

1 AN ACT concerning finance.

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 Sections 1 and 2 as follows:

6 (30 ILCS 235/1) (from Ch. 85, par. 901)

7 Sec. 1. The words "public funds", as used in this Act, mean
8 current operating funds, special funds, interest and sinking
9 funds, and funds of any kind or character belonging to or in
10 the custody of any public agency.

11 The words "public agency", as used in this Act, mean the
12 State of Illinois, the various counties, townships, cities,
13 towns, villages, school districts, educational service
14 regions, special road districts, public water supply
15 districts, fire protection districts, drainage districts,
16 levee districts, sewer districts, housing authorities, the
17 Illinois Bank Examiners' Education Foundation, the Chicago
18 Park District, and all other political corporations or
19 subdivisions of the State of Illinois, now or hereafter
20 created, whether herein specifically mentioned or not. This Act
21 does not apply to the Illinois Prepaid Tuition Trust Fund,
22 private funds collected by the Illinois Conservation
23 Foundation, or pension funds or retirement systems established

1 under the Illinois Pension Code, except as otherwise provided
2 in that Code.

3 The words "governmental unit", as used in this Act, have
4 the same meaning as in the Local Government Debt Reform Act.

5 (Source: P.A. 91-669, eff. 1-1-00; 92-797, eff. 8-15-02.)

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 issued,
12 which are guaranteed by the full faith and credit of the
13 United States of America as to principal and interest;

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

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

22 (4) in short term obligations of corporations
23 organized in the United States with assets exceeding
24 \$500,000,000 if (i) such obligations are rated at the time
25 of purchase at one of the 3 highest classifications

1 established by at least 2 standard rating services and
2 which mature not later than 270 days from the date of
3 purchase, (ii) such purchases do not exceed 10% of the
4 corporation's outstanding obligations and (iii) no more
5 than one-third of the public agency's funds may be invested
6 in short term obligations of corporations; or

7 (5) in money market mutual funds registered under the
8 Investment Company Act of 1940, provided that the portfolio
9 of any such money market mutual fund is limited to
10 obligations described in paragraph (1) or (2) of this
11 subsection and to agreements to repurchase such
12 obligations.

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

1 political subdivisions.

2 (b) Investments may be made only in banks which are insured
3 by the Federal Deposit Insurance Corporation. Any public agency
4 may invest any public funds in short term discount obligations
5 of the Federal National Mortgage Association or in shares or
6 other forms of securities legally issuable by savings banks or
7 savings and loan associations incorporated under the laws of
8 this State or any other state or under the laws of the United
9 States. Investments may be made only in those savings banks or
10 savings and loan associations the shares, or investment
11 certificates of which are insured by the Federal Deposit
12 Insurance Corporation. Any such securities may be purchased at
13 the offering or market price thereof at the time of such
14 purchase. All such securities so purchased shall mature or be
15 redeemable on a date or dates prior to the time when, in the
16 judgment of such governing authority, the public funds so
17 invested will be required for expenditure by such public agency
18 or its governing authority. The expressed judgment of any such
19 governing authority as to the time when any public funds will
20 be required for expenditure or be redeemable is final and
21 conclusive. Any public agency may invest any public funds in
22 dividend-bearing share accounts, share certificate accounts or
23 class of share accounts of a credit union chartered under the
24 laws of this State or the laws of the United States; provided,
25 however, the principal office of any such credit union must be
26 located within the State of Illinois. Investments may be made

1 only in those credit unions the accounts of which are insured
2 by applicable law.

3 (c) For purposes of this Section, the term "agencies of the
4 United States of America" includes: (i) the federal land banks,
5 federal intermediate credit banks, banks for cooperative,
6 federal farm credit banks, or any other entity authorized to
7 issue debt obligations under the Farm Credit Act of 1971 (12
8 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the
9 federal home loan banks and the federal home loan mortgage
10 corporation; and (iii) any other agency created by Act of
11 Congress.

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

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

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

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

25 (e) Any public agency may also invest any public funds in a
26 Public Treasurers' Investment Pool created under Section 17 of

1 the State Treasurer Act. Any public agency may also invest any
2 public funds in a fund managed, operated, and administered by a
3 bank, subsidiary of a bank, or subsidiary of a bank holding
4 company or use the services of such an entity to hold and
5 invest or advise regarding the investment of any public funds.

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

20 (g) A public agency may purchase or invest in repurchase
21 agreements of government securities having the meaning set out
22 in the Government Securities Act of 1986, as now or hereafter
23 amended or succeeded, subject to the provisions of said Act and
24 the regulations issued thereunder. The government securities,
25 unless registered or inscribed in the name of the public
26 agency, shall be purchased through banks or trust companies

1 authorized to do business in the State of Illinois.

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

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

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

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

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

12 (5) The security interest must be perfected.

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

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

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

21 (9) The custodial bank must take delivery of and
22 maintain the securities in its custody for the account of
23 the public agency and confirm the transaction in writing to
24 the public agency. The Custodial Undertaking shall provide
25 that the custodian takes possession of the securities
26 exclusively for the public agency; that the securities are

1 free of any claims against the trading partner; and any
2 claims by the custodian are subordinate to the public
3 agency's claims to rights to those securities.

