

Winnetka Village Council
STUDY SESSION
Village Hall
510 Green Bay Road
Tuesday, February 10, 2015
7:00 PM

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AGENDA

- 1) Call to Order
- 2) Investment Manager.....2
- 3) Strategic Planning: Survey Results68
- 4) Public Comment
- 5) Executive Session
- 6) Adjournment

NOTICE

All agenda materials are available at villageofwinnetka.org (Government > Council Information > Agenda Packets & Minutes); the Reference Desk at the Winnetka Library; or in the Manager’s Office at Village Hall (2nd floor).

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Agenda Item Executive Summary

Title: Investment Manager

Presenter: Ed McKee, Finance Director

Agenda Date: 02/10/2015

Consent: YES NO

<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Bid Authorization/Award
<input checked="" type="checkbox"/>	Policy Direction
<input type="checkbox"/>	Informational Only

Item History:

On February 11, June 10, September 2, and December 16, 2014, the Council reviewed the Village's investment approach for non-pension balances. Staff suggested compiling a complete package of materials that would be needed should the Council wish to proceed with hiring an investment manager. These materials are attached for the Council's review.

Executive Summary:

The Village has studied hiring an investment manager for the last year. To date, the Council and Staff have explored many concerns, including the different risks hiring a money manager would pose. Three options are under consideration: 1) maintaining the status quo, 2) utilizing BMO Asset Management (BMO) but reduce the portfolio duration to 1 year, and 3) utilizing BMO Asset Management (BMO) as outlined in their proposal with a duration of two to three years. The expected one year returns and investment income from a \$40 million dollar portfolio under each of these options is as follows: 1) status quo - 0.15% or \$60,000, 2) BMO 1 year duration - 0.20% (\$80,000), or 3) BMO 2 - 3 year duration (original proposal) - 0.50% (\$200,000).

Attached are the documents needed to proceed with hiring BMO Asset Management. Staff recommends setting a target duration of two years with an upper limit of three years.

The attached draft investment policy establishes the broad parameters that would be applied to the Village's non-pension assets, and it has been updated to facilitate retaining an investment manager.

To move forward with hiring an Investment Manager, the following steps are suggested: 1) execute the Investment Management Agreement and 2) approve the revised Village Investment Policy.

Recommendation:

- 1) Consider approving the Investment Management Agreement with BMO Asset Management Corporation and setting the portfolio duration target at two years.
- 2) Consider adoption of the revised Village of Winnetka Investment Policy.

Attachments:

- 1) February 4, 2014 Investment Follow-up Memo to the Village Council
- 2) Investment Management Agreement with BMO Asset Management Corporation - DRAFT
- 3) Proposed Village Investment Policy - DRAFT
- 4) Existing Village Investment Policy
- 5) Cash-Flow Projections
- 6) August 25, 2014 Investment Follow-up Memo to Council
- 7) September 12, 2014 Investment Follow-up Memo to Council
- 8) Previous Meeting Summaries and Minutes (dated 2/11/2014, 6/10/2014, 9/2/2014, and 12/16/2014)
- 9) February 11, 2014 Staff Report on Investment Options

Attachment 1

February 4, 2015 Investment Follow-up Memo to Council

To: Village Council
From: Ed McKee, Finance Director
Date: February 4, 2015
Re: Investment Follow-Up

In preparation for the February 10, 2015 Council Meeting, I have reviewed the materials generated on the investment manager decision with the Village President and Village Manager. As a result of those conversations, it was suggested that I highlight a few areas as noted below.

1) Why are you suggesting the Village make this change?

Some Village Council Members have expressed a concern that the Village is earning a low return on investment balances. The factors causing these low interest earnings are macro-economic conditions beyond the Village's control. It is my belief that by hiring a professional money manager and broadening the types of high quality investments purchased, it is possible to increase investment income with little incremental risk.

2) Why was BMO recommended?

In order to keep evaluations costs down, as well as to build upon existing relationships to achieve operational efficiencies and economies of scale, investment managers already selected by the Village through a competitive process were evaluated. In order to ensure a due diligence review of the candidates, the Village retained the services of a firm (the Bogdahn Group) that specializes in selecting and monitoring investment managers to assist us. Based on that screening process, two money managers were interviewed and BMO Global Asset Management was selected as the most qualified.

3) Who are the various parties to a CD purchase?

Traditionally, the Village had utilized bank certificates of deposits (CD) as investments. These securities would be laddered, meaning a CD would mature every six to twelve months. This provided a better return than leaving the balances in a money market and still provided adequate cash-flow to meet operational needs. To protect the Village's interests in the CD, the Village required collateral to be pledged at 110% of the CD amount. This collateral was held at the Federal Reserve Bank of Boston.

Conceptually, the purchase and maturity of a \$5,000,000 CD is outlined graphically on the following page.

Village Buys CD For \$5,000,000

- 1) The Village takes \$5,000,000 from a money market account to purchase a CD at ABC Bank
- 2) ABC Bank issues a CD to the Village, assumed to earn 0.20% for 12 months.
- 3) ABC Bank places \$5,500,000 of collateral into the Village of Winnetka custody account at the Federal Reserve Bank of Boston

	Village		ABC Bank		Federal Reserve Bank of Boston
Cash	\$ 5,000,000	>>>>>>	\$ 5,000,000		
CD bought	\$ 5,000,000	<<<<<<<	\$ 5,000,000		
Collateral posted by ABC Bank to FRBB			\$ 5,500,000	>>>>>>	\$ 5,500,000

Village owned CD of ABC Bank matures, \$5,000,000 principal, \$10,000 interest.

- 1) ABC Bank returns the Village's \$5,000,000 principal, which goes into a money market account
- 2) ABC Bank pays the Village \$10,000 interest (0.20% for 12 months on \$5,000,000)
- 3) The Federal Reserve Bank of Boston contacts the Village to authorize the release of ABC Bank's collateral

	Village		ABC Bank		Federal Reserve Bank of Boston
Cash	\$ 5,000,000	<<<<<<<	\$ 5,000,000		
Interest	\$ 10,000	<<<<<<<	\$ 10,000		
CD matures	\$ 5,000,000	>>>>>>	\$ 5,000,000		
Collateral released by FRBB			\$ 5,500,000	<<<<<	\$ 5,500,000

4) How are purchases and maturities of securities processed with an Investment Manager?

If the Village were to utilize an investment manager, there are more parties involved in the management of the Village's investments. The Village would hire the investment manager as a fiduciary to buy and sell individual investments on behalf of the Village. The investment manager will only buy investments that meet the Village's investment policy parameters and State of Illinois Statues, as outlined in the Illinois Public Investment Act (30 ILCS 235/0.01 *et. Seq*). These criteria will limit investment purchases to high quality short-term investments with very little credit risk. The discretionary nature of the relationship between the Village and the investment manager means that investment purchases and sales will be done as efficiently as possible. Much like owning a mutual fund, the Village staff will not be consulted prior to individual investment purchases or sales. The investment securities themselves will be held by Wells Fargo Bank as custodian for the Village. Wells Fargo currently provides custodian services for the Police and Firefighters' Pension Funds.

The following chart compares the expected return for each option:

Investment Option	Expected Return	Annual Income on \$40,000,000
State Treasurer's Pool	0.01%	\$ 4,000
BMO Harris	0.16%	\$ 64,000
Investment Manager - 1 yr.	0.20%	\$ 80,000
Investment Manager - 2 yr.	0.50%	\$ 200,000

6) How long is the Village committed to the investment manager approach?

The draft Investment Manager Agreement with BMO Global Asset Management allows either party to cancel with 90 days-notice. If the investment manager's performance meets expectations, it is my hope that the Village will maintain an investment manager approach for many years.

7) What impact does hiring an investment manager have on diversification?

The Village's money market and CD purchases are backed by collateral valued at 110% of the amount on deposit. Collateral protects the Village should the counter-party (a Bank) be unable to repay the Village in full.

Diversification is the concept of spreading your business among many different counter-parties so that any problem with one counter-party does not expose a large percentage of your assets to loss or impairment. A portfolio constructed by an investment manager would likely contain 20 to 40 securities (counter-parties). This would provide more diversification. However, it must be remembered that the securities purchased by an investment manager are usually not backed by collateral and may have a small amount of credit risk (the risk that the counter-party does not repay the Village the amount promised).

8) What types of securities might be purchased by an investment manager?

An investment manager can buy securities allowed for in the Village's investment policy to the extent they remain legal under the Illinois Public Investment Act (30 ILCS 235/0.01 *et. Seq.*). A portfolio would likely contain securities issued by the U.S. Government, certificates of deposit, commercial paper, Agency issued collateralized mortgages (GNMA, FHLMC, FNMA), municipal bonds, and other governmental debt issues, such as state governments and school districts. Except for issues backed by the Federal Government or collateral, holdings are limited to 5% per issuer. A sample investment portfolio showing the types of securities purchased is attached.

To move forward with hiring an investment manager, the Village would need to consider approving the Investment Management Agreement with BMO Asset Management Corporation and adopt a revised Investment Policy. Staff will be available at the February 10, 2015, Council Meeting to answer any questions on this topic.

Sample Securities and Issuers *

U.S. Government			
Issuer Name	Sector	Moody's	S&P
UNITED STATES TREAS NTS	TSY	TSY	TSY
FEDERAL NATL MTG ASSN	AGY	AGY	AA+
FEDERAL HOME LOAN BANKS	AGY	AGY	AA+
FEDERAL HOME LN MTG CORP	AGY	AGY	AA+

Certificates of Deposit			
Issuer Name	Sector	Moody's	S&P
RABOBANK NED	CD	Aa2	AA-
NORDEA BK FIN	CD	Aa3	AA-
SVENSKA HNDL NY	CD	Aa3	AA-

Commercial Paper			
Issuer Name	Sector	Moody's	S&P
INTERNATIONAL BUS MACHINES	CP	Aa3	AA-
PROCTOR & GAMBLE	CP	Aa3	AA-
COCA COLA	CP	Aa3	AA

Agency Issued Collateralized Residential and Commercial Mortgages			
Issuer Name	Sector	Moody's	S&P
GNMA 2013-078- A	CMBS	AGY	AGY
GNMA 2013-040- AB	CMBS	AGY	AGY
GNMA 2013-138- A	CMBS	AGY	AGY
GNMA 2013-179- A	CMBS	AGY	AGY
GNMA 2013-176- AB	CMBS	AGY	AGY
GNMA 2014-031- AB	CMBS	AGY	AGY
FHLMC 3814- MC	CMO	AGY	AGY
FHLMC 4315- CA	CMO	AGY	AGY
FNMA 2013-136- KA	CMO	AGY	AGY
FNMA 2013-138- BE	CMO	AGY	AGY
FNMA 2010-037- CK	CMO	AGY	AGY

