



Legislation Details (With Text)

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File created:	1/30/2018	In control:	City Council
On agenda:	2/6/2018	Final action:	
Title:	Waive the first reading and pass the Ordinance approving a revision to the City's Investment and Cash Management Policy (Requires six positive votes).		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Naperville Investment and Cash Mngmnt Policy Rev 1-29-2018 (No Redline), 2. Naperville Investment and Cash Mngmnt Policy Rev 1-29-2018 (Redline)		

Date	Ver.	Action By	Action	Result
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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Waive the first reading and pass the Ordinance approving a revision to the City's Investment and Cash Management Policy (Requires six positive votes).

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

Financial Advisory Board unanimously approved recommending the update to the Investment and Cash Management Policy

BACKGROUND:

The City's Investment and Cash Management Policy was established to comply with State requirements regarding investment, and has been more restrictive in allowable investments to reduce portfolio risk. The primary objectives of investment activities are safety, liquidity, and total return. The policy also describes cash management and operation processes.

With the exception of the police and fire pension funds or other financial assets bound by separate governance documents held by various fiscal agents and trustees, all funds of the city are administered in accordance with the provisions of this policy. The police and fire pension funds or other financial assets bound by separate governance documents held by various fiscal agents and trustees are administered according to the contractual and statutory requirements of the respective funds.

Except for cash in certain restricted and special funds, the City consolidates cash balances from all funds to maximize investment earnings. Investment income is allocated to the various funds based

on their respective participation and in accordance with generally accepted accounting principles.

DISCUSSION:

The Financial Advisory Board has completed a thorough review of the City of Naperville Investment & Cash Management Policy ("Policy") and is recommending modifications to the current policy. Overall the recommendations are being made to broaden the scope of an already detailed policy. The end goal is to provide for greater diversification of the investment pool, allow for greater flexibility, and to increase the overall returns and earnings while not taking on excessive additional risk. To that end, staff recommends the following changes:

- Ensuring City investments are in the safety types of securities as outlined in the Policy;
- Adding local government investment pools (rated AA or higher) as permissible investments;
- Limiting municipal bonds to no more than 35% of the entire portfolio;
- Adding investment grade corporate bonds (rated BBB or higher) as permissible investments and limiting overall exposure to 30% of the portfolio;
- Adding non-agency bonds, commercial mortgage-backed securities (CMBS), bank loans or collateralized loan obligations (CLO), and asset-backed securities (ABS). No more than 10% of the entire portfolio may be invested in any one security type listed above;
- And allowing open-ended mutual funds that are primarily invested in a diversified portfolio of fixed income instruments and limiting overall exposure to 10% of the portfolio.

The recommended changes are included in the marked-up version and the final version, which have been included as attachments.

FISCAL IMPACT:

N/A