

OLD BUSINESS

There was no old business.

NEW BUSINESS

F.1 Investment Overview

Director Lamberg addressed the Board regarding investment laws in Illinois and the Village's investment policy. SB 1555, signed into law during 1998 as PA 90-0688, amended the Public Funds Investment Act by requiring every unit of government in Illinois to adopt a written policy governing its investment activity. The Village board adopted a revised investment policy on December 19, 1999. The investment policy was revised by the board again on October 15, 2013. Some state statute changes have occurred since the last policy update in 2013. Staff worked with PFM to review the current policy to verify it reflects the most current laws and regulations. State statute has very specific requirements about investing in commercial paper. Revisions are needed in the Negotiable certificates of deposit (NCDs) section to reflect current language in the law. The NCD section was revised to mirror language in the state statute. Additionally, the NCD maximum maturity rate was shortened from 10 years to 5 years. Additional minor language changes were made.

Director Lamberg introduced Michelle Binns, Director with PFM Asset Management. Michelle presented the following:

PFM Asset Management at a Glance

Built to Serve the Public Sector

We serve state and local governments, public pensions, higher education, other post employment benefit trusts (OPEB), and public insurance and captives

- Public sector investment and relationship management teams experienced in the specific investment codes & needs of public sector clients
- Strong performance track record, transparent reporting and commitment to client education

Our Solutions

- Local Government Investment Pools (LGIPs)
- Fixed Income Strategies
 - Cash & Enhanced Cash
 - Short & Intermediate Duration
 - Core Aggregate
- Outsourced Chief Investment Officer (OCIO)
- Specialized Solutions
 - Structured Products
 - Arbitrage Rebate

\$171.5b

in Public Sector Assets Under Management*

40+

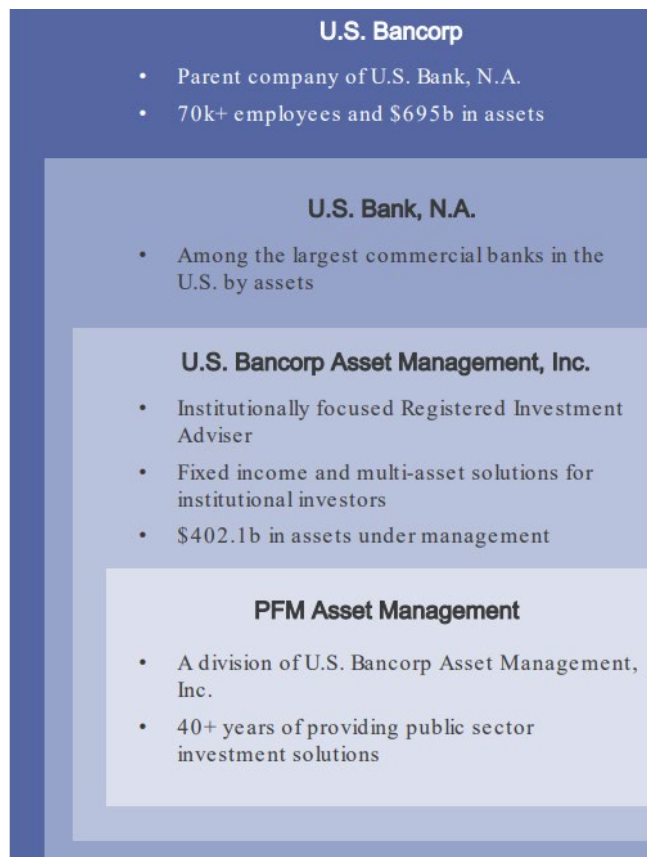
Years Serving the Public Sector*

700+

Public Sector Clients*

*As of September 30, 2025. Public sector includes government, pool, and TERM. Total assets under management ~~Asset Management, Inc.~~ were \$402.1 billion.

Structure of Organizational Support and Resources



As of September 30, 2025.

