

AN ACT concerning local government.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Public Funds Investment Act is amended by changing Section 2 as follows:

(30 ILCS 235/2) (from Ch. 85, par. 902)

Sec. 2. Authorized investments.

(a) Any public agency may invest any public funds as follows:

(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; or

(5) 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.

(a-1) In addition to any other investments authorized under this Act, a municipality or a county may invest its public funds in 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 or county 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.

(b) Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. Any public agency may invest any public funds in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or 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 only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. 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 such governing authority, the public funds so invested will be required for expenditure by such public agency or its governing authority. The expressed judgment of any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive. Any public agency 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 this State 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.

(c) For purposes of this Section, the term "agencies of the United States of America" includes: (i) 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 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.

(d) Except for pecuniary interests permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as treasurer or financial officer or who is employed in any similar capacity by or for a public agency may do any of the following:

(1) have any interest, directly or indirectly, in any investments in which the agency is authorized to invest.

(2) have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.

(3) receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

(e) Any public agency may also invest any public funds in a

Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency 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.

(f) To the extent a public agency has custody of funds not owned by it or another public agency and does not otherwise have authority to invest such funds, the public agency may invest such funds as if they were its own. Such funds must be released to the appropriate person at the earliest reasonable time, but in no case exceeding 31 days, after the private person becomes entitled to the receipt of them. All earnings accruing on any investments or deposits made pursuant to the provisions of this Act shall be credited to the public agency by or for which such investments or deposits were made, except as provided otherwise in Section 4.1 of the State Finance Act or the Local Governmental Tax Collection Act, and except where by specific statutory provisions such earnings are directed to be credited to and paid to a particular fund.

(g) A public agency may purchase or invest in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the public

agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(h) Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, no public agency may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of any public agency unless the instrument and the transaction meet the following requirements:

(1) The securities, unless registered or inscribed in the name of the public agency, are purchased through banks or trust companies authorized to do business in the State of Illinois.

(2) An authorized public officer after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, which acts for the public agency in connection with repurchase agreements involving the investment of funds by the public agency. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements. To the extent the Treasurer acts in this capacity, he is hereby authorized to pass through to such public agencies any charges assessed by the Federal Reserve

Bank.

(3) A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the public agency on the records of the custodial bank and the transaction must be confirmed in writing to the public agency by the custodial bank.

(4) Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.

(5) The security interest must be perfected.

(6) The public agency enters into a written master repurchase agreement which outlines the basic responsibilities and liabilities of both buyer and seller.

(7) Agreements shall be for periods of 330 days or less.

(8) The authorized public officer of the public agency informs the custodial bank in writing of the maturity details of the repurchase agreement.

(9) The custodial bank must take delivery of and maintain the securities in its custody for the account of the public agency and confirm the transaction in writing to the public agency. The Custodial Undertaking shall provide that the custodian takes possession of the securities

exclusively for the public agency; that the securities are free of any claims against the trading partner; and any claims by the custodian are subordinate to the public agency's claims to rights to those securities.

(10) The obligations purchased by a public agency may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the public agency or officer authorized to make such investments.

(11) The custodial bank shall be liable to the public agency for any monetary loss suffered by the public agency due to the failure of the custodial bank to take and maintain possession of such securities.

(i) Notwithstanding the foregoing restrictions on investment in instruments constituting repurchase agreements the Illinois Housing Development Authority may invest in, and any financial institution with capital of at least \$250,000,000 may act as custodian for, instruments that constitute repurchase agreements, provided that the Illinois Housing Development Authority, in making each such investment, complies with the safety and soundness guidelines for engaging in repurchase transactions applicable to federally insured banks, savings banks, savings and loan associations or other depository institutions as set forth in the Federal Financial Institutions Examination Council Policy Statement Regarding Repurchase Agreements and any regulations issued, or which may

be issued by the supervisory federal authority pertaining thereto and any amendments thereto; provided further that the securities shall be either (i) direct general obligations of, or obligations the payment of the principal of and/or interest on which are unconditionally guaranteed by, the United States of America or (ii) any obligations of any agency, corporation or subsidiary thereof controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States and provided further that the security interest must be perfected by either the Illinois Housing Development Authority, its custodian or its agent receiving possession of the securities either physically or transferred through a nationally recognized book entry system.

(j) In addition to all other investments authorized under this Section, a community college district may invest public funds in any mutual funds that invest primarily in corporate investment grade or global government short term bonds. Purchases of mutual funds that invest primarily in global government short term bonds shall be limited to funds with assets of at least \$100 million and that are rated at the time of purchase as one of the 10 highest classifications established by a recognized rating service. The investments shall be subject to approval by the local community college board of trustees. Each community college board of trustees shall develop a policy regarding the percentage of the

college's investment portfolio that can be invested in such funds.

Nothing in this Section shall be construed to authorize an intergovernmental risk management entity to accept the deposit of public funds except for risk management purposes.

(Source: P.A. 96-741, eff. 8-25-09.)

