corporate funds on the first day of the fiscal year following the abandonment or completion of the project or the discovery of the surplus funds..

15-7 **SEVERABILITY.** Each section, subsection, paragraph, sentence or restriction established by this Chapter, or any amendments hereto, are hereby declared to be separable and independent. If any court of competent jurisdiction determines that any provision of this Chapter is invalid, such judgment shall not affect any other provision of this Chapter not specifically included in the judgment, and the balance of the Chapter shall remain in full force and effect.

CHAPTER 16 FLIGHT CENTER RAMP GUIDELINES

Sec. 16-1 **RAMP AREA RESERVED.** The ramp area around the Flight Center shall be reserved for all itinerant aircraft. The Authority shall avoid any concentration of lighter aircraft on the Flight Center Ramp.

16-2 **CARGO RESTRICTIONS.** Cargo handling that involves support equipment (fork lift, front loader, etc.) may be accomplished through the SASOs and shall only be allowed on the Flight Center Ramp in those areas designated by the Authority from time to time.

CHAPTER 17 INVESTMENT POLICY

Sec. 17-1 **POLICY PURPOSE.** The purpose of this Investment Policy Statement is to clarify the investment objectives of the Investment Account and to make certain these objectives are aligned with the financial goals of the Investment Account. This Investment Policy Statement should be reviewed at least annually with revisions applied as needed.

The Chief Investment Officer (CIO) is responsible for the management of daily receipt and investment of cash and related accounting operations. The Finance Director is the Chief Investment Officer of the DuPage Airport Authority (DAA) and investments may be directed by the CIO or designee, in accordance with this Policy.

It is the policy of the CIO to invest all funds under DAA control in a manner that provides the highest investment return using authorized instruments while meeting the DAA's daily cash flow demands.

17-2 **SCOPE OF POLICY.** This Policy applies to all funds held by the DAA. Except for cash in restricted funds, the DAA will consolidate cash balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

17-3 **OBJECTIVES.** The primary objectives of investment activities shall be safety, liquidity, and yield:

17-3-1 **Safety.** The safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio, while mitigating credit and interest rate risks.

(a) Credit Risk. The DAA will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:

(i) Limiting investments to the safest types of securities;

(ii) Pre-qualifying the financial institutions, brokers, intermediaries and advisors with which the DAA will do business; and

(iii) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

(b) Interest Rate Risk. The DAA will minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by:

(i) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and

(ii) Investing operating funds primarily in shorter-term securities, money market mutual funds or investment pools.

17-3-2 **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio will have a significant portion of the portfolio invested in money market mutual funds or investment pools which offer very quick liquidity for short-term funds.

17-3-3 **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

17-4 STANDARDS OF CARE.

17-4-1 **Prudence.** The standard of prudence to be used by the investment officials shall be the "prudent person," which states:

> *"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."*

Board Members and Investment officers acting in accordance with written procedures and this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

17-4-2 **Delegation of Authority.** Authority to manage the investment program is granted to the Director of Finance (Chief Investment Officer) derived from the following: 30 ILCS 235 et. seq. The CIO or designee shall establish written procedures and internal controls for the operation of the investment program that is consistent with the investment policy.

No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CIO. The CIO shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, including outside investment managers.

17-4-3 **Ethics and Conflicts of Interest.** DAA employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or could impair their ability to make impartial decisions. Employees involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the DAA.

17-5 CONTRACTS WITH FINANCIAL INSTITUTIONS.

17-5-1 **Depositories.** The CIO or designee shall deposit funds in such depositories that are members of the Federal Deposit and Loan Insurance Corporation or the Federal Savings and Loan Insurance Corporation and who are willing and capable of pledging the required collateral for funds in excess of insurable limits.

The DAA currently has monies with three Financial Institutions, after approval of this investment policy the DAA will implement the Government Finance Officers Association best practice for procuring banking services. This will include meeting with multiple banks to understand products/services that the DAA would be interested in procuring. The DAA will then use a RFP process to select the Financial Institution(s) with which the DAA will do business. The process will be repeated at a minimum of every three years.

17-5-2 **Financial Dealers and Institutions.** A list will be maintained of the financial institutions and depositories that the Board of Commissioners has authorized to provide financial or investment services to the DAA.

