

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  
12 amended 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.