

PAMPHLET PUBLICATION  
ORDINANCE NO. 22-13

AN ORDINANCE repealing Resolution 99B and establishing an investment policy for the City of Sullivan, Illinois

PRESENTED: May 23, 2021

PASSED: May 23, 2021

APPROVED: \_\_\_\_\_, 2021

RECORDED:\* \_\_\_\_\_, 2021

PUBLISHED:\* May 24, 2021

The undersigned being the duly qualified and acting City Clerk of the City of Sullivan, Illinois, does hereby certify that this document constitutes the publication in pamphlet form, in connection with and pursuant to Section 1-2-4 of the Illinois Municipal Code, of the above-captioned ordinance and that such ordinance was presented, passed, approved, recorded and published as above stated.

Carrie Creek, CMC

Carrie Creek, City Clerk, CMC

**ORDINANCE NO. 22-13**

**AN ORDINANCE repealing Resolution 99B and establishing an investment policy for the City of Sullivan, Illinois**

**WHEREAS**, the City of Sullivan, Moultrie County, Illinois, is a duly established and functioning municipal corporation; and

**WHEREAS**, on April 12, 1999, the City of Sullivan passed Resolution 99B establishing an investment policy for the City of Sullivan; and

**WHEREAS**, the City of Sullivan deems it appropriate to amend its investment policy to clarify its investment policy and to protect the assets of the City of Sullivan and to obtain a return on investment for those assets;

**BE IT ORDAINED** by the Mayor and City Council of the City of Sullivan, Moultrie County, Illinois, that:

**Section 1:** That Resolution 99B of the City of Sullivan is repealed and that the investment policy for the City of Sullivan shall read as stated on the attached "Exhibit A."

**Section 2:** That the language in Exhibit A shall appear in the municipal code of ordinances of the City of Sullivan in Chapter 1, Article IV – Financial.

**Section 3:** That except as detailed above, all other Resolutions and Ordinances of the City of Sullivan shall retain their current language and remain in full force and effect.

**Section 4:** That the City Clerk of the City of Sullivan, Illinois be and is directed hereby to publish this Ordinance in pamphlet form, pursuant to the Statutes of the State of Illinois, made and provided.

**Section 5:** That should any part of this Ordinance be declared invalid by a court of competent jurisdiction, such declaration shall not affect the validity of the remaining portions of this Ordinance.

**Section 6:** That this Ordinance shall be in full force and effect immediately after its passage, approval, and publication in pamphlet form.

PASSED this 23<sup>rd</sup> day of May, 2022, by the City Council of the City of Sullivan, Moultrie County, Illinois, and deposited and filed in the office of the City Clerk of said City on that date.

	AYE	NAY	ABSTAIN	ABSENT	CONFLICT
Glazebrook	✓				
Sherwood	✓				
Fowler	✓				
Woodworth	✓				
Booker	✓				

Carrie Creek  
Carrie Creek, City Clerk, CMC

Signed by the Mayor of the City of Sullivan, Moultrie County, Illinois, this 23<sup>rd</sup> day of May, 2022.

Richard N. Glazebrook  
Richard Glazebrook, Mayor

**CERTIFICATE**

STATE OF ILLINOIS                    )  
  ) SS  
COUNTY OF MOULTRIE                )

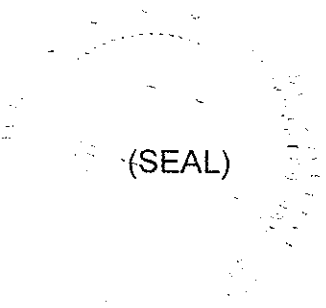
I, Carrie Creek, certify that I am the duly appointed and acting City Clerk of the City of Sullivan, Moultrie County, Illinois.