Section 10. The Counties Code is amended by changing Sections 3-10009, 3-11002, 3-11003, 3-11004, 3-11006, 3-11007, 3-11009, 3-11010, 3-11011, 3-11013, and 3-11018 as follows:

(55 ILCS 5/3-10009) (from Ch. 34, par. 3-10009)

Sec. 3-10009. Deposit of public funds.

(a) In counties having a population of less than 150,000 the county board, when requested by the county treasurer, shall designate one or more banks, ~~or~~ savings and loan associations, ~~savings banks,~~ or credit unions in which the funds and other public moneys in the custody of the county treasurer may be kept and when a bank, ~~or~~ savings and loan association, savings bank, or credit union has been designated as a depository it shall continue as such until 10 days have elapsed after a new depository is designated and has qualified by furnishing the statements of resources and liabilities as is required by this Section. When a new depository is designated, the county board shall notify the sureties of the county treasurer of that fact, in writing, at least 5 days before the transfer of funds. The

county treasurer shall be discharged from responsibility for all funds and moneys which he deposits in a depository so designated while such funds and moneys are so deposited.

No bank, ~~or~~ savings and loan association, savings bank, or credit union shall receive public funds as permitted by this Section, unless it has complied with the requirements established pursuant to Section 6 of "An Act relating to certain investments of public funds by public agencies", approved July 23, 1943, as now or hereafter amended.

(b) In addition to any other investments or deposits authorized under this Code, counties are authorized to invest the funds and public moneys in the custody of the County Treasurer in accordance with the Public Funds Investment Act.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11002) (from Ch. 34, par. 3-11002)

Sec. 3-11002. Designation of depositories.

(a) In counties having a population of more than 150,000 the county board, when requested by the County Treasurer, shall designate one or more banks, ~~or~~ savings and loan associations, savings banks, or credit unions in which the funds and other public moneys in the custody of the County Treasurer may be kept and when a bank, ~~or~~ savings and loan association, savings bank, or credit union has been designated as a depository it shall continue as such until 10 days have elapsed after a new depository is designated and has qualified by furnishing the

statements of resources and liabilities as is required by this Section. When a new depository is designated, the county board shall notify the sureties of the County Treasurer of that fact, in writing, at least 5 days before the transfer of funds. The County Treasurer shall be discharged from responsibility for all funds and moneys which he deposits in a depository so designated while such funds and moneys are so deposited.

No bank, ~~or~~ savings and loan association, savings bank, or credit union shall receive public funds as permitted by this Section, unless it has complied with the requirements established pursuant to Section 6 of "An Act relating to certain investments of public funds by public agencies", approved July 23, 1943, as now or hereafter amended.

(b) In addition to any other investments or deposits authorized under this Code, counties are authorized to invest the funds and public moneys in the custody of the County Treasurer in accordance with the Public Funds Investment Act.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11003) (from Ch. 34, par. 3-11003)

Sec. 3-11003. Classification of funds. For the purpose of establishing a control over the withdrawal, in accordance with the provisions of this Division, of all county moneys deposited in any bank, ~~or~~ savings and loan association, savings bank, or credit union, as hereinafter required, such moneys are hereby classified as follows:

Class A. All taxes and special assessments received by the county treasurer in his capacity as ex officio county collector or ex officio town collector, and held by him pending distribution to the several governments or authorities entitled to receive the same, shall be known as "Class A" funds.

Class B. All other moneys belonging to the State of Illinois or to any political or corporate subdivision thereof, except the county, shall be known as "Class B" funds.

Class C. All moneys belonging to the county in its corporate capacity shall be known as "Class C" funds.

Class D. All other county moneys as defined in Section 3-11001 shall be known as "Class D" funds.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11004) (from Ch. 34, par. 3-11004)

Sec. 3-11004. Deposits by county treasurer. It shall be the duty of the county treasurer of such county to deposit daily, in separate accounts in accordance with the classification set forth in Section 3-11003, to the credit of the county treasurer of such county, in one or more banks, ~~or~~ savings banks, or credit unions as shall have been selected and designated under the terms of this Division and as shall have complied with the requirements thereof, all county moneys as defined in Section 3-11001, received by him during banking hours, and also all such county moneys as he may

have received on the day previous after banking hours.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11006) (from Ch. 34, par. 3-11006)

Sec. 3-11006. Investment of county moneys; release of private funds in custody of county treasurer.

(a) All county moneys shall be invested in one or more of the following: (1) ~~(a)~~ interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits constituting direct obligations of any bank as shall have been selected and designated under the terms of this Division and as shall have complied with the requirements thereof; (2) ~~(b)~~ shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States, provided such shares or securities are insured by the Federal Savings and Loan Insurance Corporation; (3) ~~(c)~~ 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; (4) ~~(d)~~ short term discount obligations of the Federal National Mortgage Association; and (5) dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States, provided the accounts of that credit union are

insured by applicable law and the credit union's principal office is located within the State of Illinois. The expressed judgment of the county treasurer as to the time when any county moneys will be required for expenditure or be redeemable is final and conclusive. Privately owned funds held in the custody of a county treasurer must be released to the appropriate party at the earliest reasonable time, but in no case exceeding 31 days, after the private party becomes entitled to the receipt of them.