- Acquired by U.S. Bancorp in December 2021

Investment Objectives

1

Safeguard Principal



2

Meet Liquidity Needs



3

Achieve a Market Return/Yield

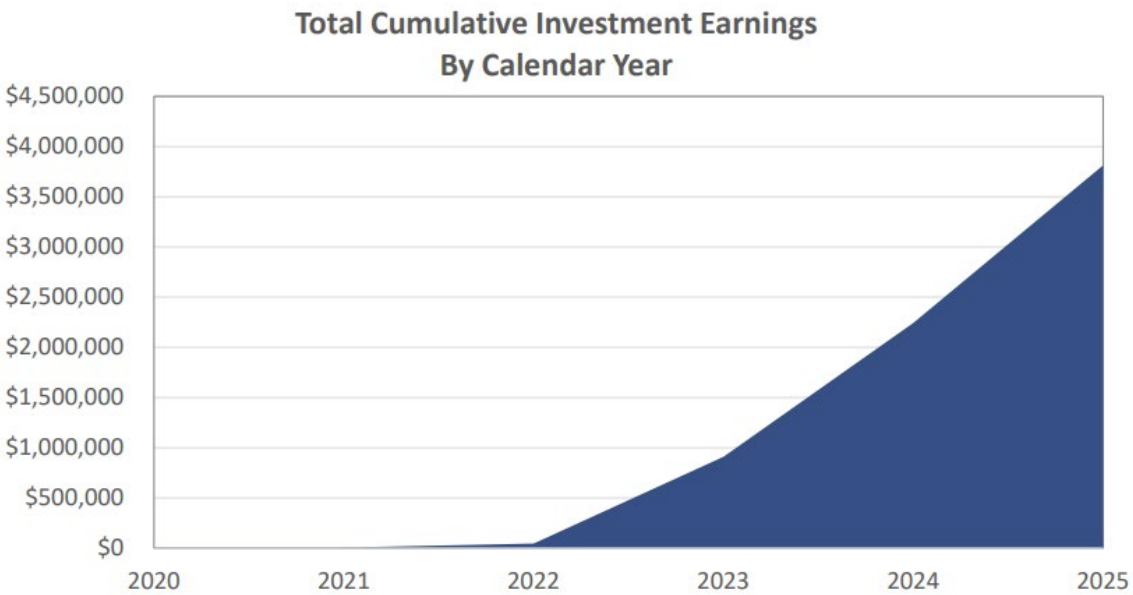


- Make sure you have enough cash on hand

History Working with the Village

- January 2019: First Illinois Trust Account established with the Village.
- October 2022: Expanded relationship from \$1 million to \$25 million and established a 1-year investment ladder strategy.
 - This strategy allowed the Village to take advantage of the steep yield curve when rates were rising.
 - We continued with the 1 -year investment ladder until the Village started spending on capital projects.
- June 2025:
 - Bond Proceeds Accounts established
 - Segregated Account established to save on custody fees
- December 2025: Balances on all accounts total \$49.4 million
 - Bond proceeds accounts established to invest the funds
 - Segregated account established for securities purchased

Village of Oswego's Main Investment Account



Interest earnings from January 2020 through November 30, 2025.

- Rates were low
- Rates started rising in 2022

Village of Oswego's Additional Investment Accounts in 2025

Account	IIIT Class	Managed Account	Total
2025 Bond Proceeds Account	\$315,374	\$0	\$315,374
2025B Bond Proceeds Taxable	\$55,752	\$0	\$55,752
Segregated Account	\$5,269	\$24,000	\$29,269
Total Investment Earnings	\$376,396	\$24,000	\$400,396

Interest earnings in calendar year 2025 through November 30th.

Permitted Investments

- Define in Investment Policy
- Complies with the Illinois Public Funds Investment Act (30 ILCS 235)
- Can set diversification limits
 - Term
 - Sector
 - Credit Quality

Sector	Allowed
Bank Accounts	Yes
Local Government Investment Pools	Yes
Certificates of Deposit	Yes
U.S. Treasuries	Yes
U.S. Agencies	Yes
Municipal Bonds	Yes
Commercial Paper	Yes
Corporate Notes	Yes
Mutual Funds (Stocks)	NO

- Need to comply with state statute
- Commercial Paper and Corporate Notes have the most restrictions
- Mutual Funds/Stock are not allowed