Only primary government securities dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1(uniform net capital rule) are eligible to apply for inclusion on the approved list.

All financial institutions or broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal guidelines;
- Proof of National Association of Securities Dealers certification;
- Proof of state registration;
- Completed broker/dealer questionnaire;
- Certification of having read and understood and agreeing to comply with the DAA's investment policy; and/or
- Evidence of adequate insurance coverage.

The number of primary dealers and regional brokers on the approved list shall not exceed a combined total of seven (7) at any single time.

The CIO shall conduct annual reviews, of the financial condition and the registrations of all approved broker/dealers in order to determine whether they should remain on the approved list.

17-6 SAFEKEEPING AND CUSTODY.

17-6-1 **Delivery vs. Payment.** All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

17-6-2 **Safekeeping.** Securities will be held by an independent third-party custodian selected by the DAA as evidenced by the safekeeping receipts in the DAA's name.

17-6-3 **Internal Controls.** The CIO is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the DAA are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

17-7 **INVESTMENT INSTRUMENTS.** The DAA will make investments in accordance with the Illinois Public Funds Investment Act, 30 ILCS 235/0.01 *et seq*. A summary of investment instruments are as follows, while the list below is intended to be complete the Illinois Public Funds Investment Act will be the official list of allowed investment instruments:

A. Savings accounts, certificates of deposit and other time accounts of Commercial banks insured by the Federal Deposit Insurance Corporation.

B. Securities of savings and loan associations the shares or investment certificates of which are insured by the Federal Savings and Loan Insurance Corporation.

C. Bonds, notes, certificate of indebtedness, treasury bills, or other securities which are guaranteed by full faith and credit of the United States of America.

D. Short term discount obligations of the Federal National Mortgage Association.

E. Commercial paper issued by corporations organized in the United States with assets exceeding $500,000,000.

F. Short term obligations of the Federal National Mortgage Association.

G. Money market mutual funds registered under the investment company act of 1940 limited to investments in securities guaranteed by full faith and credit of the United States of America.

H. Local government investment pools(Illinois Metropolitan Investment Pool and Illinois Public Treasurer's Investment Pool).

I. Municipal bonds issued by Illinois municipalities or the State of Illinois.

17-8 **COLLATERALIZATION.** It is the policy of the Fund to require that all deposits in excess of FDIC insurable limits (applies to bank Certificates of Deposit) be secured by collateral in order to protect deposits from default.

17-8-1 **Instruments and Ratios.** Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:

U.S. Government Securities	=	110%
Obligations of Federal Agencies	=	115%
Obligations of the State of Illinois	=	115%
Local and Municipal Bonds rated "A" or better by Moody's	=	115%

The ratio of fair market value of collateral to the amount of funds secured shall be reviewed at least quarterly and additional collateral shall be requested when the ratio declines below the level required.

17-9 **INVESTMENT PARAMETERS.**

17-9-1 **Diversification.** The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).
- Limiting investment in securities that are grade A or better.
- Investing in securities with varying maturities.

- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

17-9-2 **Diversification/Strategy for Funds Not Needed for Short Term, Ongoing Obligations.** The average maturity/duration of the portfolio will be managed based upon the current existing interest rate environment. Under most circumstances the maturity/modified duration of the portfolio will be maintained at approximately 3.0 years and will range from 2.0 years to 7.0 years. This type of strategy will result in increasing the maturity/duration of the portfolio when interest rates are rising and decreasing the maturity/duration of the portfolio if interest rates are declining. The investment manager may change the duration of the portfolio as the market conditions permit.

The allocation guidelines, by asset class, for the fixed income investments are as follows:

	Normal Allocation (3)	Range of Allocation
Cash & Equivalents (1,2)	5%	0 - 100%
U.S. Treasury/Agency Securities	95%	0 - 100%
Municipal Securities	0%	0 - 20%

Notes:
1. Cash will be maintained to manage cash flow of the Fund or as a transition asset.
2. Bank certificates of deposit will only be used if market returns are favorable. They will be used as a substitute for the Treasury and Agency portion of the portfolio.
3. Under normal market conditions the structure of the portfolio will be within these limits; however the portfolio manager may diverge from the above suggestions due to abnormal market conditions.