Municipal			
Issuer Name	Sector	Moody's	S&P
CHINO VY UNI SCH DIST CALIF	MUNI	A1	AA
BLAIR CNTY PA HOSP AUTH REV	MUNI	N/A	A+
CALIFORNIA HEALTH FACS FING	MUNI	Aa3	AA-
METROPOLITAN GOVT NASHVILLE	MUNI	Aaa	AA-
NORTHERN KY WTR DIST REV RE	MUNI	Aa3	N/A
ILLINOIS MUN ELEC AGY PWR S	MUNI	A1	AA-
MICHIGAN ST HSG DEV AUTH RE	MUNI	N/A	AA
INLAND PROTN FING CORP FLA	MUNI	Aa2	AA
MARICOPA CNTY ARIZ SCH DIST	MUNI	Aa2	N/A
ILLINOIS FIN AUTH REV REV B	MUNI	N/A	AA-
TULSA CNTY OKLA INDL AUTH E	MUNI	N/A	AA-
ST AUGUSTINE FLA WTR & SWR	MUNI	A1	AA
WAYNE ST UNIV MICH UNIV REV	MUNI	Aa2	AA-
CINCINNATI OHIO VAR PURP RE	MUNI	Aa2	AA-
DE KALB OGLE BOONE CNTYS ET	MUNI	N/A	AA-
GWINNETT CNTY GA DEV AUTH C	MUNI	Aa1	AA+
DOUGLAS CNTY COLO SCH DIST	MUNI	Aa2	N/A
MILWAUKEE WIS G O BDS N1	MUNI	Aa3	AA
COLORADO ST BRD GOVERNORS U	MUNI	Aa3	AA-
TWIN LAKES WIS SCH DIST NO	MUNI	N/A	AA-
LIVONIA MICH PUB SCHS SCH D	MUNI	N/A	AA
TULARE CNTY CALIF BRD ED CT	MUNI	N/A	AA

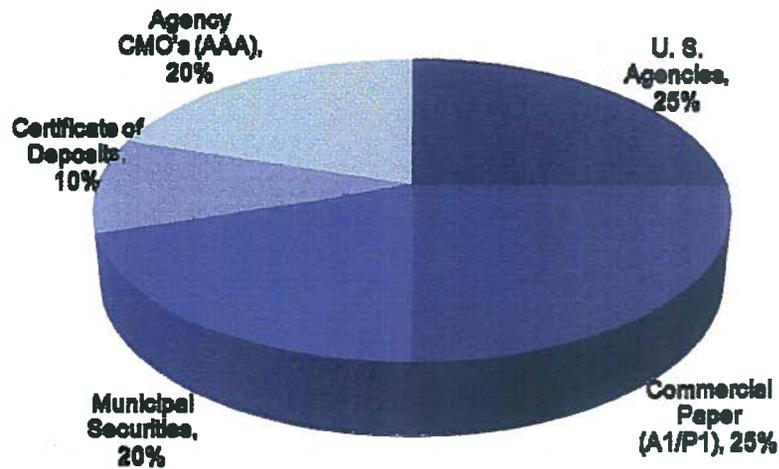
Other Government			
Issuer Name	Sector	Moody's	S&P
ELKHART IND CMNTY SCHS GO P	OGVT	Aa3	N/A
ARKANSAS ST GO AMMEND 82 BD	OGVT	N/A	AA
MERCER CNTY N J IMPT AUTH R	OGVT	Aa2	AA+
NEW YORK N Y CITY TRANSITIO	OGVT	Aa1	AAA

* For illustrated purposes only, actual portfolio may be different. This is supplemental information. Please see disclosure for additional information.
Source: Bloomberg,

Sample Portfolios

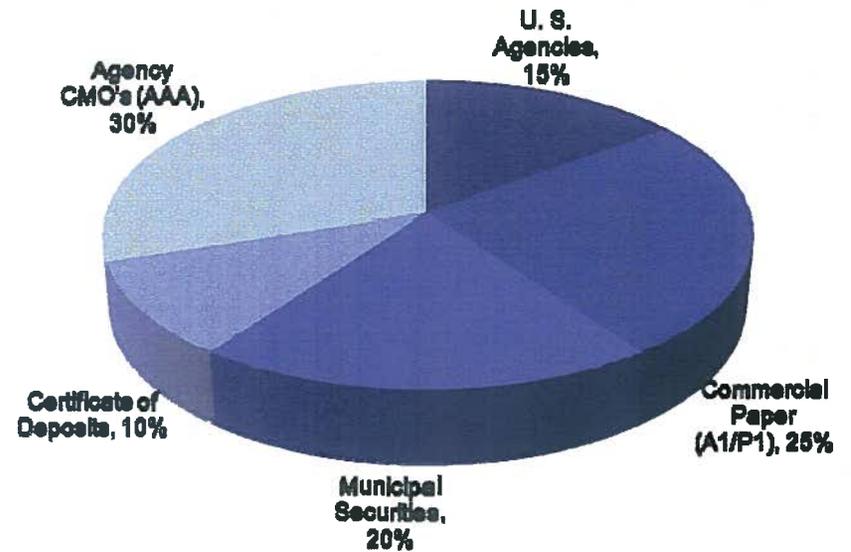
2 Year Duration

Average Duration	Average Credit Quality	Estimated Yield
2 year (3 year maximum)	AA+	0.73%



3 Year Duration

Average Duration	Average Credit Quality	Estimated Yield
3 Year (5 year maximum)	AA+	1.14%



Returns are based on hypothetical performance and do not represent actual investment performance. Actual portfolio returns may be different. This is supplemental information. Please see disclosure for additional information.

Attachment 2

**Draft Investment Manager Agreement with BMO Asset Management
Corporation**

INVESTMENT MANAGEMENT AGREEMENT
[discretionary account]

This Agreement (“Agreement”) is entered into as of _____, 2015__ by and between the Village of Winnetka, a municipality organized and existing under the laws of State of Illinois (the “Client”) and BMO Asset Management Corp. (the “Adviser”), a corporation organized and existing under the laws of Delaware and an investment adviser registered pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

1. Appointment of Investment Adviser. The Client hereby appoints the Adviser to act for and on behalf of the Client as the Client’s agent with respect to the acquisition, retention, management and disposition of all the funds and securities that the Client may put under the supervision of the Adviser from time to time (the “Account” or “Accounts”), and the Adviser accepts such appointment. The Adviser is authorized, in its sole discretion and without prior consultation with, notification to, or approval or confirmation by the Client, to invest and reinvest the principal and income of each Account as the Adviser may deem to be in accordance with the Client’s Investment Policy (as hereinafter defined). This appointment makes the Adviser Client’s agent and attorney-in-fact with full and exclusive power and authority for and on behalf of the Client and with respect to the Account(s) to (a) buy, sell, exchange, convert and otherwise trade in any and all bonds and other securities as the Adviser may select, and (b) establish, maintain and deal through accounts with one or more securities brokerage firms as the Adviser may select. If the Client does not provide the Adviser with reasonable advance notice of additions to or withdrawals from an Account of more than ten percent (10%) of the then-current Account balance, then the Adviser will not be liable for any reasonable delay in investing or liquidating assets of the account, as applicable.

2. Investment Policy. The Client shall provide the Adviser with the Client’s investment goals, cash flow and distribution requirements, financial condition and risk tolerance, as well as any restrictions regarding the Account(s) (collectively, and as amended from time to time, the “Investment Policy ”). The initial Investment Policy and any amendment thereto must be accepted in writing by the Client and the Adviser. The Adviser shall have no responsibility for any loss, penalty or expense that may result from the Client’s failure to inform the Adviser of any change to the Client’s circumstances, restrictions or objectives in a timely manner. The Client represents and warrants that all information provided to the Adviser for use in the Investment Policy is and will remain complete and accurate. The Advisor agrees to adhere to the Investment Policy, as attached as Exhibit A, and any restrictions placed upon the Client by the Public Funds Investment Act. Unless expressly prohibited by law or written direction from the Client, the Adviser is authorized to purchase for the Account securities for which an affiliate of the Adviser serves as the underwriter or as a participant in an underwriting syndicate. The Adviser will not purchase, sell, or vote shares of the Bank of Montreal stock without the express direction of Client.

3. Representations

(a) **The Adviser represents that (i) it is registered as an investment adviser under the Advisers Act; (ii) it owes the Client the fiduciary duties imposed on a**

registered investment adviser by the Advisers Act; and (iii) is authorized and empowered to enter into this Agreement. The Client represents that it is a “Home Rule” municipality, and confirms that: (1) the Client has full power and authority to enter into this Agreement; (2) the terms hereof do not violate any obligation by which the Client is bound, whether arising by contract, operation of law, or otherwise; and (3) the Client’s execution of this Agreement has been duly authorized and the Agreement will be binding on the Client according to its terms.

(b) If this Agreement is entered into by a trustee or other fiduciary, such trustee or fiduciary represents that the services to be provided by the Adviser are within the scope of the services and investments authorized by the governing instruments of, and/or laws and regulations applicable to, the Client and that such trustee or fiduciary is duly authorized to enter into and renew this Agreement. The trustee or fiduciary shall deliver to the Adviser evidence of such authority as the Adviser may reasonably require. The trustee or fiduciary undertakes to advise the Adviser of any material change in his or her authority or the propriety of maintaining the Account.

(c) If the Client is an institution, it shall furnish the Adviser with a certification setting forth the identity, authority, and specimen signatures of each of the Client’s designated officers or agents authorized or directed to act with respect to the Account(s). The Adviser will be entitled conclusively to presume that the officers or agents so certified continue to be authorized to act with respect to the Account(s) and that the specimen signatures are the genuine signatures of these officers or agents, until such time as the Adviser received written notice and a new certification of authority. The Adviser may conclusively rely on any document, instruction or other communication received by certified officers and agents and shall have no liability to the Client for acting in accordance with such documents, instructions or other communications.

4. **Brokerage.** Unless the Client directs the Adviser to execute transactions for the Account(s) through a particular broker-dealer in writing, the Adviser shall have full and exclusive power and authority to establish, maintain and deal through accounts at one or more broker-dealers as the Adviser may select. Subject to its duty of best execution, the Adviser may allocate orders for the execution of portfolio transactions for the Account(s) to such brokers and dealers, for execution on such markets, and at such prices and commission rates as the Adviser judges to be in the Client’s best interest, taking into consideration in the selection of such brokers and dealers not only the available prices and rates of commissions, but also other relevant factors such as, without limitation, brokerage and research services provided by such brokers and dealers within the meaning of Section 28(e) of the Securities Exchange Act of 1934. The Adviser may cause an Account to pay a brokerage commission in excess of what another broker-dealer may charge for effecting the same transaction, provided that the Adviser determines in good faith that the commission is reasonable in relationship to the value of the brokerage and research services provided, viewed in terms of either that particular transaction or the Adviser’s overall responsibilities to all of its clients. Such services, moreover, may be available to the Adviser on a cash basis. While the Adviser may obtain research services from brokerage commissions charged to the Account(s) that may not directly benefit the Account(s) at that particular time, the Adviser shall endeavor to ensure that, over time, the Account(s) receive the benefit of brokerage and research services purchased with brokerage commissions charged to the Account(s) and to the

accounts of other clients of the Adviser. The Client acknowledges and agrees that the Adviser may aggregate orders with other clients consistent with its duties of best execution.

5. Use of Affiliated Companies and Other Service Providers. The Adviser may, to the extent it deems appropriate, and subject to compliance with the requirements of applicable laws and regulations, make use of its affiliates or other service providers selected by the Adviser for certain services to be provided under this Agreement, provided that the Adviser shall supervise and remain fully responsible for the services of all such third parties in accordance with and to the extent provided by this Agreement. All costs and expenses associated with services provided by any such third parties shall be borne by the Adviser or such parties.