Developing a Solid Investment Policy

- ▶ It is our opinion Investment Policy should be structured to place the highest priority on the:
 - ▶ Safety of principal
 - ▶ Liquidity of funds
- ▶ The optimization of returns shall be secondary (yet important—maximize earnings through diversification)
- ▶ Compliance with legal restrictions/regulations
- ▶ Flexibility/Simplicity
- ▶ Provides a roadmap during periods of volatility



Investment Policy Best Practices

- ✓ Update language to meet current industry standards and best practices
- ✓ Update language to conform to current statute requirements
- ✓ Reevaluate use of different investment sectors
- ✓ Reevaluate maturity limits
- ✓ Incorporate diversification and maturity standards
- ✓ Strengthen controls
- ✓ Establish an appropriate benchmark

- There wasn't a lot that needed to be changed in the Village's current policy

Proposed changes to the policy

- **Negotiable certificates of deposit (NCDs)**
- ~~Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized statistical rating organization; 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 the 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 under this paragraph;~~
- in 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 more than 270 days but less than 5 years 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 obligations of corporations under this paragraph
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Fully collateralized Repurchase agreements, meeting all statute requirements, collateralized in compliance with this Policy, governed by a SIFMA Master Repurchase Agreement and with a maximum maturity. Capital project funds may be invested in a single flex repurchase agreement with a maximum stated maturity that shall be matched to the expenditure plan;
- SEC registered money market mutual funds, provided that the portfolio of any such money market mutual fund is limited to obligations described in the first two paragraphs of this subsection and to agreements to repurchase such obligations.; and

- Local government investment pools such as the Illinois Funds Investment Pool, Illinois Metropolitan Investment Fund, and the Illinois Trust local government investment pool.
The Illinois Funds Investment Pool, Illinois Metropolitan Investment Fund

IMPORTANT NOTE: All sector, maturity, and rating limits apply at the time of purchase. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Finance Director shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Finance Director will apply the general objectives of safety, liquidity, yield and legality to make the decision.

Additional discussion included: staff will bring back the policy to adopt at the next Board meeting; market to market at yearend; commercial paper means short-term corporate debt; investment objectives; whether restrictions on investments language should be added to the policy; restriction language is up to the Village Board; it is suggested, but not mandated; breakdown of the \$49.4 million; funds invested in Illinois funds and operating accounts; most are invested in a local government pool; not being harmed by keeping funds more liquid; whether the yield will be decreased if the interest rates drop; most concerned about cash flow; if we need cash, then we need to keep the funds liquid. There was no further discussion.

F.2 Fund Balance and Cash Management Policy Review - General Fund

Director Lamberg addressed the Board regarding the General Fund balance and cash management policy. She presented the following information in response to an inquiry that came up during the Board's budget discussion.

<h1>WHAT IS FUND BALANCE</h1>	<p>▶ Fund balance is the difference between a government's assets and liabilities, representing cumulative net worth.</p>
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NONSPENDABLE FUND BALANCE

NOT IN CASH FORM

EXAMPLE:
INVENTORY

RESTRICTED FUND BALANCE

LEGALLY RESTRICTED FOR A
SPECIFIC PURPOSE

EXAMPLE:
MOTOR FUEL TAX FUNDS

- Must be spent on Village roads
- Village has a separate fund for this

UNRESTRICTED FUND BALANCE

AVAILABLE FUNDS, WHICH ARE
FURTHER CATEGORIZED

- COMMITTED
- ASSIGNED
- UNASSIGNED

UNRESTRICTED FUND BALANCE: COMMITTED

COMMITTED FOR A SPECIFIC PURPOSE BY
FORMAL ACTION OF THE BOARD.

*THE VILLAGE DOES NOT CURRENTLY HAVE
COMMITTED FUND BALANCE IN THE
GENERAL FUND*

**UNRESTRICTED FUND BALANCE:
ASSIGNED**

SET ASIDE BY MANAGEMENT FOR A SPECIFIC PURPOSE.

MANAGEMENT HAS "ASSIGNED" FUND BALANCE FOR:

- *UNEXPECTED FACILITY REPAIRS
- *FUND THE PUBLIC WORK FACILITY EXPANSION
- *MINIMUM CASH RESERVE

- Transfers are made to the Capital Fund

**UNRESTRICTED FUND BALANCE:
UNASSIGNED**

REMAINING FUNDS THAT ARE AVAILABLE FOR ANY PURPOSE.

