

1 AN ACT concerning bonds.

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

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

6 (30 ILCS 235/2) (from Ch. 85, par. 902)

7 Sec. 2. Authorized investments.

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

10 (1) in bonds, notes, certificates of indebtedness,
11 treasury bills or other securities now or hereafter
12 issued, which are guaranteed by the full faith and credit
13 of the United States of America as to principal and
14 interest;

15 (2) in bonds, notes, debentures, or other similar
16 obligations of the United States of America or its
17 agencies;

18 (3) in interest-bearing savings accounts,
19 interest-bearing certificates of deposit or
20 interest-bearing time deposits or any other investments
21 constituting direct obligations of any bank as defined by
22 the Illinois Banking Act;

23 (4) in short term obligations of corporations
24 organized in the United States with assets exceeding
25 \$500,000,000 if (i) such obligations are rated at the
26 time of purchase at one of the 3 highest classifications
27 established by at least 2 standard rating services and
28 which mature not later than 180 days from the date of
29 purchase, (ii) such purchases do not exceed 10% of the
30 corporation's outstanding obligations and (iii) no more
31 than one-third of the public agency's funds may be

1 invested in short term obligations of corporations; or
2 (5) in money market mutual funds registered under
3 the Investment Company Act of 1940, provided that the
4 portfolio of any such money market mutual fund is limited
5 to obligations described in paragraph (1) or (2) of this
6 subsection and to agreements to repurchase such
7 obligations.

8 (a-1) In addition to any other investments authorized
9 under this Act, a municipality may invest its public funds in
10 interest bearing bonds of any county, township, city,
11 village, incorporated town, municipal corporation, or school
12 district, of the State of Illinois, of any other state, or of
13 any political subdivision or agency of the State of Illinois
14 or of any other state, whether the interest earned thereon is
15 taxable or tax-exempt under federal law. The bonds shall be
16 registered in the name of the municipality or held under a
17 custodial agreement at a bank. The bonds shall be rated at
18 the time of purchase within the 4 highest general
19 classifications established by a rating service of nationally
20 recognized expertise in rating bonds of states and their
21 political subdivisions.

22 (b) Investments may be made only in banks which are
23 insured by the Federal Deposit Insurance Corporation. Any
24 public agency may invest any public funds in short term
25 discount obligations of the Federal National Mortgage
26 Association or in shares or other forms of securities legally
27 issuable by savings banks or savings and loan associations
28 incorporated under the laws of this State or any other state
29 or under the laws of the United States. Investments may be
30 made only in those savings banks or savings and loan
31 associations the shares, or investment certificates of which
32 are insured by the Federal Deposit Insurance Corporation. Any
33 such securities may be purchased at the offering or market
34 price thereof at the time of such purchase. All such

1 securities so purchased shall mature or be redeemable on a
2 date or dates prior to the time when, in the judgment of such
3 governing authority, the public funds so invested will be
4 required for expenditure by such public agency or its
5 governing authority. The expressed judgment of any such
6 governing authority as to the time when any public funds will
7 be required for expenditure or be redeemable is final and
8 conclusive. Any public agency may invest any public funds in
9 dividend-bearing share accounts, share certificate accounts
10 or class of share accounts of a credit union chartered under
11 the laws of this State or the laws of the United States;
12 provided, however, the principal office of any such credit
13 union must be located within the State of Illinois.
14 Investments may be made only in those credit unions the
15 accounts of which are insured by applicable law.

16 (c) For purposes of this Section, the term "agencies of
17 the United States of America" includes: (i) the federal land
18 banks, federal intermediate credit banks, banks for
19 cooperative, federal farm credit banks, or any other entity
20 authorized to issue debt obligations under the Farm Credit
21 Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory
22 thereto; (ii) the federal home loan banks and the federal
23 home loan mortgage corporation; and (iii) any other agency
24 created by Act of Congress.

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

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

34 (2) have any interest, directly or indirectly, in

1 the sellers, sponsors, or managers of those investments.

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

5 (e) Any public agency may also invest any public funds
6 in a Public Treasurers' Investment Pool created under Section
7 17 of the State Treasurer Act. Any public agency may also
8 invest any public funds in a fund managed, operated, and
9 administered by a bank, subsidiary of a bank, or subsidiary
10 of a bank holding company or use the services of such an
11 entity to hold and invest or advise regarding the investment
12 of any public funds.

13 (f) To the extent a public agency has custody of funds
14 not owned by it or another public agency and does not
15 otherwise have authority to invest such funds, the public
16 agency may invest such funds as if they were its own. Such
17 funds must be released to the appropriate person at the
18 earliest reasonable time, but in no case exceeding 31 days,
19 after the private person becomes entitled to the receipt of
20 them. All earnings accruing on any investments or deposits
21 made pursuant to the provisions of this Act shall be credited
22 to the public agency by or for which such investments or
23 deposits were made, except as provided otherwise in Section
24 4.1 of the State Finance Act or the Local Governmental Tax
25 Collection Act, and except where by specific statutory
26 provisions such earnings are directed to be credited to and
27 paid to a particular fund.