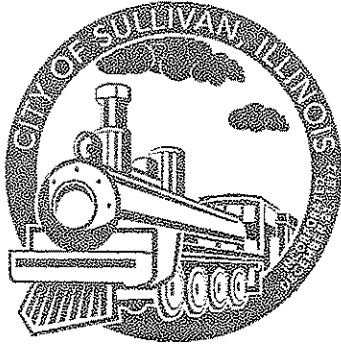
I further certify that on May 23, 2022, the Corporate Authorities of this municipality passed and approved Ordinance No. 22-13, entitled AN ORDINANCE REPEALING RESOLUTION 99B AND ESTABLISHING AN INVESTMENT POLICY FOR THE CITY OF SULLIVAN, ILLINOIS, which provided by its terms that it should be published in pamphlet form.

The pamphlet form of Ordinance No. 22-13, including the Ordinance and a cover sheet thereof, was prepared, and a copy of such Ordinance was posted in the City Building, commencing on May 24, 2022, and continuing for at least ten days thereafter. Copies of such Ordinance were also available for public inspection upon request in the office of the City Clerk.

Dated at Sullivan, Moultrie County, Illinois, this 24<sup>th</sup> day of May, 2022.

Carrie Creek  
Carrie Creek, City Clerk, CMC





# City of Sullivan, IL

2 W. Harrison Street • Sullivan, Illinois 61591  
Phone: (217) 728-4383 • Fax: (217) 728-8717  
[www.sullivanil.us](http://www.sullivanil.us)

## INVESTMENT POLICY

May 23, 2022

### 1.0 Policy:

It is the policy of the City of Sullivan, Illinois 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 City and conforming to all Illinois statutes governing the investment of public funds.

### 2.0 Scope:

This investment policy applies to all financial assets and investment activities of the City of Sullivan, Illinois. All financial assets of any funds under the control of the City, shall be administered in accordance with the provisions of this policy, unless specifically exempted by the City Council. Funds received from the Last Will & Testament of Ms. Titus-Sintel shall be subject to provisions of this policy separate from those that apply to operating funds and other reserve funds. Provisions for each are itemized separately within each subsection.

Except for cash in certain restricted and special funds, the City of Sullivan will consolidate and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on the respective participation and in accordance with generally accepted accounting principles.

### 3.0 Prudence:

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.

The standard of prudence to be used by investment officials shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the 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 appropriate action is taken to control adverse developments.

#### **4.0 Objective:**

The primary objectives, in priority order, of the City’s investment activities shall be:

**4.1 Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of Sullivan, Illinois shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City of Sullivan will mitigate credit risk and interest rate risk by the following:

##### **(a). Credit Risk:**

The City of Sullivan will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investment to the types of securities listed in Section 8.0 of this Investment Policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and adviser with which the City of Sullivan will do business in accordance with Section 7.0
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized (see Section 12.0).

##### **(b). Interest Rate Risk:**

The City of Sullivan will minimize interest rate risk, which is the risk that the market values of securities in the portfolio fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with Section 13.0 of this policy

**4.2 Liquidity:** The City of Sullivan's investment portfolio will remain sufficiently liquid to enable the City of Sullivan to meet all operating requirements which might be reasonably anticipated. A portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.

**4.3 Return on Investments:** The City of Sullivan's investment portfolio shall be designed with the objective of attaining a benchmark rate of return as noted in Section 15.0 throughout budgetary and economic cycles, commensurate with the City of Sullivan's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield or target duration of the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

#### **5.0 Delegation of Authority:**

Authority to manage the City of Sullivan's investment program is derived from the ordinances of the City of Sullivan, Illinois and the statutes of the State of Illinois. Unless otherwise specifically stated in the ordinances of the City of Sullivan, Illinois or the statutes of the State of Illinois, management responsibility for the investment program is hereby delegated to the Commissioner of the Department of Accounts and Finances and the City Treasurer as detailed in City of Sullivan, Illinois ordinance 1-2-16 who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures.

#### **5.1 Investment Procedures:**

The Treasurer for the City of Illinois shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, delivery vs. payment, investment accounting, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. 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 the procedures established by the Treasurer.

## **6.0 Ethics and Conflicts of Interest:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Commissioner of the Department of Accounts and Finances, the Mayor, and Treasurer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Sullivan, Illinois.