NONSPENDABLE

RESTRICTED

UNRESTRICTED

- *COMMITTED
- *ASSIGNED
- *UNASSIGNED

- Available for Village to spend

**BEST
PRACTICE**

THE GOVERNMENTAL FINANCE OFFICER'S ASSOCIATION (GFOA) RECOMMENDS THAT GOVERNMENTS ESTABLISH A FORMAL POLICY ON THE LEVEL OF UNRESTRICTED FUND BALANCE THAT SHOULD BE MAINTAINED IN THE GENERAL FUND FOR GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND BUDGETARY PURPOSES.

- ▶ At a minimum, general purpose governments, regardless of size, should maintain unrestricted budgetary fund balance in the general fund of **no less than two months** of regular general fund operating revenues or regular general fund operating expenditures.

GFOA POLICY RECOMMENDATION

- Make sure we are covering our expenses/costs

VILLAGE OF OSWEGO FUND BALANCE POLICY: GENERAL FUND

THE VILLAGE WILL STRIVE TO MAINTAIN A MINIMUM ASSIGNED FUND BALANCE OF 30% OF THE ESTIMATED SUBSEQUENT YEAR'S ANNUAL OPERATING EXPENDITURES (EOE).

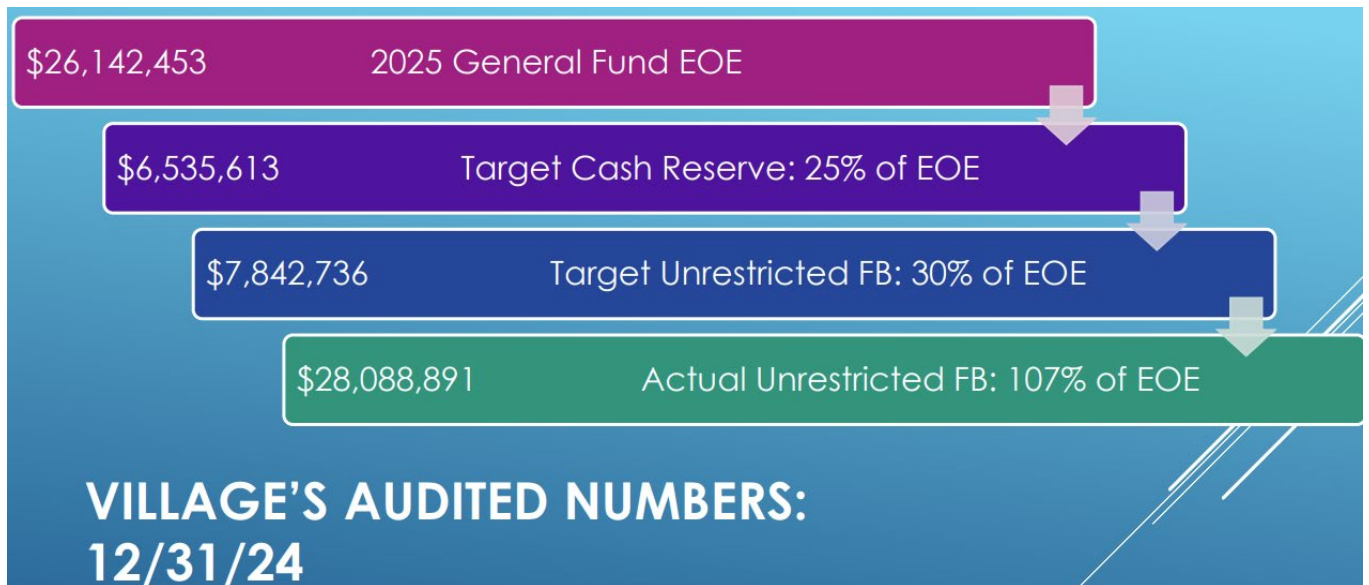
IN ADDITION, THE VILLAGE WILL ALSO STRIVE TO MAINTAIN A MINIMUM CASH RESERVE BALANCE EQUAL TO 25% OF THE ESTIMATED SUBSEQUENT YEAR'S ANNUAL OPERATING EXPENDITURES (EOE).