28 (g) A public agency may purchase or invest in repurchase
29 agreements of government securities having the meaning set
30 out in the Government Securities Act of 1986 subject to the
31 provisions of said Act and the regulations issued thereunder.
32 The government securities, unless registered or inscribed in
33 the name of the public agency, shall be purchased through
34 banks or trust companies authorized to do business in the

1 State of Illinois.

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

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

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

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

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

4 (5) The security interest must be perfected.

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

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

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

14 (9) The custodial bank must take delivery of and
15 maintain the securities in its custody for the account of
16 the public agency and confirm the transaction in writing
17 to the public agency. The Custodial Undertaking shall
18 provide that the custodian takes possession of the
19 securities exclusively for the public agency; that the
20 securities are free of any claims against the trading
21 partner; and any claims by the custodian are subordinate
22 to the public agency's claims to rights to those
23 securities.

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

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

33 (i) Notwithstanding the foregoing restrictions on
34 investment in instruments constituting repurchase agreements

1 the Illinois Housing Development Authority may invest in, and
2 any financial institution with capital of at least
3 \$250,000,000 may act as custodian for, instruments that
4 constitute repurchase agreements, provided that the Illinois
5 Housing Development Authority, in making each such
6 investment, complies with the safety and soundness guidelines
7 for engaging in repurchase transactions applicable to
8 federally insured banks, savings banks, savings and loan
9 associations or other depository institutions as set forth in
10 the Federal Financial Institutions Examination Council Policy
11 Statement Regarding Repurchase Agreements and any regulations
12 issued, or which may be issued by the supervisory federal
13 authority pertaining thereto and any amendments thereto;
14 provided further that the securities shall be either (i)
15 direct general obligations of, or obligations the payment of
16 the principal of and/or interest on which are unconditionally
17 guaranteed by, the United States of America or (ii) any
18 obligations of any agency, corporation or subsidiary thereof
19 controlled or supervised by and acting as an instrumentality
20 of the United States Government pursuant to authority granted
21 by the Congress of the United States and provided further
22 that the security interest must be perfected by either the
23 Illinois Housing Development Authority, its custodian or its
24 agent receiving possession of the securities either
25 physically or transferred through a nationally recognized
26 book entry system.

27 (j) In addition to all other investments authorized
28 under this Section, a community college district may invest
29 public funds in any mutual funds that invest primarily in
30 corporate investment grade or global government short term
31 bonds. Purchases of mutual funds that invest primarily in
32 global government short term bonds shall be limited to funds
33 with assets of at least \$100 million and that are rated at
34 the time of purchase as one of the 10 highest classifications

1 established by a recognized rating service. The investments
2 shall be subject to approval by the local community college
3 board of trustees. Each community college board of trustees
4 shall develop a policy regarding the percentage of the
5 college's investment portfolio that can be invested in such
6 funds.

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

10 (Source: P.A. 90-319, eff. 8-1-97.)

11 Section 10. The Investment of Municipal Funds Act is amended
12 by changing Section 1 as follows:

13 (50 ILCS 340/1) (from Ch. 146 1/2, par. 3.1)

14 Sec. 1. Every county, park district, sanitary district,
15 or other municipal corporation, holding in its treasury funds
16 which are set aside for use for particular purposes,
17 including any funds that are disbursed to a county or
18 municipality as their share of the taxes collected under the
19 "Motor Fuel Tax Law", but which are not immediately necessary
20 for those purposes, by ordinance, may use those funds, or any
21 of them, in the purchase of tax anticipation warrants issued
22 by the county, park district, sanitary district, or other
23 municipal corporation possessing the funds against taxes
24 levied by that county, park district, sanitary district, or
25 other municipal corporation. These warrants shall bear
26 interest not to exceed four percent annually. All interest
27 upon these warrants, and all money paid in redemption of
28 these warrants, or received from the resale thereof, shall at
29 once be credited to and placed in the particular fund used to
30 purchase the specified warrants. Likewise, every county, park
31 district, sanitary district, or other municipal corporation,
32 by resolution or ordinance may use the money in the specified

1 funds in the purchase of municipal bonds issued by the
2 county, park district, sanitary district, or other municipal
3 corporation, possessing the funds and representing an
4 obligation and pledging the credit of that county, park
5 district, sanitary district, or other municipal corporation,
6 or bonds and other interest bearing obligations of the United
7 States, ~~or~~ of the State of Illinois, or of any other state or
8 of any political subdivision or agency of the State of
9 Illinois or of any other state, whether the interest earned
10 thereon is taxable or tax-exempt under federal law, including
11 savings accounts and savings certificates of deposit of any
12 State or National Bank if such accounts and certificates are
13 fully insured by the Federal Deposit Insurance Corporation,
14 withdrawable capital accounts or deposits of State or federal
15 chartered savings and loan associations which are fully
16 insured by the Federal Savings and Loan Insurance
17 Corporation, or treasury notes and other securities issued by
18 agencies of the United States. All interest upon these bonds
19 or obligations and all money paid in redemption of these
20 bonds or obligations or realized from the sale thereof, if
21 afterwards sold, shall at once be credited to and placed in
22 the particular fund used to purchase the specified bonds or
23 obligations.

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

30 This amendatory Act of 1975 is not a limit on any home
31 rule unit.

32 (Source: P.A. 84-1308.)

33 Section 99. Effective date. This Act takes effect upon

1 becoming law.