(b) In addition to any other investments or deposits authorized under this Code, all counties are authorized to invest county moneys in accordance with the Public Funds Investment Act.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11007) (from Ch. 34, par. 3-11007)

Sec. 3-11007. Monthly report of investments and deposits. On the twenty-eighth day of each month the county treasurer shall publish a report disclosing the investments and deposits of county moneys as of the first day of that month. The report shall list, under the name of each bank, ~~or~~ savings and loan association, savings bank, or credit union in which the county treasurer maintains an account or investment, each separate account or investment maintained in that institution, the amount of each such account or investment, the rate of interest of each such account or investment, and the term of maturity of

each such account or investment. The report shall also disclose the total cost and average rate of interest of all other investments of county moneys. A copy of the report shall be transmitted to each member of the county board, and the report shall be a public record.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11009) (from Ch. 34, par. 3-11009)

Sec. 3-11009. Petty cash fund. For the purpose of enabling the county treasurer to pay in cash such warrants and other demands as may be presented to him for payment in cash, he is hereby authorized to withhold from the daily deposit of funds required of him under Section 3-11004, or to withdraw from the one or more banks, ~~or~~ savings and loan associations, savings banks, or credit unions holding such county moneys on deposit, upon check or draft payable to his own order as county treasurer, such amounts as will enable him to maintain a petty cash fund sufficient to meet the daily demand for the purpose herein indicated: Provided, however, that the amount of said petty cash fund shall at no time exceed the sum of \$5,000 in counties having fewer than 1,000,000 inhabitants or the sum of \$200,000 in counties having 1,000,000 or more inhabitants. The county treasurer shall keep proper records of such petty cash fund, showing the amounts so withheld or withdrawn by him daily and the amounts paid out by him in cash from day to day. Such records shall be open to the inspection of all persons wishing

to examine the same.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11010) (from Ch. 34, par. 3-11010)

Sec. 3-11010. Equalization and transfer of deposits. For the purpose of facilitating the equalization or apportionment of the amount of the balances on deposit with the several depositories and the speedy transfer of money from one depository to another in case of necessity, the county treasurer is hereby authorized to draw checks or drafts against any deposit made by him under the terms of this Division. Each draft or check so drawn shall be payable to the order of the county treasurer, and shall indicate upon its face that it is drawn only for deposit in a bank, ~~or~~ savings and loan association, savings bank, or credit union authorized under the provisions of this Division to receive county moneys.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11011) (from Ch. 34, par. 3-11011)

Sec. 3-11011. Designation of active depository. Of the banks, ~~or~~ savings and loan associations, savings banks, or credit unions which may have been so designated as depositories, one shall be designated from time to time by the county treasurer as the active bank, depository, ~~or~~ savings and loan association, savings bank, or credit union for a period of not more than one month at a time. The county board shall have

power, if it sees fit, to require that no bank, ~~or~~ savings and loan association, savings bank, or credit union whose aggregate capital stock and surplus is less than a certain specified amount shall be named as the active bank, ~~or~~ savings and loan association, savings bank, or credit union. During such period the county treasurer shall draw all of his checks to pay warrants and other demands drawn upon him upon such active bank, ~~or~~ savings and loan association, savings bank, or credit union: Provided, however, that the county treasurer shall have power to withdraw county moneys from any depository for the purposes stated in Section 3-11010: And, provided, further, that during such period drafts and checks against deposit of funds designated by Section 3-11003 hereof as "Class A" funds and "Class B" funds may be drawn upon other than the active bank, ~~or~~ savings and loan association, savings bank, or credit union.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11013) (from Ch. 34, par. 3-11013)

Sec. 3-11013. Annual report of interest received. The county treasurer shall make to the county clerk an annual report, under oath, of all interest received by the county treasurer or credited to the county treasurer by any bank, ~~or~~ savings and loan association, savings bank, or credit union, in which is deposited any county moneys, and at the time of making such report the county treasurer shall pay into the county

treasury for the benefit of the county the aggregate amount of all interest so received by or credited to him, as shown by said report. Such report shall show the name of each bank or depository where any county moneys are deposited.

(Source: P.A. 86-962.)

(55 ILCS 5/3-11018) (from Ch. 34, par. 3-11018)

Sec. 3-11018. Payment of interest or fees on deposits. No bank, ~~or~~ savings and loan association, savings bank, or credit union holding county moneys deposited therewith by the county treasurer in accordance with the provisions in this Division, or otherwise, and no officer of any such bank, ~~or~~ savings and loan association, savings bank, or credit union, or other person, shall pay to, withhold for the benefit of, or contract in any manner for the payment to such county treasurer, or to any other person for him, of any interest or other fee, perquisite or emolument, on account of the deposit of such county moneys, except such interest as shall be paid to such county treasurer for the benefit of the county.

(Source: P.A. 86-962.)

Section 99. Effective date. This Act takes effect upon becoming law.