

COUNCIL POLICY STATEMENT

Policy No. 25
 General Subject: Finance
 Specific Subject: Investment of Funds
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POLICY STATEMENT

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I. POLICY

It is the policy of the City of Park Ridge to invest public funds in a manner that will provide the highest possible return for the appropriate amount of risk. Investments will be structured in order to meet the daily cash flow needs of the City and to conform to all state and local statutes governing the investment of public funds.

II. SCOPE

This Investment Policy applies to all financial assets of the City of Park Ridge. These funds are accounted for in the City's Comprehensive Annual Financial Report and include the following:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds excluding the Police and Fire Pension Funds
- Any new fund created by the City Council, unless specifically exempted.

III. OBJECTIVES

The primary objectives, in priority order, of the City of Park Ridge investment activities shall be:

A. SAFETY – PRESERVATION OF PRINCIPAL

To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The objective will be to mitigate credit and interest rate risk.

Credit Risk. The City of Park Ridge will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers.
- Requiring collateral for investments.

- Diversifying the investment portfolio.
- 2. Interest Rate Risk. The City of Park Ridge will minimize the risk that the market value of securities in the portfolio will fall due to changes in general 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.

B. LIQUIDITY

The City of Park Ridge investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds.

C. YIELD

The City of Park Ridge investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City of Park Ridge 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. Securities shall not be sold prior to 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 in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

IV. STANDARD OF CARE

A. PRUDENCE

Investment officials are subject to a “prudent person” standard in the context of managing the overall portfolio. Investment officers are relieved of personal responsibility for an individual security’s credit risk and/or market price change provided the official acted in accordance with this investment policy and other available written procedures.

B. AUTHORITY

The City Treasurer and the Finance & Budget Committee have the responsibility of establishing the investment guidelines incorporated in this “Investment Policy”. Responsibility for the investment program is hereby delegated to the Director of Finance,

under the general direction of the City Manager. No person may engage in any investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance. The Director of Finance and City Treasurer shall establish a system of controls to regulate the activities of subordinate officials.

C. 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 impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the investment performance of the City of Park Ridge.

V. SAFEKEEPING AND CUSTODY

A. SAFEKEEPING AND CUSTODY

Third party safekeeping is required for all securities. Securities can be held at the following locations:

- A Federal Reserve Bank or its branch office
- By an escrow agent of the pledging institution
- At another custodial facility – generally a trust department through book entry at the Federal Reserve, unless physical securities are involved
- A financial institution on the Illinois State Treasurer’s approved list of safekeeping banks used by Illinois Public Treasurers’ Investment Pool.

Safekeeping must be documented in writing. This may be in the form of a safekeeping, trust, escrow or custody agreement.

B. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

It is the policy of the City of Park Ridge to select financial institutions on the following basis:

- Security: The City of Park Ridge will not maintain funds in any financial institution that is not a member of the FDIC (excepting investments in credit unions- see section VI(A)7). Furthermore, the City of Park Ridge will not maintain funds in any financial institution that is unwilling or incapable of posting required collateral for funds in excess of FDIC insurable limits.
- Size: The City of Park Ridge will not select as a depository any financial institution in which the City’s funds on deposit will exceed 50% of the institution’s capital stock, surplus, and undivided profits.
- Statement of Condition: The City of Park Ridge will maintain for public and managerial inspection, current statements of condition for each financial institution named as depository. Prior to being named a depository, the financial institution shall

furnish its last two statements of condition, and the most current audited financial statements. If, for any reason, the information furnished is considered by the Director of Finance to be insufficient, additional data may be requested. The refusal of any institution to provide such data upon request may serve as sufficient cause for the withdrawal of funds.

- Services and Fees: Any financial institution selected by the City of Park Ridge may be requested to provide cash management services, including, but not limited to: checking accounts, wire transfers, purchase and sale of investment securities and safekeeping services. Fees for banking services shall be mutually agreed to by an authorized representative of the depository institution and the Director of Finance on an annual basis. Fees for services shall be substantiated by a monthly account analysis and shall be reimbursed by means of compensated balances. However, the Director of Finance is authorized to change the method of payment for services if he/she determines this to be in the City's best interests.
- Compliance With Investment Policy: Approved depositories shall be provided with this Policy, and provide written acknowledgment that they will follow all guidelines.
- City Council Authorization: Selection as a depository of public funds requires a financial institution to meet certain criteria as established by this Investment Policy. Upon meeting the established criteria, a financial institution may be named as a depository only upon the recommendation of the Finance & Budget Committee, through a formal action by the City Council. Addendum A to this Investment Policy contains a list of all currently authorized financial institutions.