## **7.0 Authorized Financial Dealers and Institutions:**

The Treasurer will maintain a list of financial institutions authorized to provide investment services. Financial institutions may include depositories, investment advisors, broker/dealers, and local government investment pools as authorized by this Policy. No public deposit shall be made except in a qualified public depository as established by state statutes. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with certification of having read and understood this Policy, agree to comply with this Policy, and ensure all investments proposed for purchase will conform to this Policy and applicable State statutes. Selection of financial institutions authorized to engage in transactions with the City shall be at the sole discretion of the City. Financial institutions will be selected based on financial condition, proper registration, level of service, experience with Illinois municipalities, and competitive pricing.

All financial institutions who desire to become designated depositories shall be insured by the Federal Deposit Insurance Corporation (FDIC). All broker/dealers shall be insured by the Securities Investor Protection Corporation (SIPC). Any financial institution who desires to become a designated depository or designated broker/dealer must supply the following (as appropriate):

- audited financial statements demonstrating compliance with state and federal adequacy guidelines
- proof of National Association of Security Dealers certification
- trading resolution
- proof of State of Illinois registration
- completed broker/dealer questionnaire
- certification of having read City's investment policy



All investment advisors shall be registered under the Investment Advisors Act of 1940. All financial institutions who desire to become designated investment advisors must supply the following (as appropriate):

- audited financial statements demonstrating compliance with state and federal adequacy guidelines
- Securities and Exchange Commission (SEC) Form ADV – Parts 1 and 2
- Proof of State of Illinois registration
- Certification of having read the City's investment policy

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City of Sullivan, Illinois invests.

Every attempt will be made to invest City funds locally provided local institutions are price competitive with respect to rates or return on comparable investment products.

#### **8.0 Authorized & Suitable Investments:**

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle.

The City may invest in any type of security allowed for in Illinois Statutes, including, but not limited to the Public Funds Investment Act (30 ILCS 235/), regarding the investment of public funds. Approved investments include, but are not necessarily limited to:

1. Bonds, notes, certificates of indebtedness, treasury bills, or other securities, including obligations of the Government National Mortgage Association which are guaranteed as to principal by the full faith and credit of the government of the United States of America.
2. Interest bearing savings accounts, interest bearing certificates of deposit or interest-bearing time deposits or any other investment constituting direct obligations of any institution as defined by the Illinois Banking Act that is insured by the Federal Deposit Insurance Corporation
3. Illinois Public Treasurer's Investment Pool, the Illinois Funds, Prime Fund and Money Market Fund
4. Illinois Metropolitan Investment Fund, including the 1-3 Year Fund and Convenience Fund
5. IntraFi Network Deposits as offered by approved financial institutions

**Titus Fund Investments:** In addition to the above list of approved investments, designated Titus Fund investments be placed in the following:

1. Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,00 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days for the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than 25% of the City's Titus Funds may be invested in short-term obligations of corporations;
2. Short-term discount obligations of the Federal National Mortgage Association (FNMA) or I shares of other forms of securities or other allowable investments legally issued by 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 online in those savings and loan associations of which the shares or investment certificates are insured by the Federal Deposit Insurance Corporations (FDIC).
3. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state. The bonds shall be registered in the name of the municipality or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions

#### **8.1 Master Repurchase Agreement:**

If repurchase agreements are legal and authorized by policy, a Master Repurchase Agreement must be signed with the bank or dealer.

#### **9.0 Investment Pools/Funds:**

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

#### **10.0 Collateralization:**

The City shall require that all funds on deposit in banks in excess of FDIC limits are secured by some form of collateral. Direct investments guaranteed by the United States or an agency of the United States do not require collateral.

The City shall enter into a collateral agreement with any financial institution in which public funds are invested or deposited. This agreement shall be a three-party agreement between the City, the bank depository and the designated Custodian of the Securities; this agreement shall outline the types of assets that may be pledged as collateral, the amount of collateral required and the placement procedures. The governing board of the financial institution, acting as depository, must further pass a resolution authorizing the officers of the institution to pledge securities as required by this policy. The City Treasurer must maintain a copy of this resolution in safekeeping and available for inspection.

The City shall accept any of the following securities as collateral:

1. Negotiable obligations of the United States Government.
2. Negotiable obligations of any agency or instrumentality of the United States Government guaranteed by the full faith and credit of the United States Government.

