

NORTHERN MORAINÉ WASTEWATER RECLAMATION DISTRICT

RESOLUTION NO. 24-04

A RESOLUTION ADOPTING UPDATED INVESTMENT AND FISCAL OPERATIONS POLICY

WHEREAS, consistent with the Public Funds Investment Act, 30 ILCS 235/0.01 *et seq.*, the District has adopted a written investment and fiscal operations policy ("**Investment Policy**"); and

WHEREAS, the District periodically updates its Investment Policy to ensure conformity with applicable law and better serve the District's financial interest; and

WHEREAS, the District Board of Trustees (the "**District Board**") desires to adopt the updated Investment and Fiscal Operations Policy, attached hereto as **Exhibit A**, and finds that doing so is appropriate and in the best interests of the District; and

NOW, THEREFORE, BE IT RESOLVED by the President and Board of Trustees of the Northern Moraine Wastewater Reclamation District, as follows:

SECTION ONE. Incorporation of Recitals. The foregoing recitals are by this reference incorporated into and made a part of this Resolution as if fully set forth.

SECTION TWO. Approval and Adoption of Updated Investment and Fiscal Operations Policy. The District Board hereby approves the Investment and Fiscal Operations Policy attached hereto as **Exhibit A** and adopts it as the official policy of the District. In doing so, the District Board repeals any prior Investment and Fiscal Operations Policy.

SECTION THREE: **Effective Date.** This Resolution shall be in full force and effect from and after its passage, approval, and publication in the manner provided by law.

PASSED THIS 7th day of October, 2024.

AYES: 5

NAYS: 0

ABSENT: 0

APPROVED THIS 7th day of October, 2024.

ATTEST:


District Clerk




District President

EXHIBIT A

Investment and Fiscal Operations Policy

INVESTMENT AND FISCAL OPERATIONS POLICY

I. Purpose and Construction of the Investment Policy.

1.01 Compliance with Illinois Public Funds Investment Act.

The Northern Moraine Wastewater Reclamation District (“***District***”) has adopted this written investment policy (“***Investment Policy***”) in compliance with Paragraph 2.5 of the Illinois Public Funds Investment Act, codified at 30 ILCS 235/1 et seq., (the “***Act***.”) The purpose of this document is to establish a written investment policy that addresses the safety of principal, liquidity of funds, and return on investment of any investment of the District’s funds.

1.02 Principles and Objectives of Investment Policy

The purpose of the Investment Policy is to establish cash management and investment guidelines for public funds. Specific guiding principles and objectives include:

(a) Safety of principal is of foremost importance of the Investment Policy of the District. Each investment transaction will seek first to ensure the preservation of capital and protection of investment principal in the overall portfolio.

(b) The investment program must serve the operating needs of the District. The District’s investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements, which may be reasonably anticipated in any District fund.

(c) Public confidence in the investment program and practices is essential. In managing its investment portfolio, all investments of the District will conform to federal, state and other legal requirements and thus avoid any transaction that might impair public confidence in the governing body.

(d) 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 investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the 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, and all investments shall be in conformity with applicable law.

1.03 Construction of this Investment Policy.

Given the nature, purpose, and amount of public funds collected, maintained, and expended by the District, this Policy is intended to provide simple requirements and minimal detail. The following principles of language construction shall apply to this Policy unless the context clearly requires otherwise. References to the plural include the singular, and the singular includes the plural. The term “or” means the inclusive disjunction, as represented by the phrase “and/or.” The words “hereof,” “herein,” “hereunder,” and similar terms refer to this Policy as a whole and not to any particular provision of this Policy. Headings and titles are for reference purpose only and shall not control or affect the construction of this Policy. Paragraph and exhibit references are to this Policy unless otherwise specified.

1.04 Certain Definitions.

In addition to the defined terms parenthetically set forth in this Policy, the following words and terms shall have the following meaning unless the context clearly requires otherwise.

(a) "Person" shall mean an individual natural person, corporation, partnership, limited liability company or partnership, trust, unincorporated association, joint venture, joint stock company, governmental entity of any political subdivision thereof, or any other entity.

