

OPERATIONAL SERVICES

REVENUE AND INVESTMENTS - INVESTMENTS

Money which is not required for current operations should be invested in accordance with this policy and State law. The Chief Business Official shall serve as the District's Chief Investment Officer. Investments shall be made by the Chief Investment Officer under the supervision of the Superintendent.

The Chief Investment Officer and Superintendent shall use the standard of prudence when making investment decisions. They shall use the judgement and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculations, but for investment, considering the safety of their capital as well as its probable income.

Investment Objectives

The School District's investment activities shall be governed by the following specific objectives:

1. Safety of Principal - Every District investment will be made with safety as the primary and over-riding concern. Each investment transaction shall ensure that the loss of capital, whether from credit or market risk, is avoided.
2. Liquidity - Maturity and marketability aspects of District investments should tie in directly with the anticipated cash flow needs of the District.
3. Rate of Return - A secondary objective should be to seek the highest returns on District investments consistent with preservation of principal and prudent investment principles.
4. Diversification - The investment portfolio is diversified as to materials and investments, as appropriate to the nature, purpose, and amount of the funds.
5. Public Trust - The Board and District officials should avoid any investment transaction or practice which in appearance or fact might impair public confidence in the Board's stewardship of public funds.
6. Local Issues - The Board shall invest in local financial institutions when it is practical and advantageous to do so.

Authorized Investments

The Chief Investment Officer may invest District funds in one or more of the following:

1. 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.

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2. Bonds, notes, debentures or other similar obligations of the United States of America or its agencies, and its instrumentalities. The term "Agencies" includes:
 - a) Federal land banks, federal intermediate credit banks, banks for cooperatives, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and acts amendatory thereto;
 - b) Federal home loan banks and the Federal Home Loan Mortgage Corporation; and
 - c) Any other agency created by an Act of Congress.
3. 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.
4. Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 provided that:
 - a) Such obligations are rated at the time of purchase at one of the three highest grades established by at least two standard rating services and which mature no later than three years from the date of purchase;
 - b) Such purchases do not exceed 10% of the corporation's outstanding obligations; and
 - c) No more than one-third of the District's funds may be invested in short-term obligations of corporations.
5. 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 above and to agreements to repurchase such obligations.
6. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, school district, the State of Illinois, any other state, or any political subdivision or agency of the State of Illinois or any other state, whether the interest earned is taxable or tax-exempt under federal law. The bonds shall be:
 - a) Registered in the name of the municipality, county, or other governmental unit, or held under a custodial agreement at a bank, and

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- b) Rated at the time of purchase within the four highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.
- 7. 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 that 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 judgement of the Chief Investment Officer, the public funds so invested will be required for expenditure by the District or its governing authority.
- 8. 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 principle 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.
- 9. A Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. The District may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary or 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.
- 10. The Illinois School District Liquid Asset Fund Plus.
- 11. 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 there under. The government securities, unless registered or inscribed in the name of the District, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

Except for repurchase agreements of government securities that are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, the District may not purchase or invest in instruments that constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of the District unless the instrument and the transaction meet all of the following requirements:

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- a) The securities, unless registered or inscribed in the name of the District, are purchased through banks or trust companies authorized to do business in the State of Illinois.
- b) The Chief Investment 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 that acts for the District in connection with repurchase agreements involving the investment of funds by the District. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements.
- c) 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 District on the records of the custodial bank and the transaction must be confirmed in writing to the District by the custodial bank.
- d) Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to be registered primary reporting dealers.
- e) The security interest must be perfected.
- f) The District enters into a written master repurchase agreement that outlines the basic responsibilities and liabilities of both buyer and seller.
- g) Agreements shall be for periods of 330 days or less.
- h) The Chief investment Officer informs the custodial bank in writing of the maturity details of the repurchase agreement.
- i) The custodial bank must take delivery of and maintain the securities in its custody for the account of the District and confirm that transaction in writing to the District. The custodial undertaking shall provide that the custodian takes possession of the securities exclusively for the District; that the securities are free of any claims against the trading partner; and that any claims by the custodian are subordinate to the District’s claims to rights to those securities.
- j) The obligations purchased by the District 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 Chief Investment Officer.
- k) The custodial bank shall be liable to the District for any monetary loss suffered by the District due to the failure of the custodial bank to take and maintain possession of such securities.

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12. Any investment as authorized by the People Funds Investment Act, and acts amendatory thereto, Paragraph 11 supersedes paragraphs 1-10 and controls in the event of conflict.

Except as provided herein, investments may be made only in banks, savings banks, savings and loan associations, or credit unions that are insured by the Federal Deposit Insurance Corporation or other approved share insurer.