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

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

13 (i) Notwithstanding the foregoing restrictions on
14 investment in instruments constituting repurchase agreements
15 the Illinois Housing Development Authority may invest in, and
16 any financial institution with capital of at least \$250,000,000
17 may act as custodian for, instruments that constitute
18 repurchase agreements, provided that the Illinois Housing
19 Development Authority, in making each such investment,
20 complies with the safety and soundness guidelines for engaging
21 in repurchase transactions applicable to federally insured
22 banks, savings banks, savings and loan associations or other
23 depository institutions as set forth in the Federal Financial
24 Institutions Examination Council Policy Statement Regarding
25 Repurchase Agreements and any regulations issued, or which may
26 be issued by the supervisory federal authority pertaining

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

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

1 funds.

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

5 (Source: P.A. 96-741, eff. 8-25-09; 97-129, eff. 7-14-11.)

6 Section 10. The Illinois Municipal Code is amended by
7 changing Section 3.1-35-50 as follows:

8 (65 ILCS 5/3.1-35-50) (from Ch. 24, par. 3.1-35-50)

9 Sec. 3.1-35-50. Treasurer; deposit of funds.

10 (a) The municipal treasurer may be required to keep all
11 funds and money in the treasurer's custody belonging to the
12 municipality in places of deposit designated by ordinance. When
13 requested by the municipal treasurer, the corporate
14 authorities shall designate one or more banks or savings and
15 loan associations in which may be kept the funds and money of
16 the municipality in the custody of the treasurer. When a bank
17 or savings and loan association has been designated as a
18 depository, it shall continue as a depository until 10 days
19 have elapsed after a new depository is designated and has
20 qualified by furnishing the statements of resources and
21 liabilities as required by this Section. When a new depository
22 is designated, the corporate authorities shall notify the
23 sureties of the municipal treasurer of that fact in writing at
24 least 5 days before the transfer of funds. The treasurer shall

1 be discharged from responsibility for all funds or money that
2 the treasurer deposits in a designated bank or savings and loan
3 association while the funds and money are so deposited.

4 (b) The municipal treasurer may require any bank or savings
5 and loan association to deposit with the treasurer securities
6 or mortgages that have a market value at least equal to the
7 amount of the funds or moneys of the municipality deposited
8 with the bank or savings and loan association that exceeds the
9 insurance limitation provided by the Federal Deposit Insurance
10 Corporation or the Federal Savings and Loan Insurance
11 Corporation.

12 (c) The municipal treasurer may enter into agreements of
13 any definite or indefinite term regarding the deposit,
14 redeposit, investment, reinvestment, or withdrawal of
15 municipal funds.

16 (d) Notwithstanding any other provision of this Act or any
17 other law, each official custodian of municipal funds,
18 including, without limitation, each municipal treasurer or
19 finance director or each person properly designated as the
20 official custodian for municipal funds, including, without
21 limitation, each person properly designated as official
22 custodian for funds held by an intergovernmental risk
23 management entity, self-insurance pool, waste management
24 agency, or other intergovernmental entity composed solely of
25 participating municipalities, is permitted to:

26 (i) combine moneys from more than one fund of a single

1 municipality, risk management entity, self-insurance pool,
2 or other intergovernmental entity composed solely of
3 participating municipalities for the purpose of investing
4 such moneys;

5 (ii) join with any other official custodians or
6 treasurers of municipal, intergovernmental risk management
7 entity, self-insurance pool, waste management agency, or
8 other intergovernmental entity composed solely of
9 participating municipalities for the purpose of jointly
10 investing the funds of which the official custodians or
11 treasurers have custody; and

12 (iii) enter into agreements of any definite or
13 indefinite term regarding the redeposit, investment, or
14 withdrawal of municipal, risk management entity,
15 self-insurance agency, waste management agency, or other
16 intergovernmental entity funds.

17 When funds are combined for investment purposes as
18 authorized in this Section, the moneys combined for those
19 purposes shall be accounted for separately in all respects, and
20 the earnings from such investment shall be separately and
21 individually computed, recorded, and credited to the fund,
22 municipality, intergovernmental risk management entity,
23 self-insurance pool, waste management agency, or other
24 intergovernmental entity, as the case may be, for which the
25 investment was acquired.

26 Joint investments shall be made only in investments

1 authorized by law for investment of municipal funds. The grant
2 of authority contained in this subsection is cumulative,
3 supplemental, and in addition to all other power or authority
4 granted by any other law and shall not be construed as a
5 limitation of any power and authority otherwise granted.

6 (e) No bank or savings and loan association shall receive
7 public funds as permitted by this Section unless it has
8 complied with the requirements established by Section 6 of the
9 Public Funds Investment Act.

10 (f) In addition to any other investments or deposits
11 authorized under this Code, municipalities are authorized to
12 invest the funds and public moneys in the custody of the
13 municipal treasurer in accordance with the Public Funds
14 Investment Act.

15 (Source: P.A. 89-592, eff. 8-1-96.)