6. Reporting. The Adviser will provide the Client with a monthly report regarding the Account.

7. Custody. The Client has appointed or will appoint a separate custodian reasonably acceptable to the Adviser (the "Custodian") to take possession of the cash, securities and other assets in the Account. The Custodian must be a "Qualified Custodian" as defined under the Advisers Act, which includes a bank, trust company, or registered broker-dealer. The Custodian shall at all times be responsible for the physical custody of the assets of the Account(s) and for the collection of interest, dividends and other income attributable to the assets of the Account(s). The Adviser will have no access to the assets in the Account or to the income produced therefrom, except as may be authorized by the Client with respect to the debiting of the Adviser's fees from the Account. The Client has directed or will direct the Custodian to send to the Client and the Adviser a statement at least quarterly indicating all amounts disbursed from the Account (including the amount of any fees paid to the Adviser), all transactions occurring in the Account during the period covered by the statement, and a summary of the Account positions and portfolio value at the end of the period. The Adviser will not be responsible for any acts or omissions of the Custodian.

8. Investments in Affiliated Investment Companies. The Client understands and agrees that the investments for the Account(s), including sweep vehicles, may include investment companies advised or subadvised by the Adviser or an affiliate of the Adviser for which the Adviser or such affiliate receives separate compensation for providing investment advice. The Client may not be entitled to receive any rebate or reduction in the fees payable to the Adviser under this Agreement as a result of such compensation.

9. Non-Exclusive Relationship. The Client acknowledges that the Adviser acts as an investment adviser to other clients and receives fees for such services. The advice given and the actions taken with respect to such clients or for its own or an affiliate's account may differ from the advice given or the timing and nature of action taken with respect to the Account(s). The Client further recognizes that transactions in a specific security may not be accomplished for all clients' accounts at the same time or at the same price. Nothing in this Agreement shall impose on the Adviser any obligation to purchase, sell or recommend for purchase or sale, with respect to the Account(s), any security or other investment that the Adviser or its officers, directors, employees, affiliates or agents may recommend, purchase or sell of its or their own account(s) or for the account of any other client. The Client acknowledges that in managing the Account(s), the Adviser may purchase or sell securities in which the Adviser, its officers,

directors, employees, affiliates or agents, directly or indirectly, have or may acquire a position or interest.

10. Proxy Voting. The Adviser shall be responsible for voting proxies solicited by, or with respect to, the issuers of securities held in the Account(s); provided, however, Client may expressly retain the right and obligation to vote any proxies relating to securities held by the Account(s) by providing prior written notice to the Adviser. If the Custodian has timely forwarded to the Adviser the relevant proxy materials, the Adviser shall vote such proxies in accordance with the Adviser's proxy voting policies and procedures. If the Client wishes to vote proxies in a particular manner, the Client must expressly retain proxy voting authority. If the Client wishes to have the Adviser vote proxies, the Client shall instruct the Custodian to forward or cause to be forwarded to the Adviser (or its designated agent) all relevant proxy solicitation materials. The Client acknowledges and agrees that the Adviser may use a non-affiliated proxy voting service to vote the Client's securities in accordance with guidelines established and maintained by the Adviser.

11. Legal Actions. Unless otherwise agreed in writing, the Client agrees that the Adviser will not act for the Client in any legal proceedings, including but not limited to bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of those securities.

12. Privacy Policy. The Adviser will maintain the confidentiality of the Client's non-public or proprietary information in accordance with the Adviser's most recent Privacy Policy, which can be viewed at the Adviser's web site: www.bmogamus.com. If Client is an individual covered by Regulation S-P (Privacy of Consumer Financial Information), the Adviser has delivered, and the Client acknowledges receipt of, the Adviser's then-current privacy notice.

13. Fees. The Account will be charged a quarterly investment advisory fee as set forth in Schedule A, subject to the following:

(d) **Payment.** The fee will be payable quarterly in arrears, based on the market value of the securities in the Account(s) on the last business day of the calendar quarter. Fees are due within 30 days following the Client's receipt of an invoice therefor. The Client may authorize the Custodian to deduct directly from the Account the fees payable to the Adviser.

(e) **Valuation.** In computing the market value of any investment in the Account(s), the Adviser may rely on pricing information furnished to the Adviser by the Custodian or such other sources as the Adviser deems appropriate. Exchange-traded securities are generally valued at the closing price on the valuation date. Any other security or other investment shall be valued in such manner as is determined in good faith by the Adviser to reflect its fair market value.

(f) **Partial Periods.** The Adviser shall be entitled to a prorated fee for any period less than one calendar quarter, determined by the number of days during the quarter that services were provided and the market value of the Account(s) on the last day of such period. Upon termination of the Agreement, the Adviser's fees will be prorated to the date of termination and shall become immediately due and payable upon Client's receipt of an invoice therefor. The

Adviser will be entitled to reasonable additional compensation for any services thereafter provided by the Adviser in closing or transferring the Account(s).

(g) Other Fees and Charges. All commissions and other transaction charges and any charges relating to the custody of securities in the Account(s) shall be the sole responsibility of the Client and shall be paid directly from and charged against the Account(s).

14. Force Majeure and Liability.

(a) The Adviser does not guarantee its investment performance and, except as set forth below, is not liable for any investment losses that might occur to the Account(s). The Client recognizes that the investments in the Account(s) are subject to risk, including possible loss of principal.

(b) Neither the Adviser nor any of its officers, directors, affiliates, employees or agents shall be liable for any action taken or omitted in connection with the Account(s), including losses arising from investment performance, except if such liability arises from the Adviser's negligence, intentional misconduct or violation of applicable law in the performance of its responsibilities under this Agreement.

(c) The Adviser shall in no event be responsible for any loss incurred by reason of any act or omission of any broker, dealer, or custodian or the financial solvency of any such person or entity; provided, however, that the Adviser will make reasonable efforts to require that brokers and dealers perform their obligations with respect to the Account(s).

(d) The Adviser shall not be liable for any loss due to forces beyond the Adviser's reasonable control, including (but not limited to) delays, errors or interruptions in service caused by strikes, work stoppages, acts of war or terrorism, insurrection, revolution, nuclear fusion, fission or radiation, court order, failure or fluctuation in electrical power, heat, light, air conditioning, computers or telecommunications equipment, or an act of God.

(e) EXCEPT AS REQUIRED BY APPLICABLE LAW, THE ADVISER SHALL HAVE NO LIABILITY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES, EVEN IF THE ADVISER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(f) The Adviser does not give tax or legal advice as part of its services under this Agreement; the Client should consult with the Client's professional advisers for such advice with respect to the Account(s).

(g) The limitations set forth herein shall apply to any action or omission taken by any affiliate of the Adviser or by any affiliated or unaffiliated service provider on behalf of the Adviser.

(h) The federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing herein shall in any way constitute a waiver or limitation of any rights that Client may have under any federal securities laws.

15. Dispute Resolution

(a) Any controversy or claim between the Client and the Adviser arising out of or relating to this Agreement (“Claim”), where the alleged damages per Client do not exceed \$100,000 will be determined by binding arbitration. The Client and the Adviser agree and understand that there is no right to trial by jury and the arbitrator will have no authority to award either punitive damages or other damages not measured by the prevailing party's actual damages.

(b) The arbitration will be conducted (i) in the metropolitan area where the Account is being administered by the Adviser; (ii) before one arbitrator designated by the Client and the Adviser, or if the Client and the Adviser cannot agree on the designation of an arbitrator within sixty days of a request by either party for binding arbitration, by the arbitration association (defined below); (iii) in accordance with the United States Arbitration Act (Title 9 of the United States Code), notwithstanding any choice of law provision in this Agreement; and (d) under the arbitration rules (defined below) in effect at the time of the filing of the demand for arbitration. The arbitrator’s award will be final and in writing. By agreeing to arbitration, the Adviser and the Client do not intend to limit their right to exercise self-help remedies, such as setoff, foreclosure against or sale of any collateral or security, or to obtain provisional or ancillary remedies from a court of competent jurisdiction to maintain the status quo or prevent irreparable harm before or during the arbitration proceeding.

(c) The Client and the Adviser each waive the right to trial by jury.

(d) Neither the Adviser nor the Client may pursue any Claim in arbitration as a class action, private attorney general action or other representative action, nor may any such claim be pursued on the Adviser’s or the Client’s behalf in any litigation in any court.

(e) For purposes of this section, (a) the term “arbitration association” shall mean the American Arbitration Association (“AAA”); and (b) the term “arbitration rules” shall mean the Commercial Arbitration Rules of the AAA.

16. Assignment. This Agreement cannot be assigned, as such term is defined under the Advisers Act, by either party without the consent of the other party to the Agreement.

17. Multiple Accounts. More than one Account may be established under this Agreement, each of which shall have a separate designation and, if applicable, separate Investment Policy. The Client may establish additional Accounts after the date of this Agreement in writing to the Adviser.

18. Termination. This Agreement may be terminated by either party at any time without penalty upon 90 days written notice. Such termination shall not, however, affect liabilities or obligations incurred or arising from transactions initiated under this Agreement prior to such termination. Upon termination, it is the Client’s responsibility to monitor the securities in the Account, and the Adviser will have no further obligation to act or advise with respect to those assets.

19. Important Information on Opening a New Account. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. The Client acknowledges that in connection with opening the Account, the Adviser will ask the Client for certain information, as described in the Adviser's Form ADV Part 2A, that will allow the Adviser to identify the Client. If Client is an investment adviser or other financial intermediary retaining the Adviser to manage all or a portion of individual client accounts, the Client agrees to obtain all identifying information required by Federal law.

20. Disclosure Document. The Client acknowledges receipt of Adviser's brochure (Form ADV Part 2A) and applicable brochure supplements. The Client also acknowledges that the Client has reviewed and understands the risk factors and fees associated with the Account(s).

21. Use of Client's Name. With the Client's advanced written notice, the Adviser may disclose that the Client is a client of the Adviser and make reasonable use of the Client's logo, if applicable, in any list of representative clients that it uses for marketing or other purposes; provided, however, that no such disclosure will state or imply that the Client is endorsing the use of the Adviser's services.

22. Notices. Any notice or other communication required or permitted to be given shall be deemed to have been duly given when received or, in the case of mailing, five days after mailing by registered mail (postage prepaid). All written notices or communications to the Adviser should be sent to the Adviser at Adviser's main address. All written notices or communications to the Client will be sent to the address shown in Schedule A.

Instructions, directions and other communications between the Client and the Adviser may be given by telephone, letter, facsimile or electronic mail, subject to such additional terms and conditions as the Adviser may require. The Client, by executing this Agreement, does all of the following:

(a) Accepts responsibility for all security measures associated with the transmission of e-mail or faxed instructions, directions or other communications;

(b) Acknowledges that receipt of such transmissions by the Adviser is not guaranteed and that interruptions, delays or failures of any transmission, whether as a result of hardware, software or internet or other service provider defects or difficulties, may be beyond the control of the Adviser and, therefore, not its responsibility.

(c) Releases the Adviser from any and all liability for relying and acting on such instructions, directions or other communications.

(d) Consents to the recording of telephone conversations relating to the Account(s) to assure accurate execution.

(e) Agrees that unless Client specifically requests another form of delivery, all required deliveries of prospectuses and copies of Form ADV may be delivered to Client by email or by an email notice directing Client to a website where the documents are available.

23. **Applicable Law.** This Agreement will be interpreted under the laws of the State of Illinois without reference to principles of conflict of laws, provided that there is no inconsistency with federal laws, and Illinois shall be the choice of venue for any litigation involving Adviser's services to the Client.

24. **Entire Agreement.** This Agreement represents the entire understanding between the parties with regard to the matters specified herein.

