

M E M O R A N D U M

TO: Chief Administrative Officer

FROM: City Comptroller

RE: Il. Metropolitan Investment Fund

DATE: June 27, 2002

Brief Description of Item. The attached resolution authorizes opening of an account for the City of Urbana in the Illinois Metropolitan Investment Fund (I.M.E.T.).

Recommendation. Approval of the attached resolution.

Background Information. The return on overnight investments has decreased (last month was average of 1.7%) such that I am suggesting converting a portion of these short-term invested monies to 1-3 year maturing securities. This will earn approximately 1.0% to 1.5% more interest (on \$2.5 million this is an additional \$25,000-\$37,500 annually). After studying the City's expected future cash flows, I am confident that the City can invest these monies for this time period. One alternative is to buy securities directly. We currently own a number of U.S. Government securities. Another alternative that I am recommending is the I.M.E.T. Investing through the I.M.E.T is a better alternative because monies can be obtained easier and more directly if needed.

Information on the Illinois Metropolitan Investment Fund.

I.M.E.T. was started in July 1996 as an intergovernmental non-profit investment trust under the Illinois Municipal Code by a number of Finance Directors of local governments in the Chicago area. It is designed to be an alternative to investing in 1-3 year maturing securities. It is an excellent proven investment alternative (May return was 3.77%). This investment is considered virtually safe because it only purchases investments that local governments are permitted to invest in under the Illinois Public Funds Investment Act. Typically 99% of the portfolio is invested in U.S. Government and U.S. Agency Obligations (small amounts of cash may be held at any one time for anticipated withdrawals). This investment will also provide more diversity in the City's investment portfolio. The principle is that by pooling together

and accumulating larger amounts to invest, a higher return can be accomplished.

I.M.E.T. continues to receive the highest possible rating from Moody's Investment Services (rating attached). An review of the returns since August 97, show that the fund has a return almost exactly identical to the Shearson-Lehman 1-3 year government bond index.

Over 95 cities and villages and 23 municipal pension funds are members and have invested in I.M.E.T. (listing attached). Management of the Fund has been stable. Bank One Investment Advisors serves as the investment manager for the Fund. Total assets invested by I.M.E.T. are approximate \$230 million. Monies can be withdrawn with 5 days notice. The fund utilizes Chapman and Cutler for legal advice and is audited annually by the accounting firm of KPMG.

In summary, I am recommending the City open this account with I.M.E.T. It is my intention to invest \$2.5 million or approximately 12% of our portfolio.

RESOLUTION NO. 2002-07-023

(A resolution approving and authorizing execution of a First Amended and Restated Declaration of Trust, Illinois Metropolitan Investment Fund)

WHEREAS, the City of Urbana, Illinois (City), desires to participate in the joint investment of certain of it's funds in accordance with the Constitution and laws of the State of Illinois (State); and,

WHEREAS, Section 10 of Article VII of the Constitution of the State provides that the State shall encourage intergovernmental cooperation and use it's technical and financial resources to assist intergovernmental activities among it's units of local government; and,

WHEREAS, the Intergovernmental Cooperation Act, as amended, provides a statutory framework that supplements the constitutional grant of intergovernmental cooperation powers found in said Section 10 of Article VII; and,

WHEREAS, Section 5 of the Intergovernmental Cooperation Act, as amended, provides that any one or more municipalities may contract with any one or more other municipalities to perform any governmental service, activity or undertaking which any of the municipalities entering into the contract are authorized by law to perform, provided that such contract shall be authorized by the corporate authorities of each part of the contract; and,

WHEREAS, such contract shall set forth fully the purposes, powers, rights, objectives and responsibilities of the contracting parties; and,

WHEREAS, Section 1-1-5 of the Illinois Municipal Code, as amended, provides among other things, that the corporate authorities of each municipality may exercise jointly, with one or more other municipal corporations or governmental subdivisions or districts, all of the powers set forth in the Municipal Code; and,

WHEREAS, Section 3.1-35-50 of the Illinois Municipal Code provides, among other things, that each municipality is permitted to join with other municipalities for the purpose of investing the municipal funds; and,

WHEREAS, treasurers of certain Illinois municipalities have established the Illinois Metropolitan Investment Fund (Fund), for

the purpose of combining their respective available investment funds so as to enhance the investment opportunities available to them and increase the investment earnings accruing to the benefit of the respective municipalities on behalf of which they act; and,

WHEREAS, the Fund's assets can only be invested in instruments authorized by the Public Funds Investment Act, as amended; and,

WHEREAS, pursuant to a Declaration of Trust, dated as of September, 1, 1995, and as amended and restated as of July 1, 1996, (Declaration of Trust), certain municipalities entered into an agreement establishing an entity for joint investment for the purpose of combining their respective available investments funds so as to enhance the investment opportunities available to them and to increase the investment earnings accruing to the benefit of the respective municipalities on behalf of which they acted, pursuant to the aforementioned constitutional and statutory authority; and,

WHEREAS, no municipality shall become a participant in the Fund unless and until such officer has adopted the Declaration of Trust and identified the municipality with respect to the funds of which he is acting; and,

WHEREAS, the corporate authorities of each participant's municipality must also authorize the Declaration of Trust; and,

WHEREAS, the City of Urbana, Illinois, deems it necessary and in the best interests of the City to participate in the Illinois Metropolitan Investment Fund by having the City become a participant; and,

NOW, therefore be it ordained by the City of Urbana, Illinois, in the exercise of it's powers, as follows:

Section 1. The preambles to this Resolution are hereby found and determined to be true, correct and complete and are hereby incorporated into the text of this Resolution by this reference as set out herein at length.

Section 2. The First Amended and Restated Declaration of Trust is attached hereto and by this reference incorporated herein and made a part hereof, is hereby adopted, and the City is hereby authorized to become an additional participant of the Fund.

Section 3. The Mayor, City Clerk, and other officers of the City are hereby empowered and directed to execute and deliver all documents, certificates and other instruments necessary to further the intent and purpose of this Resolution.

Section 4. All ordinances, resolutions or motions in conflict herewith are hereby superseded to the extend of such conflict, and that this Resolution shall be in full force and effect forthwith upon it's adoption.

PASSED by the City Council this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_.

AYES:

NAYS:

ABSTAINS:

\_\_\_\_\_  
Phyllis D. Clark, City Clerk

APPROVED by the Mayor this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_.

\_\_\_\_\_  
Tod Satterthwaite, Mayor

Acceptance and approval of First Amended and Restated Declaration of Trust, dated as of July 1, 1996

The undersigned, having been authorized by Resolution No. \_\_\_\_\_, adopted by the City of Urbana, Illinois, on the \_\_\_\_th day of \_\_\_\_\_, 2002, to become an additional Participant of the Illinois Metropolitan Investment Fund (Fund), hereby approves and accepts the First Amended and Restated Declaration of Trust, dated as of July 1, 1996, and agrees to be bound by it's terms with respect to the Fund.

Mayor \_\_\_\_\_

Attest:  
City Clerk \_\_\_\_\_

Dated as of \_\_\_\_\_, 2002

(Municipal Seal)