C. INTERNAL CONTROLS

The Director of Finance and City Treasurer shall establish a system of internal controls with regard to investment management. An independent, certified public accountant shall review these internal controls in conjunction with the annual examination of the City's financial statements. The controls shall be designed to prevent losses of public funds arising from fraud, error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions.

See Addendum B for a listing of current investment related internal controls.

D. PROFESSIONAL INVESTMENT SERVICES

From time to time, the City of Park Ridge may wish to consider the services of a professional money manager or a professional intermediary who can recommend investment opportunities.

All contracts with money managers or intermediaries must be approved by the City Council prior to assignments. The City Council upon the recommendation of the Finance Committee may from time to time place restrictions on the amount of funds any one manager is permitted to invest.

The requirement that a depository shall be authorized by formal action of the City Council shall be waived only in those instances where the timely placement of investments is critical to

the City's interests and with the knowledge and consent of the Chairman of the Finance Committee and City Treasurer.

Fees for money managers or intermediaries shall be negotiated by the Director of Finance prior to the placement of investments. The money manager or intermediary shall be provided with this Policy, and shall provide written acknowledgement that they will follow all guidelines. The Director of Finance shall approve all proposed investments prior to final placement by the money manager or intermediary.

VI. AUTHORIZED AND SUITABLE INVESTMENTS

A. INVESTMENT TYPES

Pursuant to home rule authority, all investments purchased under this policy shall be guided by the State of Illinois Public Funds Investment Act (30 ILCS 235) and all revisions thereto, as may be made by the State of Illinois Legislature. The following is a summary of acceptable investments, but is not all inclusive:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities now and hereinafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.

For purposes of this section, the term "agencies of the United States of America" includes:

- (a) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1871 and Acts amendatory thereto,
 - (b) the federal home loan banks and the federal home loan mortgage corporation;
and
 - (c) any other agency created by Act of Congress.
3. Interest-bearing saving accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any investment constituting direct obligations of any bank, as defined by the Illinois Banking Act, that is insured by the Federal Deposit Insurance Corporation.
 4. Short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if
 - (a) 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 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 City'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) and (2) above and to agreements to repurchase such obligations.
6. In addition to any other investments authorized under the Public Funds Investment Act, the City of Park Ridge may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district. 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 four highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and other political subdivisions.
7. Investments may be made only in banks that are insured by the Federal Deposit Insurance Corporation. The City of Park Ridge may invest any public funds in short term discount obligations of the Federal National Mortgage Association (FNMA) or in the shares or other forms of securities legally insurable by savings banks or 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. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the FDIC. 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 judgment of the City, the public funds so invested will be required for expenditure.

The City may invest any public funds in dividend bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States; provided, however, the principal 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.

8. The City may also invest any public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. The City may also invest any public funds in a fund managed, operated and administered by a bank, subsidiary of a bank, or subsidiary of 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.
9. Repurchase agreements as long as a master repurchase agreement is in effect, collateral is held by a third party, U. S. Treasury securities are held as collateral, and the securities are marked to market.

B. COLLATERALIZATION

It is the policy of the City of Park Ridge to require that funds on deposit in excess of FDIC limits, or investments not guaranteed by the United States of America or any agency of the United States of America be secured by some form of collateral. The City of Park Ridge shall enter into a collateral agreement with the financial institution; this agreement shall outline the types of assets that may be utilized as collateral, the amount of collateral required, and the methodology. The City of Park Ridge will accept any of the following assets as collateral:

- Negotiable obligations of the United States Government.
- Negotiable obligations of any agency or instrumentality of the United States Government guaranteed by the full faith and credit of the United States Government.
- Negotiable obligations of the State of Illinois, or of any county, city, town, or municipal corporation of this State or any other political subdivision of this State which are rated A or better by Moody's or Standard and Poors rating thereof.
- Negotiable obligations of any State of the United States, or any municipal or other political subdivision thereof which are rated Aa1 or better by Moody's or Standard and Poors rating thereof.