The amount of collateral provided will not be less than 103% 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 monthly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held by the City or in safekeeping and evidenced by a safekeeping agreement. The collateral agreement will preclude the release of the pledged assets without the authorizing signature of the City Treasurer, but the agreement may allow for an exchange of collateral of like value.

The City may relax the requirements of this Collateralization section in application over the Titus Fund Investments if doing so is in compliance with Illinois statutes, including, but not limited to the Public Funds Investment Act (30 ILCS 235/) so long as there is a specific majority vote by the City Council.

## **11.0 Safekeeping and Custody:**

All security transactions, including collateral for repurchase agreements, entered into by the City of Sullivan, Illinois shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts in the City's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls Statement on Auditing Standards No. 70, or SAS 70).

### **11.1 Internal Controls:**

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Sullivan are protected from loss, theft or misuse. Details on the internal controls system shall be documented in an investment procedure manual and shall be reviewed and updated annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investment and wire transfers
- Dual authorization of wire transfers
- Development of a wire transfer agreement with the lead bank third-party custodian

Accordingly, the Treasurer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures.

## **12.0 Diversification:**

The City of Sullivan, Illinois will diversify its investments by security type and institution in order to reduce portfolio risk and risk of default while attaining benchmark average rate of return on. Investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer
- Investing in securities with varying maturities

- Investing a portion of the Portfolio in readily available funds such as bank cash management accounts, money market funds, Illinois Funds, or IMET Convenience Fund to ensure liquidity is maintained to meet ongoing obligations

With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City of Sullivan's total investment portfolio will be invested in a single security type or and no more than 50% with a single financial institution. The diversification matrix below provides guidance on how investment maximums should be applied to the investments made by the City of Sullivan:

Instrument Description	Security Type Maximum	Issuer Maximum	Maturity Maximum
U.S. Treasuries	100%	100%	5 years
U.S. Agencies & Instrumentalities	100%	25%	5 years
CD's Non-negotiable	50%	15%	3 years
CD's Negotiable	50%	15%	3 years
Commercial Paper	50%	10%	270 days
Municipal Bonds	50%	10%	5 years
Overnight Deposits	50%	50%	1 day
Mutual Funds	50%	10%	3 year avg life

### 13.0 Maximum Maturities:

To the extent possible, the City of Sullivan, Illinois will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Sullivan, Illinois will not directly invest in securities maturing more than **three** years from the date of purchase. However, the City of Sullivan, Illinois may collateralize its repurchase agreements using longer-dated investments not to exceed **five** years to maturity. Reserve funds and those designated as Titus Funds may be invested in securities exceeding **five** years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LGIPs, money market funds, or overnight repurchase agreements to ensure the appropriate liquidity is maintained to meet ongoing obligations.

#### **14.0 Performance Standards:**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. Portfolio performance should be compared to appropriate benchmarks on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and then benchmark shall have similar weighted average as the portfolio.

The City's investment strategy is passive, which means securities are intended to be held to maturity. Given this strategy, the investment portfolio of the City shall be designed with the general objective of regularly exceeding the average return of the 90-day U.S. Treasury Bill. The basis used for Titus Funds investments shall be a market yield that generates a return sufficient to meet expected use of the funds annually.

#### **15.0 Reporting:**

The Treasurer shall provide the Mayor, Commissioners, and City Clerk quarterly investment reports which provide a clear picture of the status of the current investment portfolio. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. Schedules in the quarterly report should include the following:

1. A listing of individual securities held at the end of the reporting period by authorized investment category.
2. Average life and final maturity of all investments listed.
3. Coupon, discount or earnings rate.
4. Par value, Amortized Book Value and Market Value.
5. Percentage of the Portfolio represented by each investment category.

#### **16.0 Investment Policy Adoption:**

The City of Sullivan's investment policy shall be adopted by ordinance of the City of Sullivan's legislative authority. The policy shall be reviewed at least annually by the Commissioner of the Department of Accounts and Finances and any modifications made thereto must be approved by the City Council.