(b) "District's Funds" shall have the same meaning as set forth for "Public Funds" in the Act.

II. The District's Investment Policy.

2.01 Authorized Investments.

The District's Board of Trustees ("**Board**") is responsible for establishing policies on the investment of any of the District's Funds and authorizing the District Manager and/or the District Clerk to execute those policies. The District may invest in any type of security allowed by Illinois law, notably the Public Funds Investment Act, 30 ILCS 235/0.01 *et seq.* A summary of the authorized investments includes:

1. in 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;

2. in bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;

3. in 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;

4. in short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations, and (iii) no more than one-third of the public agency's funds may be invested in short-term obligations of corporations under this paragraph (4);

5. in obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature more than 270 days but less than 3 years from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations, and (iii) no more than one-third of the public agency's funds may be invested in obligations of corporations under this paragraph (4.5); or

6. in 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) of this subsection and to agreements to repurchase such obligations.

7. 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, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the municipality, park district, forest preserve district, conservation district, county, or other governmental unit, 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.

No financial institution shall receive funds unless it has complied with the requirements established pursuant to Section 6 of the Public Funds Investment Act, 30 ILCS 235/6.

2.02 Standard of Care.

Except as otherwise provided by law, the standard of care to be exercised by the Board in directing the investing of District's Funds is that contained in Article 9 of the Illinois Trust Code, which is commonly referred to as the Prudent Investor Rule; provided, however, that:

(a) the investment portfolio must be structured in such manner as to provide sufficient liquidity to pay obligations as they become due; and

(b) The Board does not have a duty to review the District's assets and implement decisions concerning the retention and disposition of pre-existing investments each year upon a trustee being appointed or re-appointed to the Board.

2.03 Investment Objectives.

The principle guideline to be followed by the Board, based upon the nature, purpose, and amount of the Public Funds the District collects, manages, and controls, is to favor minimizing the risk of the funds over return on investment. However, this investment objective shall not be construed as imposing a duty on the Board to ensure that any investment of the District's Funds is without any risk at all.

2.04 Diversification of Investments.

The District's policy on diversification of the investment portfolio is that diversification is not required, but is left to the discretion of the Board, qualified by the duty of care owed by the Board pursuant hereto.

2.05 Financial Institution Collateral Requirements.

The District shall enter into collateral security agreements or similar instruments with any financial institution wherein District funds on deposit exceed FDIC insured limits. All such agreements shall be reviewed and approved by the Board

2.06 Internal Controls and Operational Procedures.

The District Manager shall establish a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees. Generally, this system and these procedures should continue established practices of having an annual audit conducted by a certified public accountant and providing an opportunity for the Board to review all disbursements (other than payroll or petty cash) before approving such disbursements. Further, this system and these procedures shall contain a prohibition on any District employee or Trustee from authorizing any purchase or executing any contract for an amount exceeding their statutory

authority on behalf of the District without prior Board approval or authorization. Prior authorization shall include Board approval of specific projects or programs identified within the fiscal operating budget or appropriations ordinance.

2.07 Responsible Person for Internal Controls.

The District Manager shall be designated as the Chief Financial Officer and Chief Investment Officer, and, subject to the periodic review and approval of the District's Treasurer, is responsible for establishing internal controls and written procedures for the operation of the investment program.

2.08 Performance Measures.

The District's investment portfolio shall be managed in accordance with the parameters specified within this policy. At a minimum, return on investments of at least equivalent to the amount which the District would have obtained by keeping the District's Funds it has collected but will not need to use to pay obligations expected to come due in the next 3 months, in a simple, interest-bearing savings account. Longer term investment portfolio performance should be compared to benchmarks with similar maturity, liquidity and credit quality as the portfolio. The benchmark shall be the 90 day T-Bill rate or the Illinois Fund rate.

2.09 Annual Review.

Upon request by the District Board, the District Manager shall conduct a review of the District's investment portfolio, its effectiveness in meeting the District's needs for safety, liquidity, rate of return, and diversification, and its general performance.