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 rate 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 110% level. Pledged collateral will be held by the City 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. A collateral agreement will preclude the release of the pledged assets without an authorized signature from the City, but the agreement will allow for an exchange of collateral of like value.

C. INVESTMENT POOLS

The City's investment policy includes government-sponsored pools, including the Illinois Funds and the Illinois Metropolitan Investment Fund (IMET) as authorized investments. A thorough investigation of authorized pools/funds is required prior to investing, and on a continual basis. The following information should be ascertained prior to investment:

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

VII. INVESTMENT PARAMETERS

A. DIVERSIFICATION

The City of Park Ridge will diversify its investments by security type and institution. The City will diversify its investments to avoid incurring risks regarding specific security types or individual financial institutions.

Diversification by Instrument:

	<u>Maximum Percent of Portfolio</u>
• U. S. Treasury Obligations	100%
• U. S. Government Agency Securities and Instruments of Government Sponsored Organizations	100%
• Bank Certificates of Deposits and Time Deposits	100%
• Illinois Funds	75%
• Illinois Metropolitan Investment Fund	75%
• Short term corporate obligations	33%
• Repurchase Agreements	25%
• Certificates of Deposits of Savings & Loans Associations	10%

Diversification by Financial Institution:

	<u>Maximum Percent of portfolio</u>
• Bank Certificates of Deposits and Time Deposits (Collateralized)	100%
• Illinois Funds	\$10,000,000
• Illinois Metropolitan Investment Fund	\$10,000,000
• Certificates of Deposits of Savings & Loans	\$100,000 per inst. Associations
• Repurchase Agreement	10% of portfolio

Diversification by Percentage of Portfolio:

Effective April 30, 2002, no more than 50% of the City's total investment portfolio may be invested in any one financial institution.

B. MAXIMUM MATURITIES

To the extent possible, the City of Park Ridge will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Park Ridge will not directly invest in securities maturing more than two years from the date of purchase.

Reserve funds may be invested in securities exceeding two years if the expected use of the funds is expected to exceed two years.

VIII. REPORTING

A. PROCEDURES FOR INVESTMENT BIDS AND OFFERS

Investment bids (solicitation of offers from brokers or financial institutions) will be taken by the Director of Finance or his/her designee for funds managed by the City at times when investment of idle funds would be in the best interest of the City or as required by federal regulations regarding arbitrage rebate on bond proceeds. Such bid requests will be made orally and confirmed in writing with the investment instrument and related collateral being forwarded to the City no later than 48 hours after bids are taken.

The City of Park Ridge shall place funds for investment with the qualified financial institution that presents the best return on the investment. If two bids are received for the same rate, the Director of Finance or his/her designee shall have the discretion to select the institution with preference given to the institution that has less City funds and provided that other requirements listed in this policy are met.

B. 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 of the City.

The basis used to determine whether market yields are being achieved will be the average of the six-month U. S. Treasury Bill rate and the one-year certificate of deposit rate. The one-year certificate of deposit rate will be the average of top rates paid by major New York banks on primary new issues of negotiable certificates of deposit, usually on amounts of \$1 million and more.

C. POOLING OF FUNDS

Except for cash in certain restricted and special funds, the City of Park Ridge will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

D. ACCOUNTING

The City of Park Ridge maintains its accounting records with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Accounting principles include:

- Investments will be carried at cost or amortized cost that approximates market, or at market value as prescribed by accounting standards.
- Any premium or discount will be amortized over the life of the investment.
- Gains or losses on investments in all funds will be recorded at the time of disposition of the security, or when recognized as prescribed by accounting standards.

E. INVESTMENT REPORTS

The Director of Finance shall submit a monthly summary investment report to the Finance & Budget Committee which shall describe the portfolio in terms of investment securities, maturities and cost by fund, estimated earnings, and market value of securities, if available. The report will also show actual portfolio performance as compared to the benchmark. The report shall indicate any areas of policy concern and planned revision of investment strategies, if applicable. The Annual Financial Report of the City of Park Ridge shall include all investment information as promulgated by the Government Accounting Standards Board.