25. **Validity.** If any part of this Agreement is found to be invalid or unenforceable, it will not affect the validity or enforceability of the remainder of this Agreement.

26. **Amendments.** The Adviser may amend this Agreement at any time as required to conform this Agreement or the relationship between the Client and the Adviser to applicable law. This Agreement may also be amended by written agreement executed by both parties.

27. **Survival.** The provisions of Sections 12, 13, 14, 15 and 22 shall survive the termination, amendment or expiration of this Agreement for any cause whatsoever.

28. **Execution in Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall together constitute only one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

Client Signature:
By:
Title or Capacity:

BMO Asset Management Corp.
By:
Title or Capacity:

**SCHEDULE A
CLIENT INFORMATION AND FEE SCHEDULE**

1. INVESTMENT ADVISORY FEES
Annual Fee: <p style="text-align: center;">10 basis points (0.10%)</p> <p style="text-align: center;">Minimum Annual Fee: \$25,000</p>
2. ERISA INFORMATION
Is this account subject to the Employee Retirement Income Security Act (ERISA)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Client Signature	Date
-------------------------	-------------

Client Signature (Primary)	Date	Client Signature (Secondary)	Date
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Attachment 3

Proposed / Draft Investment Policy

VILLAGE OF WINNETKA, ILLINOIS INVESTMENT POLICY

SCOPE

This Investment Policy applies to the investment activities of all funds of the Village of Winnetka (“Village”), except for the Firefighters’ Pension Fund, the Police Pension Fund, and Deferred Compensation Plans. Cash held in all funds, except those listed above, shall be administered in accordance with the provisions of this Policy.

INVESTMENT OBJECTIVES

The following investment objectives, in order of preference, will be applied in the management of Village funds.

The primary objective of the Village's investment activities is the protection of investment principal.

The Village investment portfolio will remain sufficiently liquid to meet anticipated cash flow requirements.

The Village will strive to earn a market rate of return commensurate with the investment risk taken.

The Village will employ mechanisms to control risks and diversify its investments.

The investment portfolio managed under this policy shall be designed with the objective of regularly exceeding the average return of a U.S. Treasury Bill or Treasury Index that most closely reflects the duration of the investment portfolio.

PRUDENCE

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

INVESTMENT RESPONSIBILITY, PERFORMANCE AND REPORTING

The management responsibility for the investment program is hereby assigned to the Finance Director, who shall establish written procedures consistent with this Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions and establishment of internal controls.

No person may engage in an investment transaction except as provided under terms of this policy and the procedures established by the Finance Director.

Performance of the Village's portfolio shall be reported in the Village's Comprehensive Annual Financial Report (CAFR or audit) and shall include summary portfolio composition and performance information. A monthly schedule of investments will also be prepared by the Finance Director, reviewed by the Village Manager, and distributed to the Village Council containing all information deemed relevant to investment performance or required by applicable State Law, including the Illinois Public Funds Investment Act, 30 ILCS 235/.01 *et seq.*

Material deviations from projected investment strategies shall be reported timely to the Village Council and Manager.

INVESTMENT MATURITY AND LIQUIDITY

The Village staff will not speculate on interest rate changes. Unless matched to a specifically identified cash flow need, the investment portfolio shall have the following maximum maturities:

No investments with an anticipated final maturity, or average life, beyond five (5) years may be purchased, or as reflected in the additional maturity guidelines herein.

At least 50% of the cash and investment balance must have a final maturity or average life of three years or less.

Any investment purchased by the Village staff with a maturity longer than three years must be supported by a written explanation for the purchase and must be specifically authorized by the Finance Director. The measurement of compliance with these investment guidelines will be at the time the investment is purchased.

SELECTION OF INVESTMENT ADVISORS, MONEY MANAGERS, AND FINANCIAL INSTITUTIONS

The Village of Winnetka shall maintain a list of financial institutions and brokers / dealers who are authorized to provide investment services. Selection of those providing investment services shall be made based on the creditworthiness, experience, and ability of those businesses to deliver excellent services, products, and investments to the Village at a fair price.

FINANCIAL INSTITUTIONS

Any financial institution selected by the Village may be retained to provide investment management services and/or normal banking services, including, but not limited to: checking accounts, wire transfers, purchase and sale of investment securities and safekeeping services. Fees or compensating balances, if any, shall be mutually agreed to by an authorized representative of the financial institution and the Finance Director.

The Finance Director or designate may transfer balances, open and close accounts, and transact Village business with any qualified financial institution approved by the Village Council.

INVESTMENTS

The Village may invest in any type of security allowed by this policy which is more limited than the investment options set forth in the Illinois Compiled Statutes. A description of those securities is as follows:

- 1) US Treasury bonds, notes, bills certificates of indebtedness, or any debt issuances by Agencies operating under a U.S. Congressional Charter.
- 2) Interest-bearing investments including; savings accounts certificates of deposit, repurchase agreements of government securities, or time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation (FDIC).
- 3) Bank obligations include (a) dollar-denominated direct obligations of domestic banks which are organized and operating in the United States and are members of the FDIC as well as foreign branches and such banks. These obligations include but are not limited to Domestic or Eurodollar Certificates of Deposits (CDs), Time Deposits, Bankers' Acceptances and Deposit Notes, (b) Dollar denominated obligations of the domestic branches of foreign banks. These include but are not limited to Yankee Certificates of Deposit (CDs), Time Deposits, Bankers' Acceptances, Deposit Notes.
- 4) Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of security legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States of America and only in those savings and loan associations insured by the Federal Deposit Insurance Corporation (FDIC).
- 5) Mortgage-backed securities are securitized pools of mortgages that will be restricted to securities by Federal Agencies and Instrumentalities (i.e. FNMA, FHLMC). CMO's must be backed by Agency issued securities.
- 6) Short-term obligations of corporations (Commercial Paper) organized in the United States of America with assets exceeding \$500,000,000 if (a) such obligations are rated at the time of purchase with the highest classification by at least two standard rating services, (b) and such investment is no more than 33% of the cash and investment balance at the time of placement, and (c) such purchases do not exceed 10% of the corporation's outstanding obligations.
- 7) The Illinois Funds, as managed by the Treasurer of the State of Illinois.

8) Municipal Securities includes Municipal Notes, Municipal Bonds, Tax-Exempt Variable rate Demand Notes, Tender Option Bonds and Tax-Exempt Commercial Paper of U.S. domiciled Municipalities.

9) Money market mutual funds registered under the Investment Company Act of 1940, as defined by Rules 2a-7.

The following table outlines allowable investments, including minimum, target, and maximum allocations.

Approved Instruments	Minimum	Target	Maximum
U.S. Treasuries	0%	10%	100%
U.S. Agencies	0%	15%	50%
Commercial Paper	0%	20%	33%
Agency MBS/CMBS	0%	20%	25%
Bank Obligations, including Certificates of Deposit	0%	10%	100%
Municipal Securities	0%	20%	25%
The Illinois Fund	0%	0%	100%
Money Market Funds	0%	0%	100%

The following table outlines allowable investments, including setting the maximum maturity that may be purchased and setting minimum quality standards.

Credit Quality and Duration Limits	Maximum Maturity (Note)	Minimum Quality
U.S. Treasuries	5 Yrs	N/A
U.S. Agencies	5 Yrs	N/A
Commercial Paper	270 Days	A1/P1
Bank Obligations	5 Yrs	A+
Agency MBS/CMBS	5 Yrs	AAA
Municipal Securities	5 Yrs	A+
Illinois Fund	N/A	N/A
Money Market Fund	N/A	AAA

Note: If the average life of the security is less than the maximum maturity amount shown above, the investment will be deemed to be in compliance with the maximum maturity.

The average quality of the entire portfolio must be maintained at a level of “AA” or better. The targeted duration for the portfolio is 2 years, with a maximum duration of 3 years.

The Village will not purchase financial forwards or futures, leveraged investments, lending securities or reverse repurchase agreements. Repurchase agreements of government securities will only be purchased if specific securities are under the exclusive control of the Village or its agent.

Staff purchases of Bank Certificates of Deposit will be based on a comparison of yields offered, Treasury Security Yields, collateral agreements in place, and financial institution health.

DIVERSIFICATION

With the exception of U.S. Treasury obligations, U.S. Agencies, and Collateralized Investments, no single issuer shall represent greater than 5% of the investment portfolio at the time the investment is made.

COLLATERAL

The collateral requirements below shall apply only to investments made directly by Village Staff. Investments made by Investment Managers, including investment pools, may elect to comply with these collateral requirements, but are not required to do so.

Bank balances in excess of FDIC limits shall be collateralized. At the Village's sole discretion, the following may be accepted as collateral:

- U.S. Government securities

- Obligations of Federal agencies

- Obligations of Federal Instrumentalities

- Any obligations of a State Government in the United States rated "A" or better

- Obligations of the Village of Winnetka

- General Obligations Bonds of other municipalities rated "A" or better.

- Any other collateral identified in Illinois Compiled Statutes as acceptable for use by the Treasurer of the State of Illinois.

The fair market value of collateral required to secure Village deposits and investments will be not less than 110% of the fair market value of the net amount of public funds secured, and may be more than 110% depending on the type of collateral used. The Financial Institution pledging collateral shall immediately post additional collateral should the fair market value of collateral fall below 110% of the fair market value of public funds secured in excess of FDIC limits.

Pledged collateral shall be held in the Village's name by the Village or its agent and shall be evidenced by a safekeeping agreement. Collateral shall not be released without an authorized signature from the Village. Exchange of collateral of like value may be permitted with prior written approval of the Village.

INTERNAL CONTROLS

The Finance Director shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by an independent certified public accountant in conjunction with the annual examination of the financial statements. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by Village employees and officers.

One of the required elements of the system of internal controls shall be the timely reconciliation of all bank accounts. Bank reconciliations shall be performed on a monthly basis and shall be completed no later than forty - five (45) days after the bank statement cut off date.

The aforementioned policy is established as the standard for professional responsibility and shall be applied in the context of managing the Village's overall portfolio. Investment officers acting in accordance with this investment policy and established procedures while exercising due diligence in their duties shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in timely fashion, and appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

Officers or 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 that could impair their ability to make impartial decisions.

Adopted this ____ day of _____, 2015, pursuant to the following roll call vote:

AYES: _____

NAYS: _____

ABSENT: _____

Signed:

Village President

Countersigned:

Village Clerk

**Village of Winnetka
Internal Control Procedures
Promulgated by the Finance Director as of June 1, 2015**

Authorized Persons:

Village employees authorized to purchase investments, sell investments, and release collateral:

Robert M. Bahan, Village Manager
Edward F. McKee, Jr., Finance Director and Treasurer
Hanna Sullivan, Assistant Finance Director

Investment Transactions and Security Measures:

All investment transactions shall be processed as delivery versus payment or DVP, to ensure that the Village ownership of securities purchased or sold is always clear. Additionally, all investments will be held by a third party financial institution and evidenced by a safekeeping agreement in a form acceptable to the Village and the Village's independent auditors.

The Village shall utilize security codes mutually agreed to by the Village and Financial institutions to process investment transactions, collateral transactions, and wire transfers. At a minimum, these procedures shall include at least one of the following: passwords, taped phone conversations, call back on non repetitive wire transfers, limiting authorized account numbers, and designation of repetitive transaction types.

Internal Controls:

The internal controls as stated in the policy will be performed monthly.