2.10 Quarterly Report.

At the Board's regular monthly meeting each August, November, February, and May, the District Manager shall provide to the Board a written quarterly report of the District's investment activities, including information about any securities, and such securities' class or type, book value, income earned, and market value.

2.11 Advisors, managers, and institutions.

The District shall favor investing District's Funds in competently managed accounts providing comprehensive banking services or accounts in financial institutions with offices in or near the geographical boundaries of the District. No member of the Board or employee shall accept any gift, property or money from any investment advisor, money manager, or financial institution doing business with the District. Furthermore, no such investment advisor, money manager, or financial institution shall do business with the District if any trustee or employee of the District has a substantial interest in such Person, unless such interest has been fully disclosed prior to retention of the investment advisor, money manager, or financial institution, and the interested employee or trustee has not participated in the decision to enter into such relationship.

2.12 Ethics and conflicts of interest.

The policies and practices contained in the District's Code of Ethics shall be incorporated into and made a part of this Investment Policy. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials shall disclose to the Board any material financial interest in financial

institutions that conduct business with the District, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the District's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the District particularly with regard to the timing of purchases and sales.

2.13 Sustainability.

The District recognizes that material, relevant, and decision-useful sustainability factors have been or are regularly considered by the District, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. 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 Illinois Sustainable Investing Act.

III. Fiscal Operations Policies.

3.01 Revenue policies

(a) The District will attempt to maintain a diversified and stable revenue system. To do this, the District shall:

- 1. Utilize to the greatest extent possible revenues that are stable or grow in tandem with costs of operations.
- 2. Establish user charges and fees directly related to the cost of providing services.
- 3. Review fees and charges annually.

(b) The District shall use cash basis of accounting for budgetary purposes and trend analysis to support projected revenue increases or decreases. The District may use the following trend analyses in projecting revenues:

- 1. District Real Estate development patterns.
- 2. Investment rate of return performance.
- 3. Consumer Price Index.

3.02 Expenditure policies

(a) Expenditures are generally equal to revenues unless specific Board action is being taken to increase or reduce cash balances (i.e. planned capital purchases or projects benefiting the District over several years).

(b) Review staff levels throughout the year and submit formal requests for changes in staffing levels during the budget process.

(c) Fulfill Goals as outlined in the annual budget documents.

1. To provide high quality services at a reasonable cost by comparing the District with similar Districts throughout the budget process. The District regularly compares its expenditures with those of other communities by responding to and distributing specific issue surveys. The information collected is used in preparing the Budget Plan and establishing department goals.

(d) Competitively compensate employees, recognizing that a well-trained and experienced work force is a vital component of providing high quality services at a reasonable cost.

(e) Apply cost accounting practices to provide better accountability of District expenditures and their association with funding sources.

3.03 The Fund Balance and Reserve Policy

(a) Target and maintain an appropriate balance for each fund.

1. Changes in Fund Balance as presented in the Fiscal Year Budget indicate that District funds are in a targeted range.

(b) Annually prepare a budget forecast in an attempt to identify strengths and weaknesses in the use of fund balances in future years.

3.04 Reserve Policies

(a) The District shall strive to maintain an unassigned fund balance in the General Fund of at least 50% of the estimated annual operating expenditures of the fund. The unassigned fund balance shall be created and maintained for the following purposes:

1. Offset unanticipated downturns or changes to General Fund revenues;
2. Provide a sufficient cash flow for day-to-day operations;
3. Offset unexpected increases in General Fund operating expenditures; and
4. Provide an ability to make emergency purchases or repairs.

(b) Whenever the unassigned fund balance in the General Fund exceeds 50% of the estimated annual operating expenditures in the fund, the excess shall be transferred to the Capital Improvement Fund.

(c) A Capital Improvement Fund has been created in order to meet general capital needs of the District. Capital purchases shall be made from available resources in the Capital Improvement Fund.