See Addendum C for a sample of the investment report.

IX. POLICY AMENDMENT

This Policy shall be reviewed from time to time and any changes shall be approved by the City Council.

ADOPTION

Adopted by the City Council of the City of Park Ridge, Illinois October 4, 1999.

Addendum A

LIST OF AUTHORIZED FINANCIAL INSTITUTIONS

J P Morgan/Chase

Northern Securities

Northern Trust Bank

National City Bank

Illinois Funds

Illinois Metropolitan Investment Fund (IMET)

First Chicago Bank & Trust

Bank One Capital Markets

Charter One Bank

LaSalle Banks, N.A.

Harris Bank

Parkway Bank

Liberty Bank

MB Financial

Northwest Municipal Federal Credit Union

The list applies to successors and/or assigns of the above named institutions. The list does not need to be updated when changes in ownership result in institutional name(s) changes.

Approved by the City Council of the City of Park Ridge on October 4, 1999.

Amended by the City Council of the City of Park Ridge on October 16, 2000.

Amended by the City Council of the City of Park Ridge on August 20, 2001.

Amended by the City Council of the City of Park Ridge on May 20, 2002.

Amended by the City Council of the City of Park Ridge on December 18, 2006.

Amended by the City Council of the City of Park Ridge on June 18, 2007.

Amended by the City Council of the City of Park Ridge on July 21, 2008.

Amended by the City Council of the City of Park Ridge on August 18, 2008.

Amended by the City Council of the City of Park Ridge on July 20, 2009.

Amended by the City Council of the City of Park Ridge on December 19, 2011.

Addendum B
City of Park Ridge, Illinois
Internal Controls Relating to Investments

Duties and Responsibilities of each individual involved in investing monies and accounting for investments:

<u>Position</u>	<u>Duties and Responsibilities</u>
Finance Committee/City Treasurer/City Council	Approval of investment policy and any revisions. Approval of authorized depositories. Review of investment reports.
Director of Finance	Execution of investment policy including but not limited to insuring the adequacy of collateral, the establishment of internal controls, and the reporting of investment results. Investment of City funds including but not limited to projection of cash needs, allocation of investments by fund, determination of amount and term of investment, solicitation of bids and execution of wire transfers.
Asst. Director of Finance	Investment of City funds including but not limited to projection of cash needs, allocation of investments by fund, determination of amount and term of investment, solicitation of bids and execution of wire transfers. Insure adequacy of collateral. Preparation of investment reports as appropriate.
Accountant	Recording of investment transactions. Reconciliation of investment accounts. Confirmation of wire transfers. Allocation of interest by fund and investment instrument. Preparation of investment subsidiary ledgers.

Separation of duties or compensating controls:

No one person shall have control of an investment in its entirety. See "Duties and Responsibilities" above. For example, those employees who have authority to initiate wire transfers will not confirm wire transfers or reconcile investment accounts.

Reporting Requirements:

The Director of Finance shall submit a quarterly summary investment report to the Finance & Budget Committee which shall describe the portfolio in terms of investment securities, maturities and cost by fund, estimated earnings, and market value of securities, if available. The report will also show actual portfolio performance as compared to the benchmark. The report shall indicate any areas of policy concern and planned revision of investment strategies, if applicable. The Annual Financial Report of the City of Park Ridge shall include all investment information as promulgated by the Government Accounting Standards Board. See Addendum C for a sample of the investment report.

Investment Procedures:

Staff will review investments approximately two times per month. The tentative investment schedule is as follows:

- Planning Work – projections and decisions made, spreadsheets completed
- Next Day – investment calls, transfers made before 11:00 a.m. to be recorded in the day's receipts
- End of month – documents reviewed and forwarded to Accountant

This schedule may be adjusted depending upon cash and investment needs and staff availability.

When investments mature, proceeds are deposited to the City's investment account (located at each depository institution). Purchases of new investments are taken from this same investment account.

Whenever there is a change in personnel, the depository institutions and the Federal Reserve must be notified by letter.