The Village Accountant or Assistant Finance Director shall prepare and initial monthly bank reconciliations within 45 days of the cut off statement date. The Finance Director shall periodically review said reconciliations.

The Finance Director shall cause to be prepared monthly a schedule listing all bank balances (per the Village's general ledger) and investments held. Said reports shall be distributed to the Village Manager and Village Council to allow for the monthly review of the investment effectiveness and meeting the investment policy objectives.

**List of Authorized Investment Advisors, Money Managers, and Financial Institutions
As of June 1, 2015.**

Investment Advisors and Investment Purchases:

- 1) All those financial institutions listed in the investment policy, including money market funds utilized by those institutions and investment vehicles established by the State Treasurer for short-term money management.
- 2) Amalgamated Bank
- 3) BMO Asset Management Corp.
- 4) BMO Harris N.A.
- 5) Bogdahn Group
- 6) First Bank and Trust
- 7) J.P. Morgan
- 8) Wells Fargo
- 9) Wintrust Financial Corporation

Depository for Village Funds:

- 1) All those financial institutions listed in the investment policy, including money market funds utilized by those institutions and investment vehicles established by the State Treasurer for short-term money management.
- 2) Amalgamated Bank
- 3) BMO Harris N.A.
- 4) First Bank and Trust
- 5) J.P. Morgan
- 6) Wintrust Financial Corporation

Attachment 4

Existing Investment Policy

RESOLUTION R-29-2009

**A RESOLUTION
ADOPTING AN AMENDED INVESTMENT POLICY
FOR THE VILLAGE OF WINNETKA**

WHEREAS, the Village of Winnetka (“Village”) is a home rule municipality in accordance with Article VII, Section 6 of the Constitution of the State of Illinois of 1970 and, pursuant thereto, has the authority, except as limited by said Section 6 of Article VII, to exercise any power and perform any function pertaining to the government and affairs of the Village; and

WHEREAS, Article III, Section 4 of the Charter of the Village of Winnetka vests control of the Village’s finances in the Council of the Village of Winnetka (“Village Council”), and the Village Council accordingly find that establishing policies for the investment of Village funds is a matter pertaining to the affairs of the Village; and

WHEREAS, the Illinois Public Funds Investment Act, 30 ILCS 235/0.01 *et seq.*, authorizes the investment of public funds in certain investments; and

WHEREAS, in 1996, the Village Council adopted Resolution R-1346-96, establishing the Village’s first formal, written investment policy governing the investments of Village funds other than the Firefighters’ Pension Fund, the Policemen’s Pension Fund and Deferred Compensation Plans, in a manner consistent with the Public Funds Investment Act, as then in effect; and

WHEREAS, on April 20, 1999, the Village Council adopted Resolution R-1465-99, amending the investment policy to comply with newly enacted requirements for written investment policies, 30 ILCS 235/2.5; and

WHEREAS, the Village’s investment policy is designed to employ mechanisms to control risks and diversify its investments, so as to (i) protect the investment principal, (ii) maintain liquidity sufficient to meet anticipated cash flow requirements, (iii) maximize the return on investments while avoiding unreasonable investment risk, and (iv) exceed, on a regular basis, the average return of three-month U.S. Treasury Bills; and

WHEREAS, the Finance Director has recommended that the investment policy be amended by increasing the number of approved financial institutions, to give the Village the ability to purchase certificates of deposit at more favorable rates while still providing maximum security for Village funds on deposit.

NOW THEREFORE, the Council of the Village of Winnetka do resolve:

SECTION 1: The foregoing recitals are hereby adopted as the findings of the Council of the Village of Winnetka, as if fully set forth herein.

SECTION 2: The amended Village of Winnetka Investment Policy recommended by the Finance Director, which is attached hereto as Exhibit A and is incorporated by reference as if fully set forth herein, is hereby adopted as the Village of Winnetka Investment Policy.

SECTION 3: The Finance Director is hereby authorized and directed to take all steps necessary to implement said Investment Policy.

SECTION 4: This Resolution is adopted by the Council of the Village of Winnetka in the exercise of its home rule powers pursuant to Section 6 of Article VII of the Illinois Constitution of 1970.

SECTION 5: This Resolution and the Investment Policy attached hereto as Exhibit A shall supersede Resolution R-1465-99 and the investment policy adopted pursuant thereto.

SECTION 6: This Resolution shall take effect immediately upon its adoption.

ADOPTED this 16th day of June, 2009, pursuant to the following roll call vote:

AYES: Trustees Greable, Johnson, Pedian, Poor, Rintz, spinney

NAYS: None

ABSENT: None

Signed:



Village President

Countersigned:


Village Clerk

**INVESTMENT POLICY
VILLAGE OF WINNETKA**

The following policy was adopted pursuant to Resolution R-29-2009, at a regular meeting of the Village Council held on the 16th day of June, 2009.

SCOPE

This Investment Policy applies to the investment activities of all funds of the Village of Winnetka ("Village"), except for the Firefighters' Pension Fund, the Police Officers' Pension Fund, and Deferred Compensation Plans. Cash held in all funds, except those listed above, shall be administered in accordance with the provisions of this Policy.

INVESTMENT OBJECTIVES

The following investment objectives, in order of preference, will be applied in the management of Village funds.

- The primary objective of the Village's investment activities is the protection of investment principal.
- The Village investment portfolio will remain sufficiently liquid to meet anticipated cash flow requirements.
- The Village will strive to maximize the return on the portfolio while avoiding unreasonable investment risk.
- The Village will employ mechanisms to control risks and diversify its investments.
- The investment portfolio managed under this policy shall be designed with the objective of regularly exceeding the average return of three month U.S. Treasury Bills.

PRUDENCE

Investments shall be made with the kind of judgment and care which that persons of prudence, discretion and intelligence, 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 and the probable income to be derived.

INVESTMENT RESPONSIBILITY, PERFORMANCE AND REPORTING

The management responsibility for the investment program is hereby assigned to the Finance Director, who shall establish written procedures consistent with this Policy. Such procedures

**R-29-2009
EXHIBIT A**

shall include explicit delegation of authority to persons responsible for investment transactions and establishment of internal controls.

No person may engage in an investment transaction except as provided under terms of this policy and the procedures established by the Finance Director.

Performance of the Village's portfolio shall be reported in the Village's Comprehensive Annual Financial Report (CAFR or audit) and shall include summary portfolio composition and performance information. A monthly schedule of investments will also be prepared by the Finance Director, reviewed by the Village Manager, and distributed to the Village Council containing all information deemed relevant to investment performance or required by ~~State Senate Bill 1555~~ applicable State law, including the Illinois Public Funds Investment Act, 30 ILCS 235/0.01 et seq.

Material deviations from projected investment strategies shall be reported immediately to the Village Manager.

INVESTMENT MATURITY AND LIQUIDITY

The Village staff will not speculate on interest rate changes. Unless matched to a specifically identified cash flow need, the investment portfolio shall have the following maximum maturities:

- No investments with an anticipated final maturity beyond five (5) years may be purchased.
- At least 50% of the cash and investment balance must mature within three years.

Any investment purchased with a maturity longer than one year must be supported by written documentation explaining the reasoning for the purchase and must be specifically authorized by the Finance Director.

SELECTION OF INVESTMENT ADVISORS, MONEY MANAGERS, AND FINANCIAL INSTITUTIONS

The Village of Winnetka shall maintain a list of financial institutions and brokers / dealers who are authorized to provide investment services. Selection of those providing investment services shall be made based on the creditworthiness, experience, and ability of those businesses to deliver excellent services, products, and investments to the Village at a fair price.

FINANCIAL INSTITUTIONS

Any financial institution selected by the Village may be required to provide investment management services and/or normal banking services, including, but not limited to: checking accounts, wire transfers, purchase and sale of investment securities and safekeeping services. Fees or compensating balances, if any, shall be mutually agreed to by an authorized representative of the financial institution and the Finance Director.

The Finance Director or designate may transfer balances, open and close accounts, and transact Village business with any qualified financial institution approved by the Village Council.

INVESTMENTS

The Village may invest in any type of security allowed by this policy which is more limited than the investment options set forth in the Illinois Compiled Statutes. A description of those securities is as follows:

- 1) Bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- 2) Interest-bearing investments including; savings accounts certificates of deposit, repurchase agreements of government securities, or time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation (FDIC).
- 3) Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of security legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States of America and only in those savings and loan associations insured by the Federal Deposit Insurance Corporation (FDIC).
- 4) Short-term obligations of corporations (Commercial Paper) organized in the United States of America with assets exceeding \$500,000,000 if (a) such obligations are rated at the time of purchase with the highest classification established by at least two standard rating services and which mature not later than 180 days from the date of purchase, (b) and such investment is no more than 20% of the cash and investment balance at time of placement and c) such purchases do not exceed 10% of the corporation's outstanding obligations.
- 5) The Illinois Funds, as managed by the treasurer of the State of Illinois.
- 6) Money market mutual funds registered under the Investment Company Act of 1940 with a portfolio consisting of investments in categories 1 and 2.

The Village will not purchase financial forwards or futures, leveraged investments, lending securities or reverse repurchase agreements. Repurchase agreements of government securities will only be purchased if specific securities are under the exclusive control of the Village or its agent.

Certificates of deposit will be purchased by comparing CD rates, treasury Security Yields, collateral available, and financial institution health. ~~based on at least two quotes obtained by the staff to ensure that a competitive rate of return is earned on investments.~~

DIVERSIFICATION

The Village will not purchase commercial paper directly. Commercial paper may be held by mutual funds and investment options approved for deposits by the State Treasurer. ~~In order to reduce the risk of default, the investment portfolio shall be diversified by limiting commercial paper to the lesser of 20% of the cash and investment balance at the time of placement, or 25% of the cash and investment balance.~~

COLLATERAL

Collateral shall be required for funds on deposit in excess of FDIC limits. At the Village's sole discretion, the following may be accepted as collateral:

U.S. Government securities

Obligations of Federal agencies

Obligations of Federal Instrumentalities

Obligations of the State of Illinois

Obligations of the Village of Winnetka

General Obligations Bonds of other municipalities rated "A" or better.

Any other collateral identified in Illinois Compiled Statutes as acceptable for use by the Treasurer of the State of Illinois.

~~The amount fair market value of collateral provided required to secure Village deposits will be not less than 110% of the fair market value of the net amount of public funds secured, and may be more than 110%, depending on the type of collateral used. The financial institution pledging collateral shall immediately post additional collateral should the fair market value of collateral fall below 110% of the fair market value of the public funds being secured. The ratio of fair market value of collateral to the amount of funds secured shall be reviewed quarterly and additional collateral will be requested when the ratio declines below the level required.~~

Pledged collateral shall be held in the Village's name by the Village or its agent and shall be evidenced by a safekeeping agreement. Collateral shall not be released without an authorized signature from the Village. Exchange of collateral of like value may be permitted with prior written approval of the Village.

INTERNAL CONTROLS

The Finance Director shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by an independent certified public accountant in conjunction with the annual examination of the financial statements. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by Village employees and officers.

One of the required elements of the system of internal controls shall be the timely reconciliation of all bank accounts. Bank reconciliations shall be performed on a monthly basis and shall be completed no later than forty - five (45) days after the bank statement cut off date.

The aforementioned policy is established as the standard for professional responsibility and shall be applied in the context of managing the Village's overall portfolio. Investment officers acting in accordance with this investment policy and established procedures while exercising due diligence in their duties shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in timely fashion, and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Officers or 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 that could impair their ability to make impartial decisions.