The Chief Investment Officer and Superintendent shall regularly consider material, relevant, and decision-useful sustainability factors in evaluating investment decisions, within the bounds of financial and fiduciary prudence. Such factors include, but are not limited to: (1) corporate governance and leadership factors, (2) environmental factors, (3) social capital factors, (4) human capital factors, and (5) business model and innovation factors, as provided under the Ill. Sustainable Investing Act, 30 ILCS 238/.

Selection of Depositories, Investment Managers, Dealers, and Brokers

The Chief Investment Officer shall establish a list of authorized depositories, investment managers, dealers and brokers based upon the creditworthiness, reputation, minimum capital requirements, qualifications under State law, as well as a long history of dealing with public fund entities. The Board should review and approve the list at least annually.

In order to be an authorized depository, each institution must submit copies of the last two sworn statements of resources and liabilities or reports of examination that the institution is required to furnish to the appropriate State or federal agency. Each institution designated as a depository shall, while acting as such depository, furnish the District with a copy of all statements or resources and liabilities or all reports of examination that it is required to furnish to the appropriate State or federal agency.

The above eligibility requirements of a bank to receive or hold public deposits do not apply to investments in an interest-bearing savings account, interest-bearing certificate of deposit, or interest-bearing time deposit if: (1) the District initiates the investment at or through a bank located in Illinois, and (2) the invested public funds are at all times fully insured by an agency or instrumentality of the federal government.

The District may consider a financial institution's record and current level of financial commitment to its local community when deciding whether to deposit funds in that financial institution. The District may consider factors including:

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;

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- 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 District deposits might have on the financial institution;
- 4. The financial impact to the District 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 District’s resources that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

Qualifications

No bank or savings and loan shall be designated a depository for or otherwise hold District funds unless it has furnished the Board with such information or documentation as may be required by state or federal law.

Collateral Requirements

All amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized by securities eligible for District investment or any other high-quality interest-bearing security rated at least AA by one or more reputable agencies including Standard & Poor’s, Moody’s, or Fitch. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. None of the securities pledged shall mature prior to the maturity of the corresponding deposit. Reductions in principal of the collateral through periodic amortization is acceptable provided the remaining collateral equals or exceeds minimum acceptable levels. Acceptable securities include U.S. Treasury and Agency bills, notes and bonds, mortgage backed pass-throughs, CMO non-support tranches, corporate and municipal bonds. Collateral will be held by a third party, such as the Federal Reserve Bank or a reputable bank other than the depository for the benefit of the District, pursuant to a fully executed custodial or escrow agreement, provided that such agreement be in writing, approved by the Board of Directors of the depository institution or its loan committee, which approval shall be recorded in the minutes of the Board or committee, and which has been, continuously, from the time of its execution, an official record of the depository. Verbal confirmation or written evidence of collateral on deposit with the third party shall be provided prior to investment by the District. Release of collateral or its proceeds will be permitted only on verbal or written authorization of the District.

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Safekeeping and Custody Arrangements

The preferred method for safekeeping is to have securities registered in the District's name and held by a third-party custodian. Safekeeping practices should qualify for the Governmental Accounting Standards Board Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Category I, the highest recognized safekeeping procedures.

Controls and Investment Portfolio Reporting Requirements

The Chief Investment Officer shall establish a system of internal controls and written operational procedures to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent employee action.

At such time as may be requested by the Board, the Superintendent and/or Treasurer shall make a formal report to the Board. That report should: (1) assess whether the investment portfolio is meeting the District's investment objectives, (2) identify each security by class or type, book value, income earned, and market value, (3) identify those institutions providing investment services to the District, and (4) include any other relevant information. The investment portfolio's performance shall be measured by appropriate and creditable industry standards for the investment type. Detailed reports may be made more often to the Finance Committee.

Ethics and Conflicts of Interest

The Board and District officials will avoid any investment transaction or practice that in appearance or fact might impair public confidence. Board members are bound by the Board policy 240 *Board Member Conflict of Interest*. No District employee having influence on the District's investment decisions shall:

1. Have any interest, directly or indirectly, in any investments in which the District is authorized to invest,
2. Have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments, or
3. Receive, in any manner, compensation of any kind from any investments in that the agency is authorized to invest.

Investment Policy Review

The District may undertake a review of the investment policy and procedures drawing on resources available in the District.

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LEGAL REF.: 30 ILCS 235/, Public Funds Investment Act,
 30 ILCS 238/, Ill. Sustainable Investing Act
 105 ILCS 5/8-7, 5/10-22.44, 5/17-1, and 5/17-11

CROSS REF.: 240, 401, 420.01

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