General Fund: 12/31/24 Fund Balances - Audited

\$ 582,714	Prepaid Items – NONSPENDABLE
\$2,000,000	Advances to TIF Fund - NONSPENDABLE
\$8,142,736*	Working Cash – UNRESTRICTED / Assigned
\$ 575,503*	PW Facility Expansion – UNRESTRICTED / Assigned
\$ 100,000*	Unbudgeted Facility Repairs – UNRESTRICTED
\$19,270,652*	UNRESTRICTED / Unassigned
<u>\$30,471,605</u>	<u>TOTAL FUND BALANCES</u>

*\$28,088,891 Total Unrestricted Fund Balance

- PW facility- transfer from General Fund to the Capital Fund
- Unrestricted Fund balance- available to spend



2026 Snapshot

\$28,088,891	1/1/25 Beginning Unrestricted Fund Balance
\$ 1,000,000	Assigned for Unbudgeted Facility Repairs
\$ 800,000	2025 Estimated Transfer for PW Facility Expansion
\$10,530,000	2026 Budgeted Transfer for PW Facility Expansion
<u>\$ 5,000,000</u>	<u>2027 Projected Transfer for PW Facility Expansion</u>
\$ 10,758,891	Remaining Unrestricted Fund Balance: 39% of 2026 EOE*

*Assumes any 2025 General Fund surplus will be transferred to the Capital Fund.

- Unbudgeted facility repairs- Capital projects
- PW facility expansion- transfer from General Fund to the Capital Fund
- Unrestricted fund balance- policy says no less than 30%
 - Have a 9% cushion

WHAT LEVEL IS RIGHT FOR OSWEGO?

A VARIETY OF FACTORS SHOULD BE CONSIDERED:

* PREDICTABILITY OF REVENUES AND VOLATILITY OF EXPENDITURES

STATE BUDGET CUTS, OVERTIME

*PERCEIVED EXPOSURE TO SIGNIFICANT ONE TIME OUTLAYS

DISASTERS, UNEXPECTED MAJOR FACILITY REPAIRS

*POTENTIAL DRAIN UPON GENERAL FUND RESOURCES FROM OTHER FUNDS

TRANSFERS TO THE WATER FUND FOR GROCERY TAX REBATES

*POTENTIAL IMPACT ON ENTITY'S BOND RATING AND CORRESPONDING INCREASED COST OF BORROWING

*COMMITMENTS AND ASSIGNMENTS

GOVERNMENTS MAY DEEM IT APPROPRIATE TO EXCLUDE FROM CONSIDERATION RESOURCES THAT HAVE BEEN COMMITTED OR ASSIGNED FOR SOME OTHER PURPOSE

EXAMPLE: CASH RESERVE TARGET, ASSIGNED FOR UNEXPECTED FACILITY REPAIRS

- State cuts and staff overtime need to be considered

RECOMMENDATIONS: GENERAL FUND

*Reference to the fiscal year end date should be updated to reflect a December 31 fiscal year end.

*Staff is comfortable with the General Fund percentages outlined in the existing policy.

- Fund percentage is 30%, but Board can change that percentage
- Staff recommended minor changes

Additional discussion included: minor language updates; home rule or non-home rule has no impact; bond rating could be affected by the fund percentage; have been operating on a surplus since COVID; have been at 30% for awhile; \$600,000 went to water rebates; the other \$400,000 went to the General Fund for expenses; we are a growing community with capital needs; reserve balance has been a benefit to us; revenue is not consistent throughout the years; it varies by month; how threatened would the percentage be if no revenue came in; receive \$2.5M-\$3M per month; concerned with tax diversity; sales tax; grocery sales; will always have to purchase groceries; grocery tax is providing a cushion; validates the decision to continue the grocery tax; having other revenue sources in place. Staff was asked to provide the percentage amount the fund balance was bumped up to by the increase of \$400,000 to the General Fund. There was no further discussion.

CLOSED SESSION

There was no closed session.

ADJOURNMENT

The meeting adjourned at 6:46 p.m.

Tina Touchette
Village Clerk