~~The foregoing policy was adopted pursuant to Resolution R-1465-99, at a regular meeting of the Village Council held on the 20th day of April, 1999.~~

**AN ORDINANCE
DESIGNATING AUTHORIZED INVESTMENT ADVISORS,
MONEY MANAGERS AND DEPOSITORY INSTITUTIONS
FOR VILLAGE FUNDS AND MONEY**

WHEREAS, the Village of Winnetka (“Village”) is a home rule municipality in accordance with Article VII, Section 6 of the Constitution of the State of Illinois of 1970 and, pursuant thereto, has the authority, except as limited by said Section 6 of Article VII, to exercise any power and perform any function pertaining to the government and affairs of the Village; and

WHEREAS, Article III, Section 4 of the Charter of the Village of Winnetka vests control of the Village’s finances in the Council of the Village of Winnetka (“Village Council”), and the Village Council accordingly find that establishing policies for the investment of Village funds is a matter pertaining to the affairs of the Village; and

WHEREAS, on May 4, 1999, the Council of the Village of Winnetka (Village Council”) passed Ordinance M-572-99, designating financial institutions that the Village Council approved for the deposit of Village of Winnetka (“Village”) funds; and

WHEREAS, in light of the financial downturn of late 2008, and in conjunction with a review of the Village’s investment policy, the Village Treasurer has both re-evaluated the previously approved depository institutions and evaluated other financial institutions as possible other or additional approved depositories and has reported to the Village Council requesting that the Village Council amend the list of authorized depositories for Village funds, monies and securities; and

WHEREAS, the Village Treasurer has also re-evaluated the Village’s investment advisers and money managers and has evaluated other possible providers and has reported to the Village Council requesting that the Village Council approve the list of financial institutions and financial service providers authorized to provide investment advisory and money management services to the Village; and

WHEREAS, the Village Council have determined that the list of approved depositories and that the list of approved investment advisers and money managers be updated as recommended by the Village Treasurer.

NOW, THEREFORE, the Council of the Village of Winnetka do ordain as follows:

SECTION 1: The foregoing recitals are hereby incorporated as the findings of the Council of the Village of Winnetka, as if fully set forth herein.

SECTION 2: Subject to the conditions set forth in Sections 4 and 5, below, the following entities are hereby designated and approved as depositories for all funds, monies and securities of the Village of Winnetka in the custody of the Village Treasurer:

- a. All those financial institutions listed in the Village of Winnetka Investment Policy, as amended pursuant to resolution R-29-2009, adopted June 16, 2009, including money market funds utilized by those institutions;
- b. All those financial institutions and investment vehicles listed for short-term money management in the Illinois Funds, as established and managed by the Treasurer of the State of Illinois.
- c. Harris Bank
- d. J.P. Morgan Chase
- e. Amalgamated Bank of Chicago
- f. Wintrust Financial Corporation (~~including The Private Bank~~)
- g. First Bank and Trust
- h. The Federal Reserve Bank of Boston

SECTION 3: Subject to the conditions set forth in Sections 4 and 5, below, the following entities are hereby designated and approved to provide investment advisory and management services as well as execute investment purchases and sales for all funds, monies and securities of the Village of Winnetka in the custody of the Village Treasurer:

- a. All those financial institutions listed in the Village of Winnetka Investment Policy, as amended pursuant to resolution R-29-2009, adopted June 16, 2009, including money market funds utilized by those institutions;
- b. All those financial institutions and investment vehicles listed for short-term money management in the Illinois Funds, as established and managed by the Treasurer of the State of Illinois.
- c. Harris Bank
- d. Becker, Burke and Associates
- e. Salomon Smith Barney
- f. Robert W. Baird & Co., Inc.
- g. Harris Investment Management
- h. J.P. Morgan Chase
- i. Amalgamated Bank of Chicago
- j. Wintrust Financial Corporation (~~including The Private Bank~~)

k. First Bank and Trust

SECTION 4: The designation and approval of each of the foregoing depositories, financial advisors and money managers shall be subject to such entity's having first complied with all applicable statutory requirements for public fund depositories and any other requirements established by the Village of Winnetka pursuant to the Village of Winnetka Investment Policy and the Winnetka Village Code.

SECTION 5: Subject to the foregoing conditions, the Village Treasurer is hereby authorized and directed to deposit all funds or monies in his custody belonging to the Village of Winnetka, and all securities received by him by virtue of his office or by any law of the State of Illinois or any ordinance of the Village of Winnetka, in one or more of the depositories designated and approved pursuant to this Ordinance.

SECTION 5: This Ordinance is passed by the Council of the Village of Winnetka in the exercise of its home rule powers pursuant to Section 6 of Article VII of the Illinois Constitution of 1970.

SECTION 6: This Ordinance shall take effect immediately upon its passage, approval and posting as provided by law.

PASSED this 7th day of July, 2009, pursuant to the following roll call vote:

AYES: Trustees Gheable, Johnson, Pedilm, Poor, Rintz, Spinney

NAYS: None

ABSENT: None

APPROVED this 7th day of July, 2009.

Signed:

Jessica B. Tucker
Village President

Countersigned:

Daryl D. Williams
Village Clerk

Introduced: June 16, 2009

Posted: June 17, 2009

Passed and Approved:

Posted:

Attachment 5

Cash-Flow Projections

Village of Winnetka
Cash-Flow Projections
(In millions)

FUND	Estimated 1/1/2015 Cash & Inv.	Estimated 1/1/2016 Cash & Inv.	Estimated 1/1/2017 Cash & Inv.	Estimated 1/1/2018 Cash & Inv.	Notes
Government Funds					
100 General Fund	\$17.32	\$15.00	\$15.00	\$14.00	
200 Motor Fuel Tax	\$1.73	\$1.70	\$0.90	\$0.90	a
220 Foreign Fire Tax	\$0.00	\$0.00	\$0.00	\$0.00	
300 Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	
Special Services	\$0.00	\$0.00	\$0.00	\$0.00	
410 Village Facilities Fund	\$0.61	\$0.40	\$0.40	\$0.40	
420 Downtown Revitalization Fund	\$0.30	\$0.20	\$0.20	\$0.20	
Sub-Total	<u>\$19.96</u>	<u>\$17.30</u>	<u>\$16.50</u>	<u>\$15.50</u>	
Enterprise (Business) Funds					
500 Electric Fund	\$7.00	\$6.30	\$4.80	\$3.50	b
520 Water Fund	\$1.50	\$1.50	\$1.70	\$1.70	
540 Sanitary Sewer Fund	\$0.90	\$0.60	\$0.50	\$0.50	
560 Refuse Fund	\$0.80	\$0.60	\$0.40	\$0.20	
580 Storm Water Sewer Fund	\$21.00	\$16.00	\$8.00	\$2.00	c
Sub-Total	<u>\$31.20</u>	<u>\$25.00</u>	<u>\$15.40</u>	<u>\$7.90</u>	
Internal Funds					
600 W.C. Insurance Fund	\$1.75	\$1.55	\$1.35	\$1.35	
610 Liability Insurance Fund	\$2.50	\$2.30	\$2.10	\$1.90	
620 Health Insurance Fund	\$1.75	\$1.55	\$1.35	\$1.15	
630 Data Processing Fund	\$0.80	\$0.80	\$0.80	\$0.80	
640 Fleet Services Fund	\$0.20	\$0.40	\$0.40	\$0.40	
Sub-Total	<u>\$7.00</u>	<u>\$6.60</u>	<u>\$6.00</u>	<u>\$5.60</u>	
Non- Pension Total	\$58.16	\$48.90	\$37.90	\$29.00	
Balance in short - term accounts	<u>\$ (10.00)</u>	<u>\$ (8.50)</u>	<u>\$ (6.50)</u>	<u>\$ (5.00)</u>	d
Balance Available for Investment	\$48.16	\$40.40	\$31.40	\$24.00	

Notes:

a - assumes significant State aid for the \$1.26m Willow Rd project in 2016

b - amounts approximately \$1.0m greater than net assets in capital plan

c - assumes \$9.5m bond issue in 2016 and 2017 & capital plan expenses

d - assumes as major projects are completed less flexibility will be needed

Attachment 6

August 25, 2014 Investment Follow-up Memo to Council

To: Village Council
From: Ed McKee, Finance Director
Date: August 25, 2014
Re: Investment Follow-Up

At the June 10, 2014 Council Meeting, Village Staff and BMO Global Asset Management presented information about a separately managed investment account for the Village's non-pension accounts.

At the conclusion of the discussion, President Greable asked that Trustees forward their questions and concerns to me in the next two weeks so I could research remaining concerns. Below are some of the questions that were discussed at the meeting on June 10th and other questions / concerns of the Council.

- 1) Why is the Village just looking at two vendors, aren't there other firms that do this type of work too?

Many firms provide investment management services. The staff had outlined 4 options at the February 11, 2014 Council Meeting: 1) Join the IMET Pool, 2) Hire a known bond manager, 3) Conduct a bond manager search, or 4) buy many FDIC insured uncollateralized CD's. Staff was directed to evaluate bond managers the Village has relationships with, of which there were three. I hired a consultant and we narrowed the field to two candidates which were interviewed. The candidate the evaluation group felt was the strongest was submitted to the Council on June 10.

If the Council wishes to expand the search, that can be accomplished. Staff feels the results of the efforts to date have resulted in a very viable candidate at a very competitive price and does not recommend expanding the search now. I have asked Howard Pohl and Mary Nye (the investment consulting experts the Village retained) of the Bogdahn Group to indicate the advantages and disadvantages of taking this approach. Their e-mail on this topic is attached. In summary, they would not recommend expanding the search because of the additional cost should we continue to use their expertise (\$15,000 to \$20,000) and the quality of the current proposal. I concur with their assessment.

- 2) What is the downside to expanding the search to other vendors?

The approach taken to this point is to work with vendors known to the Village. It takes a fair amount of work to establish appropriate safeguards for the Village's investment accounts. Creating more accounts at different locations weakens internal controls, lowers the Village's bargaining power, reduces the vendor's knowledge of the Village's needs, and makes the finance staff less efficient.

BMO Harris was selected through a competitive process and has proven to be a reliable partner. It is my opinion that should the Village wish to implement this investment approach, BMO's knowledge of Village operations, the bond management skills they possess, and the reasonable pricing (compared to other known existing relationships) would favor their selection.

3) How will BMO Global Asset Management add value?

The investment portfolio is designed to have a mix of investments that over time should produce a return approximately .50% higher than the Village's current investment strategy. The June 10, 2014 Council Packet included the investments that would be purchased under the BMO Global Asset Management proposal. The Village portfolio would have a duration between 2 and 3 years and would consist of the investments noted (with allocations that vary over time, but might typically be Agency CMO's – 25%, U.S. Agencies – 20%, Commercial Paper – 25%, Municipal Securities – 20%, and Certificates of Deposit – 10%). Because these investments have a longer maturity and have slightly more risk than the current investments, they should produce a higher return over longer time periods.

4) Why was the IMET investment Pool not recommended?

The IMET investment pool contains many municipalities in the area and is a common vehicle used by Villages for intermediate term investments. As stated at the meeting, Winnetka is somewhat unique in that its financial position includes carrying significant reserves to pay for capital improvements as well as operating an electric utility. My understanding in talking with investment professionals is that it takes \$20,000,000 or more in assets to make it cost effective and beneficial to have a separately managed short-term investment account. I am not aware of any other Village in our region utilizing the type of strategy being proposed here, most likely, because they do not meet the criteria to make this approach beneficial.

