Investment Policy

Policy

It is the policy of Aurora Public Library District (the Library) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds.

Scope

This investment policy applies to the investment activities of all funds of the Library. The Public Funds Investment Act (30 ILCS 235) will take precedence except where the policy of the Library is more restrictive, in which case this policy will take precedence.

Public funds mean current operating funds, special funds, interest and sinking funds, and funds of any kind in the custody of the Library.

Prudence

The standard of prudence to be used by the investment officials 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” and shall be applied in the context of managing an overall portfolio.

Investment officials of the Library, acting in accordance with 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.

Investment Objectives

The primary investment objectives, in order of priority, shall be:

- Legality: The investment activities of the Library will conform with federal, state and local legal requirements.
- Safety: The preservation of capital in individual investments and the overall portfolio shall be the primary concern of the investment officials in selecting depositories or investments. The objective will be to mitigate credit risk, interest rate risk and custodial risk.
- Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated.
- Return on Investment: The investment officials shall seek to obtain a market average or better rate of return throughout budgetary and economic cycles, taking into account investment risk constraints, liquidity needs, and legal restrictions on investments.

Sustainability Goals

The Library shall consider the prudent integration of material, relevant, and decision-useful sustainability factors into its investment decision-making, investment analysis, portfolio construction, due diligence and investment ownership in the execution of the Library's investment goals to fulfill its fiduciary duty, to maximize anticipated financial returns and to minimize projected risk. These factors include but are not limited to:

- Corporate governance and leadership factors
- Environmental factors
- Social capital factors
- Human capital
- Business model and innovation factors

Sustainability analysis will include additional reviews of investment accounts, funds or Portfolio Company's performance with respect to material factors likely to impact its long-term value. The analysis will also consider other relevant factors such as financial, legal and regulatory risks that contribute to an optimal risk management framework and are necessary to create long-term investment value.

Delegation of Authority

Management and administrative responsibility for the investment program is hereby delegated to the Library's Executive Director, or designee, who shall be responsible for all transactions undertaken under the direction of the Library Board of Trustees.

The Executive Director or designee is responsible for establishing written procedures for the operation of the investment program, including reference to safekeeping, wire transfers, banking service contracts and collateral/depository agreements.

Conflicts of Interest

Library board members, officers and employees involved in the investment process may not 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, and 3) receive, in any manner, compensation of any kind from any investments in which the Library is authorized to invest.

Collateralization

Funds on deposit in checking accounts, money market accounts and certificates of deposit in excess of FDIC insurance limits must be secured by some form of collateral, witnessed by a written agreement and held in the name of the Library at an independent/third party ("custodial") institution.

The Library will accept any of the following assets as collateral:

- United States of America securities
- Obligations of agencies or instrumentalities of the United States of America
- Obligations of the State of Illinois
- General obligation municipal bonds rated "A" or better by a nationally recognized rating service
- Insurance policies issued by insurance companies rated "A" or better by a nationally recognized rating service
- A Federal Home Loan Bank irrevocable Letter of Credit

The amount of collateral provided will not be less than one hundred and three percent (103%) of the fair value of the total amount of public funds in excess of FDIC insurance that is being secured. The ratio of the fair value of the collateral to the amount of funds being secured will be reviewed at least monthly.

Safekeeping and Custody

All investment securities purchased by the Library will be held by an independent third-party custodian designated by the Director of Finance and evidenced by safekeeping receipts and a written custodial agreement.

Maximum Maturities

To the extent possible, the Library shall attempt to structure the maturities of its investments so that it can meet, when due, its anticipated cash flow requirements. For securities purchases made after the adoption date of this investment policy, maturities are generally not to exceed the following, measured from the settlement date:

Operating Reserve: Maximum maturity not to exceed two years.

Special Reserve: Maximum maturity not to exceed five years.

Debt Service Reserve: Maximum maturity not to exceed the last day of each calendar year when the debt obligation is to be made in January of the following calendar year.

Diversification

The Library shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by investment type, number of institutions invested in, and or length of maturity.

Security	Maximum % of Portfolio
U.S. Treasury Obligations (Full Faith and Credit)	100%
U.S. Agency Obligations	90%
Money Market Mutual Funds	75%
Bank Certificates of Deposit	75%
Illinois Funds Money Market	50%
Illinois Metropolitan Investment Fund	50%
State and Local Government Bonds	10%

Internal Control

The Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Library are protected from loss, theft or misuse. The internal control structure should be designed to provide reasonable, not absolute, assurance that these objectives are met.

- Performance Standards: The Library’s investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a competitive rate of return during a market/economic environment of stable interest rates. Investment performance should be evaluated in comparison to a benchmark of similar maturity, liquidity and credit quality.
- Reporting: The Director of Finance shall prepare and distribute an investment report each month to the Library Board of Trustees. The report shall contain a listing of all securities held by the Library, by purpose or reserve, including the settlement date, maturity date, yield to maturity, par value, original cost and current market value. The report shall also provide the average weighted maturity and average weighted yield of the portfolio, by purpose or reserve.
- Investment Policy Adoption: The investment policy shall be adopted by a resolution of the Library Board of Trustees. The policy shall be reviewed by the

Director of Finance on an annual basis, with any recommendations for change being brought to the Library Board of Trustees.

Authorized Investment Advisors, Managers, Brokers/Dealers and Financial Institutions

Investment officials shall only utilize the service of investment advisors, managers, broker/dealers and financial institutions approved by the Library Board of Trustees.

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

- Security: The Library will not maintain funds in any financial institution that is not covered by the Federal Deposit Insurance Corporation (FDIC) or SIPC.
- Size: The Library will not select as a depository any financial institution in which the Library's funds on deposit exceed 10% of the institution's stated capital stock and surplus.
- Statement of Condition: The Library will maintain for inspection the last two sworn statements of resources and liabilities which the institution is required to file with the commissioner of banks or the comptroller of the currency.
- Service and Fees: Fees for banking services shall be mutually agreed to by the depository bank and the Library. Whenever possible, the Library will cover fees for services by means of compensated balances.

Authorized Investments

Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. The Library may invest in any of the following types of securities:

- 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.
- Bonds, notes, debentures, or similar obligations, of the United States of America, its agencies, and its instrumentalities.
- 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.
- Money market mutual funds registered under the Investment Company Act of 1940.
- Interest-bearing bonds of any county, township, city, village incorporated town, municipal corporation, or school district, of the State of Illinois provided that at the time of purchase the bonds are rated within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

- Illinois Funds, the investment pool administered by the Illinois State Treasurer.
- Illinois Metropolitan Investment Fund.
- Fully FDIC insurance certificates of deposit issued by banks and savings associations through reciprocal transactions of the certificates of deposit registry service (“CDARS”), provided that (a) the funds are placed through a bank or savings association designated an authorized depository by the Library Board; and (b) all other requirements of this policy have been satisfied.

Investments shall be made to reflect the cash flow needs of the fund for which investments are being made.

The Library has chosen to further restrict its investment policy by prohibiting direct investment in the following: obligations of corporations, repurchase agreements, reverse repurchase agreements or securities lending.

Approved by the Aurora Public Library District Board of Library Trustees, February 24, 2021.