Procedures for Completing and Recording Investment Transactions:

To Gather The Necessary Information Upon Which To Make Investment Decisions:

1. Obtain the Investment Folder.
2. Sort mail.
3. Verify that pay estimates were made.
4. Analyze and record payment of General Liability, Automobile & Workers Compensation claims.
5. Attach the wire transfer notices to the City's sheets.
6. Record all property tax receipts in the subsidiary and general ledgers.
7. Record IPTIP deposits and withdrawals in the subsidiary and general ledgers.
8. Complete the spreadsheets that show the status of the City's investments. Current worksheets are as follows:
 - Mat – lists investments by maturity date. Verify maturing investments, verify and update collateral requirements. Delete matured investments. Add new investments.
 - Inv – lists investments by fund. Delete matured investments. Insert recently purchased investments. Balance "Mat" and "Inv" worksheets to each other.
 - InvBal – used to determine cash balance of each fund. By estimating all receipts and expenditures, estimate the City's current cash balance by fund. Partially by utilizing the annual cash projection, project future operating cash needs.
 - Avail – lists investments maturing and anticipated transfers. Determine if there are any excess funds in the checking accounts that can be invested.
 - Order – lists types of investments to be made; used to record rates offered by banks or other bidding institutions.

To Complete Investment Transactions and Wire Transfers:

1. Allocate investments by fund and time to maturity.
2. Solicit at least two, but more likely four, investment bids. Bids may be obtained over the phone. Accepted rates for investments will be confirmed in writing when investment documents are received.
3. Complete wire transfer sheets for each wire or internal transfer.
4. Initiate wire transfers for investment transactions. To be recorded on the same day, transfers should be completed by 11:00 a.m. See "Wire Instructions" below for detailed instructions.
5. Execute wire transfers as payment for City services as appropriate.
6. Another designated employee should confirm wire transfers by phone.

7. Sort, attach, document and verify backup materials including investment confirmations. Give documentation to the Accountant.

To Record Investment Transactions:

1. Record all investment transactions in the general ledger.
2. Complete subsidiary ledgers.

Wire Instructions:

The Director of Finance and/or Assistant Director of Finance are authorized to initiate wire transfers. All wire transfers must be confirmed by another employee. The Accountant is authorized to confirm wire transfers. The Director of Finance and Assistant Director of Finance may confirm wire transfers initiated by the other.

See "First Cash" book for specific instructions regarding initiating wire transfers from Bank One.

Safekeeping Procedures:

Deposits will be covered by federal depository insurance, or by collateral held by the City, or its agent, in the City's name.

Accounting Procedures:

All investment transactions should be recorded in a timely fashion. Bank statements should be reconciled to City investment records within ten days of the month end.

City of Park Ridge
Investments as of 4/30/01

Investments By Bank:

National City	\$ 1,961,000
Bank One	3,414,000
Bank of Park Ridge	12,498,000
Northern O'Hare	-
Total	<u>\$ 17,873,000</u>

Investments By Fund:

General	\$ 4,064,000
IMRF	-
Debt Service	1,160,000
Debt Service - 1998 Bonds	336,000
Series 1998 Bonds	-
Parking	800,000
Water	3,826,000
Motor Equip. Replacement	1,417,000
Escrow	997,000
SSA #1	14,000
Workers Comp	390,000
Asset Forfeiture	26,000
Hospital Reserve	1,579,000
Sewer Construction	1,325,000
Motor Fuel Tax	150,000
Library Gift	-
Library Tech Replacement	387,000
Computer Replacement	716,000
Emergency Telephone	-
Library	650,000
SSA #2	-

SSA #3	-
SSA #17	15,000
SSA #18	14,000
SSA #19	7,000
Total	<u>\$ 17,873,000</u>

Investments By Type:

U. S. Treasuries	\$ -
Collateralized Certificates of Deposit	<u>17,873,000</u>
Total	<u>\$ 17,873,000</u>

Collateral By Institution: (as of 3/31/01)

National City	\$ 6,000,000
Bank One	9,000,000
Bank of Park Ridge	8,000,000
Northern O'Hare	<u>18,100,000</u>
Total	<u>\$ 41,100,000</u>

Investment Rates and Maturity:

<u>Maturity</u>	<u>Purchase</u>	<u>Rate</u>	<u>Amount</u>	<u>Est. Earn.</u>
<u>Date</u>	<u>Date</u>			
05/21/01	10/19/00	6.50	207,000	7,849 0.07528115
05/21/01	05/18/00	6.90	1,961,000	135,309 0.757058132
05/24/01	04/02/01	4.65	515,000	1,996 0.13398702
06/21/01	04/02/01	4.75	325,000	2,573 0.086373301
07/19/01	11/28/00	6.50	700,000	30,333 0.254573938
08/09/01	04/19/01	4.10	2,062,000	28,181 0.473015163
09/20/01	09/22/00	6.70	1,689,000	113,163 0.633150562
09/20/01	11/28/00	6.50	650,000	35,208 0.236390086
10/18/01	04/19/01	4.00	1,083,000	21,660 0.242376769
11/21/01	11/28/00	6.50	671,000	43,615 0.244027304
11/21/01	10/19/00	6.70	2,575,000	186,902 0.965282829
11/21/01	04/02/01	5.00	1,010,000	29,458 0.282549096

02/21/02	11/28/00	6.52	1,617,000	131,786	0.589875231
04/18/02	11/28/00	6.50	449,000	41,345	0.163290998
04/18/02	12/22/00	6.70	381,000	34,036	0.142824372
04/18/02	01/26/01	5.75	630,000	45,281	0.20268002
07/18/02	11/28/00	6.61	1,348,000	148,505	0.498532983
			<u>\$ 17,873,000</u>	<u>\$ 1,037,200</u>	<u>5.981</u>

Average Return: 5.98

Benchmark - Average of 6 month

T Bill and 6 month CD Rate 4.05

(One year CD rate not available)

IMET:

	<u>Cost</u>	<u>Mkt Value</u>	<u>Net Mo Rtn</u>	<u>Net 1 Yr Rtn</u>
IMET (General)	\$ 1,326,000	\$ 1,512,511	0.68	9.37
03/31/2001	Net IMET	Gross IMET	Lehman	Merrill
	Returns	Returns	1-3 Year	3 Mo. T-bill
Month	0.68	0.70	0.81	0.46
Latest 1 yr.	9.37	9.64	9.81	6.30
Since Inception	6.30	6.69	6.61	5.44
Duration	1.58 years	1.58 years	1.67 years	88 days
IMET Annual Return:	9.37			
Benchmark - Lehman:	9.81			

IPTIP:

	<u>Balance</u>
IPTIP (General)	\$ 3,979,519
IPTIP (MFT)	377,611
Total	<u>\$ 4,357,130</u>
IPTIP Return:	5.25
Benchmark - 3 month T-bill:	3.80

Addendum D GLOSSARY

Accrued Interest – The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization – The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Arbitrage – An operation involving simultaneous purchase and sale of an asset in two or more markets between which there are price difference or discrepancies. The arbitrageur aims to profit from the price difference; the effect of this action is to lessen or eliminate it.

Asked – The price at which securities are offered.

Average Life – The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Bankers' Acceptances (BA) – A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Basis Point – One one-hundredth of one percent (0.01%). A basis point is used in the valuation of fixed income securities. "1/4" of 1 percent is equal to 25 basis points.

Bid – The price offered by a buyer of securities.

Bond – A written promise to repay a fixed amount of borrowed money on a specified date and to pay a set annual rate of interest in the meantime, generally at semiannual intervals. By convention, the original maturity of a bond exceeds one year, making it long-term debt.

Book Entry – An electronic system of accountability, custody, transfer, and settlement of securities. Book-entry systems allow rapid and accurate transfers of securities with simultaneous cash settlement.

Book Value – The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker – A broker brings buyers and sellers together in return for receiving a commission.

Callable Bond – A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk – The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase – A transaction that calls for delivery and payment of securities on the same day that the transaction is initiated.

Certificate of Deposit (CD) – A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

Collateral – Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Competitive Sale – A sale of securities to the bidder making the best offer for purchase in public, competitive bidding.

Coupon Rate – The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities.

Credit Quality – The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal on maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the default risk is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Custodial Agreement – An agreement between a government and the bank or trust company holding its investments.

Dealer – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Debenture – A bond secured only by the general credit of the issuer.