(d) To provide for day-to-day operations of the Sewer O&M Fund, the District shall strive to maintain a cash and investment balance equal to at least, 25% of the estimated annual operating expenditures of the fund.

(e) District Manager shall seek Board approval before utilizing fund balances for one-time capital purchases or for purposes other than regular operating expenditures as required by applicable law.

3.05 Capital Improvement Fund Reserves

(a) Capital Replacement Fund has been created in order to meet general capital needs of the District. Capital purchases will be made from Capital Improvement Fund resources. Funding for the Capital Improvement Fund will be provided from operating reserves in excess of 50% of the regular annual operating expenditures in the General Fund and 25% of the Sewer O&M Fund.

3.06 Cash Management

(a) The District's policy regarding cash management is based upon the realization that there is a time-value to money. Temporarily idle cash may be invested for a period of one day to an excess of one year depending upon when the money is needed. Accordingly, the District Manager shall prepare written cash management procedures, which shall include, but not be limited to, the following:

1. Receipts: All monies due the District shall be collected as promptly as possible. The District shall deposit monies that are received in an approved financial institution no later than the next business day after receipt. Amounts that remain uncollected after a reasonable length of time shall be subject to any available legal means of collection.
2. Disbursements: Any disbursement to suppliers of goods and/or services or to employees for salaries and wages shall be contingent upon an available budget appropriation. Disbursements shall normally be rendered upon the Board approval. The District Manager and the District Clerk shall authorize the disbursement of funds for scheduled items such as payroll and FICA disbursements, etc. and in order to avoid cases where operations would be materially impaired. Non Scheduled prior disbursements shall be submitted to the Board on the next accounts payable voucher list.

(b) The District will assess its fund balance in all the funds on an annual basis based on current and anticipated needs.

3.07 Capital Improvements Policies.

- (a) Annually update budget for Capital items.
1. The annual budget process will include the discussion and review of proposed capital improvement plan. The Board and the District Manager discuss the District infrastructure and developmental needs. The District Manager shall update the Capital Improvement Plan in the context of the budget to ensure that adequate funding will be available as part of the annual budget proposal.
- (b) Revenue streams are matched to Capital outlays.
- (c) Incorporate planned capital improvement projects for the current year into the Budget.
1. Those capital improvements approved by the Board are included in the Fiscal Year Budget.
- (d) Establish a Capital Improvement Fund that provides for future improvements of

capital and technological equipment. Initial funding will be provided by transferring fund balances in the General and Enterprise funds in excess of reserves exceeding the reserves policy. Additional reservations of fund balance may be made from time-to-time as operating surpluses become available or as deemed appropriate as a result of changes to the capital improvement policy.

3.08 Debt Management policies

- (a) The District will not issue notes or bonds to finance operating deficits.
- (b) The District may issue debt when the resulting improvement will generate a revenue stream or enhance revenues to the extent that new revenues will be used to repay the obligation.

3.09 Budgeting policies

- (a) An open, well communicated budget process is the objective for the District and:
 - 1. The budget process and documents are available for public use and all meeting/workshops are open to the public.
 - 2. A Public Hearing is scheduled for April, specifically to review the proposed Budget.
 - 3. A Truth in Taxation Hearing is scheduled for December each year, or as otherwise when required.
 - 4. Public notice is given in the newspapers, as required by State Statute.
- (b) Use prevailing governmental accounting standards.
 - 1. An outside accounting firm audits the District's financial statements annually.
 - 2. Since fiscal year 2011-12, the District's budgets have been formatted to meet the GFOA's standards for publishing a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.
- (c) The budget shall set forth expenditures and other uses for the period to be equal to or less than proposed revenues and other sources available (i.e. a Balance Budget).

IV. Amendments.

This policy shall be reviewed from time to time by the District Manager and revisions shall be presented to the Board for its approval.

V. Conflicts.

All District ordinances and parts of ordinances and all resolutions or parts thereof in conflict with this policy, or any parts thereof, are hereby repealed. In the event of any conflict between this policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, then the statutes and case law decision shall control.