I contacted the IMET investment pool and under separate e-mail circulated information on this option. Attached is a copy of that correspondence. Of interest is that JP Morgan Manages this portfolio and charges a fee of 10 basis points (the same fee proposed by BMO Global Asset Management on the Village's \$40 million account). There are other costs paid by the IMET pool which raises their overall expense ratio to around 20 to 25 basis points.

The IMET investment pool has about the same amount of money in the IMET 1-3 year portfolio as Great Lakes Advisors manages (about \$250 million), which was of some concern to the Village's evaluation team. If the Village would put \$40 million into this pool, we would represent a 16% increase in the size of the pool. This could result in the Village realizing losses should other participants in the pool decide to move out of the market during a temporary dip in values. Conversely, if the pool appreciates in value, monies added by other participants could dilute the Village's returns.

- 5) To what extent would the Village Finance Director be consulted for individual security purchases and sales?

The Village and BMO Global Asset Management are proposing a discretionary investment manager relationship. This means that once the Village and BMO Global Asset Management agree on the investments to be utilized and overall investment strategy, the Finance Director would not be consulted on individual security purchases or sales. The Village would receive a monthly accounting of holdings, historical cost, market value, and purchases and sales during the month. The investment return earned by the Village should be compared to an appropriate benchmark periodically.

Attachment 7

September 12, 2014 Investment Follow-up Memo to Council

TO: ROB BAHAN, VILLAGE MANAGER
FROM: ED MCKEE, FINANCE DIRECTOR
DATE: SEPTEMBER 12, 2014
RE: INVESTMENT FOLLOW-UP

After the September 2 Council meeting, there were a few open items for Staff to research.

It was suggested that BMO might be deriving significant income from security purchases and sales. BMO does not make any money from security purchases or sales. The broker they select to execute the transaction makes a profit or loss on the transaction based on what they pay for a security versus what they sell it for.

BMO is only interested in working with the Village of Winnetka if it has a fully discretionary account (that is, they execute purchases and sales of individual securities without seeking approval from the Village). While BMO is willing to help the Village in drafting the investment policy, selecting the types of investments to purchase, maturity of investments, cash-flow needs of the Village, etc., their business model does not support an account where they seek permission for individual security purchases and sales.

I discussed the idea of a non-discretionary account (one where the Village would be consulted on individual security purchases and sales) with the Bogdahn Group which has advised me on the investment manager search thus far. He is not aware of any non-discretionary accounts since the 1990's in the many pension funds and other clients he works with. In one sense, that is very logical. If the entity (like the Village) possessed the data and skills to evaluate trade recommendations of a hired contractual money manager (like BMO), the entity would manage the investments in-house. Additionally, the financial markets are fluid and the additional time to execute transactions by seeking outside approval would likely reduce returns.

While there was some reluctance at the Council level with the idea of a discretionary account, I believe that is the most common and beneficial method of investing the dollar amount and types of assets under consideration.

One additional concern is the safekeeping agreement at the Federal Reserve Bank of Boston. I have attached a copy of that agreement. The release of collateral requires the consent of the Village. If ever there was a dispute between Harris and the Village, the Federal Reserve Bank of Boston would act to resolve the issue.

I attached a copy of the Village's current investment policy that would be revised should the Village move forward with an investment manager. The investment policy is included in the Council Handbook (though the formatting is a little different).

Attachment 8

**Previous Meeting Summaries and Minutes
(2/11/14, 6/10/14, 9/2/14, and 12/16/14)**



Agenda Item Executive Summary

Title: Investment Review

Presenter: Ed McKee, Finance Director

Agenda Date: 02/11/2014

Consent: YES NO

<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Bid Authorization/Award
<input checked="" type="checkbox"/>	Policy Direction
<input type="checkbox"/>	Informational Only

Item History:

Continued historically low interest rates have reduced the interest earnings on the Village's investment portfolio. Staff was asked to review previous returns and evaluate alternative strategies the Village could pursue to increase investment income.

Executive Summary:

Attached is a memo explaining the Village's investment strategy that has produced a market rate of return over the past five years, while not exposing the Village to any investments where a loss of principal was to be expected.

Below are the four alternatives identified by staff and the advantages (+) and disadvantages (-) of each:

- 1) Join IMET investment pool: + used by many communities - return no greater than current
- 2) Hire a known bond manager: + possible higher investment income of .50% per year over longer periods of time - possible loss of investment principal when interest rates increase
- 3) Conduct a search for a bond manager: + same advantage as #2 and the ability for the Council to be involved in the selection process, if desired - additional cost of a search (about \$5,000)
- 4) Purchase many certificates of deposit from financial institutions to use FDIC insurance instead of collateral to back CDs: + could increase investment income \$31,650 - staff has internal control, compliance, and time concerns about this approach not commonly used by municipalities in our geographic area

Ultimately, investing is often a trade-off of additional return for some additional risk. If the Village wants to maintain the current risk profile, no investment strategy changes are proposed. If the Village is willing to experience small (1 to 2%) losses of investment principal in return for higher expected investment earnings, Staff suggests option number 2 - hiring a known bond manager.

Recommendation / Suggested Action:

Review the attached memo and supporting calculations and discuss the Council's risk preferences and investment return expectations. Direct Staff to make changes to investment strategy, if desired.

Attachments:

- 1) Village corporate investments memo dated 2/11/2014
- 2) CD Scenario spreadsheet and supporting documentation

Trustee Buck expressed a concern that when someone gets a credit, other users pay a larger fee. Attorney Janega explained that the partnership credit would only be offered in exchange for a significant contribution to the stormwater utility system, which would ultimately reduce costs for everyone. She added that a deadline for a partnership credit application would need to be set before the Tunnel design is completed.

Amanda Hanley, 855 Auburn. Ms. Hanley said the Village has not adequately explored green solutions, as best practices by homeowners and institutions benefit the entire community by improving stormwater quality. A one size fits all remedy is not equitable and is open to a legal challenge.

Laurie Morse, 271 Hawthorne, Glencoe. Ms. Morse said the Council is being asked to walk a fine line between flooding and pollution. In theory, upgrading the stormwater system is one of the most environmentally beneficial things the Village can do; however, if it is so big and expensive that the Council is reluctant to offer incentives for best management practices, an opportunity to become a model for the region is wasted.

The Council thoroughly discussed the credit issue and directed Staff to amend the stormwater utility fee ordinance to include a credit provision.

- 4) Investment Review. Mr. McKee reviewed the investment options from his report, in light of the poor investment performance due to the ongoing sluggish economy. He explained that if the Council wishes to maintain a very low risk environment, the current investment structure serves the Village very well. If the Council wants a higher rate of return over a long period of time with some loss in the short term, using a bond manager could improve investment income by .5% over a 3-5 year timeframe.

The Trustees discussed their options, with several preferring to diversify the Village's investments into several banks, and others concerned that such actions will not be beneficial since few investments are generating a yield.

Mr. McKee pointed out that the Village has collateral for every dollar invested at Harris, which puts Winnetka in the strongest possible position. He said he could study the options for a separate bond account and have an analysis ready in a month or two, but that it is not a quick and easy process to move funds around.

Trustee Corrigan asked President Greable for clarification about what kinds of projects the Trustees could request directly of staff, as there do not currently seem to be any rules in place. Trustees Buck and Braun agreed that some guidelines would be helpful.

President Greable said he would discuss the issue with Manager Bahan to come up with a process.

- 5) Public Comment. None.
- 6) Executive Session. None.
- 7) Adjournment. Trustee Buck, seconded by Trustee Corrigan, moved to adjourn the meeting. By voice vote, the motion carried. The meeting adjourned at 10:39 p.m.

Recording Secretary



Agenda Item Executive Summary

Title: Investment Manager

Presenter: Ed McKee, Finance Director

Agenda Date: 06/10/2014

Consent: YES NO

<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Bid Authorization/Award
<input checked="" type="checkbox"/>	Policy Direction
<input type="checkbox"/>	Informational Only

Item History:

On February 11, 2014, the Council reviewed the investment performance of the Village, given the lower interest rate environment. The Village's past practice of purchasing certificates of deposit in a ladder maturity schedule is no longer an effective means to enhance the return on the investment portfolio due to the structure of interest rates. Staff was directed to evaluate a fixed income money manager to increase investment returns while still maintaining a high quality investment portfolio.

Executive Summary:

Staff has worked with President Greable and the Village's Investment Consultant, Howard H. Pohl, of the Bogdahn Group, to evaluate the options available to the Village. An evaluation team consisting of Trustee Fessler, Trustee McCrary, Manager Bahan, Finance Director McKee, and two representatives of the Bogdahn Group was formed. The evaluation team interviewed two firms on June 3, 2014, including BMO Global Asset Management and Great Lakes Advisors.

Both candidates were well qualified to manage a short duration, high quality investment portfolio for the Village. After reviewing the types of securities utilized by each firm, the management style, size of firms, and fees, the evaluation team concluded that BMO Global Asset Management was a slightly stronger candidate, and therefore recommends that firm.

Attached are the presentations that were reviewed during the June 3 interviews. Should the Council wish to proceed with an investment manager, Staff will need to negotiate an investment manager agreement, analyze projected cash-flows, and revise the Village's current investment policy. Staff estimates these actions would take about two months.

Recommendation / Suggested Action:

Direct staff to:

- 1) Negotiate an agreement for managing short-term investments with BMO Global Asset Management
- 2) Revise the Village investment policy to reflect the change in investment approach

Attachments:

- 1) BMO Global Asset Management proposal
- 2) Great Lakes Advisors proposal

**MINUTES
WINNETKA VILLAGE COUNCIL STUDY SESSION**

June 10, 2014

(Approved: xx)

A record of a legally convened meeting of the Council of the Village of Winnetka, which was held in the Village Hall Council Chambers on Tuesday, June 10, 2014 at 7:00 p.m.

- 1) Call to Order. President Greable called the meeting to order at 7:01 p.m. Present: Trustees Arthur Braun, Carol Fessler, Richard Kates, William Krucks, Stuart McCrary and Marilyn Prodromos. Absent: None. Also in attendance: Village Manager Robert Bahan, Assistant to the Village Manager Megan Pierce, Village Attorney Katherine Janega, Finance Director Ed McKee and approximately 8 persons in the audience.
- 2) Investment Manager. Finance Director Ed McKee explained that the Village's current investment practices are providing a market rate of return in the current low interest rate environment. In February, after studying options which included joining the Illinois Metropolitan Investment Fund (IMET), the Council directed Staff to pursue hiring a money manager known to the Village. The manager option should produce investment returns that exceed that of the IMET investment pool. He noted that the Village's investments and bank balances are currently collateralized at 110%, which is very secure.

Mr. McKee said Staff worked with President Greable and the Village's investment consultant from the Bogdahn Group, Howard Pohl, to form an evaluation team consisting of Trustees Fessler and McCrary, Manager Bahan, Finance Director McKee and two members of the Bogdahn Group. The team vetted two firms: BMO Global Asset Management (BMO), and Great Lakes Advisors. While both candidates were qualified, the team felt that BMO was a slightly stronger candidate, and recommends retaining the firm.

Mr. McKee recommended investing approximately \$40 million of the \$53 million the Village has on balance, and he reviewed sample portfolios. The Village could expect to earn about 0.75% net of fees using the recommended BMO strategy.

