village of Chatham to require that funds on deposit in excess of the FDIC or FSLIC limits be secured by some form of collateral. The Village will accept any of the following assets as collateral:

U.S. Government Securities

Obligations of Federal Agencies

Obligations of Federal Instrumentality's

Obligations of the State of Illinois

Obligations of the Village of Chatham

General Obligation Municipal Bonds rated "A" or better

Any other collateral identified in the Illinois Compiled Statutes as acceptable for use by the Treasurer of the State of Illinois

INDEMNIFICATION

The standard of prudence to be used by investment officials of the Village of Chatham shall be the "prudent person" standard which states:

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

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. 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. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village of Chatham.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the Village's overall portfolio. Investment Officers of the Village of Chatham acting in accordance with this Investment Policy and written procedures as may be established and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments. In addition, the standards established by Resolution will be reviewed by a Financial Advisory Committee and recommendations will be made to the Village Board of Trustees and the Treasurer. The Financial Advisory Committee will consist of not less than five (5) and no more than seven (7) members, the respective members of which are qualified in financial affairs.

AMENDMENT

This policy shall be reviewed from time to time and any changes shall be presented to the Village of Chatham Board of Trustees for their approval.

ADOPTION

Adopted by the Village Board by ^{Ordinance} Resolution No. ____ - ____, this ____ day of _____, 1999.

ORDINANCE NO. 99-45

AN ORDINANCE AMMENDING ORDINANCE 98-29
"AN ORDINANCE REESTABLISHING AN INVESTMENT POICY ADVISORY
BOARD"

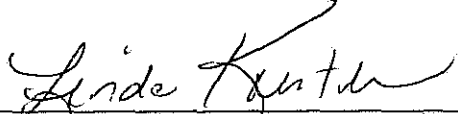
BE IT ORDAINED BY THE PRESIDENT AND BOARD OF TRUSTEES OF
THE VILLAGE OF CHATHAM, ILLINOIS, AS FOLLOWS:

SECTION 1: Ammend Section 2 as follows:

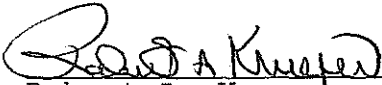
SECTION 2: The Investment Policy is charged with the
advising the Village Board as to whether the Village of Chatham
Investment Policy, which was adopted on March 13, 1990 pursuant
to Ordinance 90-10, should be revised, and if so, to develop a
specific proposed revisions. The Board shall be advisory only,
and shall not have the power to establish or modify policies,
enter into contracts, schedule events or spend public funds. *The
Board shall periodically review, a minimum of annually, the
Village investment activities to ensure compliance with policy.*

SECTION 2: This Ordinance is effective upon its passage and
approval.

PASSED THIS 28th DAY OF SEPTEMBER, 1999


Linda L. Koester, President
Village of Chatham

ATTEST:


Robert A. Krueger, Village Clerk

AYES: 6
NAYS: 0
ABSENT: 0

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APPROVED: 9-28-99

VILLAGE OF CHATHAM

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- Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation (FDIC).
- Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of security legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States and only in those savings and loan associations insured by Federal Savings and Loan Insurance Corporation (FSLIC)
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Maturities of investments of the various funds of the Village shall be determined to enable the Village to have available sufficient cash for all operating purposes. Investment maturities in the General Fund and Special Revenue Funds shall be limited to a maximum maturity of fifteen months from the date of purchase. Investments in other funds may be purchased with maturities to match future project or payment requirements. However, any investment purchased with a maturity longer than two years must be supported by written documentation explaining the reason for the purchase and must be specifically pre-authorized by the Chair of the Administration Committee and the Village President.

Notwithstanding the provisions of the above paragraph, no investment in any fund shall have a maturity date greater than the period allowed by the Illinois Compiled Statutes, by Village Ordinance or other standards of this policy.

COLLATERAL

It is the policy of the Village of Chatham to require that funds on deposit in excess of the FDIC or FSLIC limits be secured by some form of collateral. The Village will accept any of the following assets as collateral:

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Obligations of the State of Illinois

Obligations of the Village of Chatham

General Obligation Municipal Bonds rated "A" or better

Any other collateral identified in the Illinois Compiled Statutes as acceptable for use by the Treasurer of the State of Illinois

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed quarterly and additional collateral will be requested when the ratio declines below the level required. Pledged collateral will be held by the Village of Chatham or in safekeeping and evidenced by a safekeeping agreement. If collateral is held in safekeeping, it may be held by a third party or by an escrow agent of the pledging institution. Collateral agreements will preclude the release of the pledged assets without the authorized signature of the Treasurer of the Village of Chatham, but they will allow for an exchange of collateral of like value.

INTERNAL CONTROLS

The Treasurer shall establish a system of internal controls which shall be documented in writing and shall be cost beneficial to the Village of Chatham. The internal controls should be reviewed by an independent certified public accountant in conjunction with the annual examination of the financial statements of the Village. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Village of Chatham.

One of the required elements of the system of internal controls shall be the timely reconciliation of all Village bank accounts. Bank reconciliations shall be performed on a monthly basis and shall be completed no later than thirty (30) days after the end of the monthly cycle.

REPORTING

The Treasurer shall submit a quarterly investment report that provides the following information:

- Market Value as of report date.
- Book Value
- Principal and type of investments by Funds
- Earnings for the Quarter and Year to Date
- Annualized Yield

The Annual Financial Report of the Village of Chatham shall include a list of all investments by fund and the interest rate of each investment. Additionally a summary report of investments maintained in each financial institution will be included. For reporting purposes, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

From time to time the Treasurer shall suggest policies and improvements that might be made in the investment program.

INDEMNIFICATION

The standard of prudence to be used by investment officials of the Village of Chatham shall be the "prudent person" standard which states:

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

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. 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. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village of Chatham.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the Village's overall portfolio. Investment Officers of the Village of Chatham acting in accordance with this Investment Policy and written procedures as may be established and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments. In addition, the standards established by Resolution will be reviewed by a Financial Advisory Committee and recommendations will be made to the Village Board of Trustees and the Treasurer. The Financial Advisory Committee will consist of not less than five (5) and no more than seven (7) members, the respective members of which are qualified in financial affairs.

AMENDMENT

This policy shall be reviewed from time to time and any changes shall be presented to the Village of Chatham Board of Trustees for their approval.

ADOPTION

Adopted by the Village Board by ^{Ordinance} Resolution No. 99-45 this 28 day of September, 1999.