17-9-3 **Maximum Maturities.** To the extent possible, the DAA shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the DAA will not directly invest in securities maturing more than ten (10) years from the date of purchase.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Board of Commissioners.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations. These funds are separate and not considered when calculating investment allocation as defined in 17-9-2.

17-10 REPORTING.

17-10-1 **Methods.** The CIO shall prepare a quarterly investment report, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. The report will be provided to the Executive Director and the Board of Commissioners. The report will include the following:

- Listing of individual securities held at the end of the reporting period and including book value, market value and unrealized gain or loss.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.

17-10-2 **Performance Standards.** Performance will be calculated using professional standards as established by the CFA Institute (formerly the Association for Investment Management Research). The CIO shall utilize the following benchmarks for evaluating the performance:

Application	**Benchmark**
Entire Portfolio	**Barclays Intermediate Government Index**

17-10-3 **Marking to Market.** The market value of the portfolio shall be calculated quarterly and a statement of the market value of the portfolio shall be issued. This will ensure that the review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA recommended practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."

17-11 **POLICY CONSIDERATIONS.**

17-11-1 **Exemption.** Any investment currently held that does not meet the guidelines of this policy shall be temporarily exempted from the requirements of this policy. Investments must come in conformance with the policy within six months of the policy's adoption or the Board of Commissioners must be presented with a plan through which investments will come into conformance.

17-11-2 **Amendments.** This policy shall be reviewed on an annual basis. Any changes must be approved by the CIO and the Board of Commissioners.

17-12 **APPROVAL OF INVESTMENT POLICY.** The investment policy shall be formally approved and adopted by the Board of Commissioners and reviewed annually.

The Board and Chief Investment Officer shall review this Policy periodically to ensure its effectiveness in meeting the DAA's needs for safety, liquidity, rate of return, and diversification, and its general performance. Any changes shall be presented to the Board for its approval. Whenever this policy is amended, the Board shall file a copy of the new policy with the Illinois Department of Financial and Professional Regulation within thirty (30) days.

17-13 **DEFINITIONS.** The terms as used in this Chapter are defined as follows:

Beneficiary: A person eligible for or receiving benefits from a pension fund.

Book Entry Security: Securities that can be transferred from institution to institution using the federal electronic wire system, thus eliminating the physical transfer of certificates. Records are maintained on a computer system at the Federal Reserve.

Collateral: The pledging of a security to guarantee performance of an obligation.

Commercial Paper: - Unsecured promissory notes of corporations issued for 270 days or less.

Fiduciary: A person entrusted with the control of assets for the benefit of others.

Investment Manager: An individual or organization that provides investment management services for a fee, either on a discretionary or nondiscretionary basis. Under Illinois law, an investment manager is considered a fiduciary with respect to the Fund.

IL Funds (also known as the Illinois Public Treasurers' Investment Pool): A short-term money market fund for public funds in Illinois.

Market Value: The present price of a given security.

Barclays Intermediate Government Index: The Barclays Intermediate Government Index tracks the performance of intermediate U.S. government securities.

Return: The profit or interest as payment for investment.

Security: Any note, stock, bond, certificate of interest or certificate of deposit.

Treasury Bill: Short-term debt obligation of U.S. government which will mature within ten years at the time of original issuance.

Treasury Bond: Longer debt obligations of U.S. government which will mature in ten years or longer at the time of original issuance.

Yield: Percentage measured by taking annual interest from an investment and dividing by current market value.

CHAPTER 18 SEVERABILITY

Sec. 18-1 **SEVERABILITY.** It is hereby declared to be the intention of the Authority that the several provisions of this Code are severable.

18-2 **SURVIVAL.** If any court of competent jurisdiction shall adjudge any chapter, section, provision, or part thereof, of this Code to be invalid, such judgment shall not affect any other chapter, section, provision, or part thereof, of this Code which are not declared to be invalid in said judgment.

18-3 **EFFECT OF INVALIDITY ON OTHERS.** If any court of competent jurisdiction shall adjudge invalid the application of any chapter, section, provision, or part thereof, of this Code to a particular person, such judgment shall not affect the application of said chapter, section, provision, or part thereof, to any other person not specifically included in said judgment.