Delivery versus Payment – There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Derivatives – (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Discount – The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities – Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (e.g. U.S. Treasury Bills).

Diversification – Dividing investment funds among a variety of securities offering independent returns.

Escrow – A deed, bond, money or piece of property delivered to a third party to be presented to the grantee only upon the fulfillment of a condition(s).

Fair Market Value – Value determined by bona-fide bargaining between well-informed buyers and sellers, usually over a period of time.

Federal Credit Agencies – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals.

Federal Deposit Insurance Company (FDIC) – An agency of the U.S. government which insures government savings and time type accounts at banks and savings and loans up to a cumulative maximum.

Federal Funds (Fed Funds) – Funds placed in the Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate – Interest rate charged by one institution lending federal funds to the other.

Federal Home Loan Banks (FHLB) – Government sponsored wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district bank.

Federal Home Loan Mortgage Corporation (FHLMC, “Freddie Mac”) – Freddie Mac is a publicly held government sponsored enterprise created July 24, 1970, pursuant to the Federal Home Loan Mortgage Corporation Act. The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages or participate interests in such mortgages from mortgage lending institutions and the resale of the whole loans and participation to purchase in the form of guaranteed mortgage securities.

Federal National Mortgage Association (FNMA) – An agency established in 1938 by the U.S. government to support the market for government sponsored mortgages. In 1968 FNMA became a private corporation, now listed on the New York Stock Exchange, and makes secondary mortgages of all types. FNMA’s former function is now fulfilled by two U.S. government agencies, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation, which is part of the Federal Home Loan Bank System (also known as Fannie Mae). FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Reserve System – The central bank of the United States. Approximately, 5,700 commercial banks are members of the Federal Reserve system.

Government National Mortgage Association (GNMA) – A U.S. government agency which supports the market for home mortgages. Successor agency to Federal National Mortgage Association in 1968. The GNMA often guarantees a package of mortgages and acts as agent in purchase of the package by private investors. Also known as “Ginnie Mae”. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages.

Government Securities – An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market.

Illinois Public Treasurers’ Investment Pool (IPTIP) – The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

Interest Rate Risk – The risk associated with declines or rises in interest rates which cause an investment in a fixed income security to increase or decrease in value.

Inverted Yield Curve – A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 – Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment-grade Obligations – An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity – A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and a reasonable volume can be traded at those quotes.

Market Risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – The price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement – A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity – The date upon which the principal or stated value of an investment becomes due and payable.

Money Market – The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

Money Market Fund – A mutual fund whose investments are primarily in very short-term securities, designed to maximize current income with liquidity and capital preservation. All funds are in a dollar-in/dollar-out basis.

Mutual Fund – An investment company whose assets represent a portfolio of marketable securities and whose sources of capital are individual investors who own a proportional share of the securities. The individual investors own shares whose value varies with the market price of the held securities.

National Association of Securities Dealers (NASD) – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value – The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding.

No Load Fund – A mutual fund which does not levy a sales charge on the purchase of its shares.

NOW Account – Negotiable Order of Withdrawal. A type of checking/demand account that provides basic checking/demand services bearing interest on the collected balance of the account.

Par – Face value or principal value of a bond, typically \$1,000 per bond.

Portfolio – Collection of securities held by an investor.

Positive Yield Curve – A chart formation that illustrates short-term securities having lower yields than long-term securities.

Prime Rate – A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus – A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Public Funds – “Current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any public agency.” (30 ILCS 235/1)

Rate of Return – The yield obtainable on a security based on its purchase price or its current market price.

Reinvestment Risk – The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (Repo) – A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

Reverse Repurchase Agreement (Reverse Repo) – An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act – Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13 month maturity limit and a 90 day average maturity on investments, to help maintain a constant net asset value of one dollar.

Safekeeping – A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market – A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities & Exchange Commission (SEC) – Agency created by Congress to protect investors in securities transactions by administering securities legislation

Serial Bond – A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Term Bond – Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Treasury Bills – A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds – Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

Treasury Notes – Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

Volatility – A degree of fluctuation in the price and valuation of securities.

Yield – The rate of annual income return on an investment, expressed as a percentage. Income Yield is obtained by dividing the current dollar income by the current market price for the security. Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.