Trustee Kates objected to the process of only interviewing two firms, instead of sending out a Request for Qualifications to a wider pool of candidates, and Trustee Braun agreed. Trustee Kates asked how many other towns use investment advisors.

Mr. McKee indicated that municipalities in the area utilize the IMET investment pool. Mr. McKee said although it would be easy to join the pool, the investment returns as high of the IMET pool would likely be less than the BMO option.

Trustee McCrary said he was impressed the BMO, as they have a wealth of experience and are only charging 10 basis points, which is a bargain.

Trustee Fessler commented that she was grateful for the efforts of the Bogdahn Group and Village staff to narrow the options, as this is an appropriate use of staff prior to Council review of the recommendations.

Mr. McKee introduced BMO's Peter Arts, Head of Fixed Income, and Bill McKinley, Relationship Manager.

Mr. Arts explained the specialization of his team in short-duration investments. He noted that a short portfolio like the one recommended by BMO gives the Village a lot of options if it wants to change strategies, and is unlikely to suffer market losses. He added that Winnetka's smaller type of account will get the benefit of BMO's \$5 billion fund. He also suggested that the average maturity be around a two year duration, which will pay more than the IMET fund, which is run more like a money market fund.

Trustee Fessler said she was impressed with the financial benefit to Winnetka in all areas, including the substantial fees that are currently waived by BMO. She noted that their product is high quality, the fee structure is not high, their qualifications are solid and the team is readily available.

Trustee McCrary noted that BMO does not take outsized risks, and will find assets that are appropriate for the Village and fit Winnetka's needs for cash when construction on large stormwater projects is set to begin.

Mr. McKinley pointed out that Winnetka has numerous accounts with BMO and these accounts have substantial daily activity. Last year all of the activity fees on these accounts were waived, saving the Village approximately \$53,000. In addition, BMO made a low bid on the Series 2013 Stormwater Bonds, saving the Village approximately 5 basis points over the life of those bonds, which amounts to over \$190,000 in savings.

The Trustees asked questions of Messrs. Arts and McKinley, after which President Greable called for public comment.

Glenn Weaver, 574 Lincoln Avenue. Mr. Weaver asked if the Village has a document signed by BMO that it is a fiduciary of Winnetka. Mr. McKee said he would need to review the agreements to see if that is in writing.

Marc Hecht, 1096 Spruce. Mr. Hecht asked: (i) why the investment policy is not written yet; (ii) why Village staff can't manage the funds, given the limits of the Public Fund Investment Act; (iii) would there be a reduction in staff to offset the fees for hiring an investment manager; (iv) will BMO be allowed to sell bonds at a loss when that's advisable, or will they be required to hold everything until maturity; and (v) how is money going to be made with the recommended portfolio?

Mr. McKee responded that: (i) the investment policy isn't written yet because Council is evaluating the topic; (ii) BMO Global Asset Management has more expertise and tools available to manage the investments; (iii) there would be no decrease in staff, because the current investment process is very efficient and consumes very little staff time; (iv) the bond manager would be authorized to sell at a loss; and (v) money would be made by moving out the yield curve slightly.

Responding to a complaint that Staff is recommending BMO because it is convenient and the path of least resistance, Mr. McKee explained that is not factually correct. The Village has bought certificates of deposit from other banks when the returns are better, and Staff also tests the market to make sure the Village is earning competitive rates. He added that the short-term liquid investments the Village currently has at BMO are marked at a premium return to the Statewide Illinois Funds Money Market, which has a competitive investment return. Mr. McKee said it is his opinion that BMO works to earn the Village's business by being competitive in terms of collateralization and fee waivers. He pointed out that even

with an RFP process, because of statutory restrictions on investment for municipalities, data from responding banks would be difficult to analyze.

Trustee Fessler said there is a degree of comfort and trust working with BMO because of the Village's longstanding relationship.

Trustee Kates said he wants to look at a bigger selection of banks. Trustee Braun said he was not ready to commit. Trustee Krucks said he could not approve until he met with Mr. McKee to hear an in-depth explanation of why BMO was chosen over Great Lakes Advisors.

Trustee McCrary said he was comfortable moving forward with BMO, as the Village will be hard pressed to find more favorable conditions elsewhere, given the good rate and discounts from BMO.

Trustee Prodromos said she was comfortable moving forward with BMO, as it seems the investment risks are manageable.

President Greable suggested that any Trustee who has questions and wants more information should meet with Mr. McKee prior to the meeting on June 24, 2014.

The Council took a short recess at 8:50 p.m.

3) Strategic Planning, Next Steps. President Greable reconvened the meeting at 8:53 p.m.

Manager Bahan confirmed with the Council that Attachment 1 in the Agenda Report captured the critical issues the Council discussed at the last strategic planning session in May. He explained that Attachment 2 is a comprehensive planning tool that came out of the goals captured in Attachment 1. The format includes columns for status, timeframe, and action steps. The goal is to set timeframes to accomplish goals in three categories: immediate, short-term, or long term.

The Council discussed and prioritized the goals, noting that allocating some issues to the lower boards would help to speed progress. Other items that came out of the discussion: explore uses for the landfill site; ask Community Development for suggestions about the Post Office Site; engage the community; continue to evaluate economic development staffing; leverage the creativity of the community as much as possible; survey the community to get feedback on priorities.

Trustee Fessler distributed a handout she developed for outreach and community engagement. Ms. Pierce noted that the survey is a reasonable short-term goal, and outside assistance would help to expedite the process, as it is a large undertaking.

The Council was generally in agreement that the commercial districts are in need of revitalization, with several Trustees in favor of a master planning process. There was a lengthy discussion about how to position the Village's regulations in a truthful and good light. There was consensus that a master planning process would take nearly two years to complete, and that outside assistance is necessary.

The main goals that surfaced for immediate action were: stormwater management, economic development, and community engagement (survey).

Manager Bahan said there could be more discussion on the issue of a downtown master plan process at the next Study Session.



Agenda Item Executive Summary

Title: Investment Manager

Presenter: Ed McKee, Finance Director

Agenda Date: 09/02/2014

Consent: YES NO

<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Bid Authorization/Award
<input checked="" type="checkbox"/>	Policy Direction
<input type="checkbox"/>	Informational Only

Item History:

On February 11, 2014 and June 10, 2014 the Council reviewed the the Village's investment approach for non-pension balances. At the June 10 Council Meeting, Staff was asked to provide some additional information. BMO Global Asset Management, the firm recommended by the evaluation team consisting of Trustee Fessler, Trustee McCrary, Manager Bahan, Finance Director McKee, and two representatives of the Bogdahn Group, provided that information. The Council had several other questions which are addressed in Attachment #1.

Executive Summary:

Staff has worked with President Greable and the Village's Investment Consultants, Howard H. Pohl and Mary Nye, of the Bogdahn Group, to further evaluate the Village's investment options.

Staff has compiled additional information requested by the Council and those items are provided as attachments. BMO Global Asset Management has provided a sample portfolio indicating the types of securities that would be purchased. Also included is further information on the IMET investment option. The IMET option is projected to have higher operating expenses, a lower expected return, and less variability in daily principal valuations when compared to the option recommended by the evaluation team.

Should the Council wish to proceed with an investment manager, the following steps are required: 1) negotiate an investment manager agreement, 2) revise the Village's investment policy (including the option of restricting investments beyond those in the State Statutes, selecting an appropriate benchmark to measure performance against, and setting diversification and portfolio management standards), and 3) update the Village's cash-flow projections. Another consideration is determining if the Village should continue to retain the services of the Bogdahn Group for on-going monitoring of this investment strategy at an annual cost of \$8,000.

Recommendation:

Direct staff to:

- 1) Negotiate an agreement for managing short-term investments with BMO Global Asset Management
- 2) Revise the Village investment policy to reflect this change in investment approach
- 3) Evaluate the desire for on-going independent investment advisor services

Attachments:

- 1) July 25, 2014 memo providing follow up to the June 10, 2014 Council Meeting
- 2) July 24, 2014 e-mail from the Bogdahn Group on the merits of expanding the money manager search
- 3) July 15, 2014 BMO Asset Management materials
- 4) Supplemental information about the IMET investment option
- 5) June 10, 2014 Council Meeting materials

8) Public Comment. None.

9) Old Business.

- a) Investment Manager. Mr. McKee explained that the Council discussed the Village's investment approach in June, where additional information was requested before a decision could be made about hiring an investment manager. He reviewed the supplemental information that has been compiled, and noted that hiring a bond manager would provide a well-diversified portfolio; however, a small amount of additional risk would also result.

The Council discussed different investment scenarios at length, covering questions of interest rate fluctuations, the Illinois Metropolitan Investment Fund (IMET), fees paid to outside investment managers, diversification of investment accounts, transaction fees, quarterly investment reports, and the Village's cash flow needs. Manager Bahan said the remaining concerns of the Trustees will be discussed in more detail at a future Study Session; and he asked them to contact Mr. McKee directly with questions and concerns.

10) New Business.

- a) Village-Wide Community Survey. President Greable reviewed the survey process to-date, and he explained that tonight's discussion is meant to settle questions of timing and survey topics that surfaced at the August 5 Council meeting.

Trustee Fessler explained that a Village-wide survey would provide valuable information for Village staff regarding services and help to identify priorities for the Council to consider. She noted that she was part of a survey team that also included Trustee McCrary, Manager Bahan and his Assistant, Megan Pierce, and that the team has been working quickly to get the survey accomplished in a timely manner. She said the Council has been involved throughout the process and she asked for their blessing to either move forward or delay the survey to make more amendments.

Trustee McCrary said the goal is to gather information to better help the Council represent the entire community, and the survey is the right tool to start the process.

Trustee Kates had concerns about the draft survey, as he felt it would not result in action items for the Council to work on. After reviewing the questions he took issue with, he questioned the timing of the survey.

The Council discussed the survey process, and came to a general consensus that the survey should be sent in October as originally planned. Trustee Fessler asked that the Trustees communicate their top priorities to the survey team, which will be summarized and discussed one last time at the September 9 Study Session prior to finalization of the survey.

11) Appointments. None.



Agenda Item Executive Summary

Title: Investment Manager

Presenter: Ed McKee, Finance Director

Agenda Date: 12/16/2014

Consent: YES NO

<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Bid Authorization/Award
<input checked="" type="checkbox"/>	Policy Direction
<input type="checkbox"/>	Informational Only

Item History:

On February 11, June 10, and September 2, 2014 the Council reviewed the the Village's investment approach for non-pension balances. At the September 2 Council Meeting, Staff was asked to provide some additional information which is attached and was previously distributed to the Council.

Executive Summary:

At the September 2 Council Meeting, three significant concerns were raised: 1) that BMO Global Asset Management was being compensated by earning income from security purchases and sales, 2) the desire by some of the Council to have the finance director approve some or all investment purchases and sales, and 3) the safekeeping agreement may not adequately protect the Village.

As I stated at the meeting, BMO Global Asset Management would be a fiduciary to the Village and can only act in the Village's best interests. BMO utilizes outside brokers to execute transactions. Paying excessive commissions would violate the fiduciary standard of care. I have confirmed with BMO that they do not receive any income from executing transactions.

The second concern centered around the desire by some of the Council to have the finance director approve some or all investment transactions. At the September 2 meeting, I stated that better returns and accountability would be achieved by giving the investment manager full discretion to buy and sell securities within the parameters established by the Council through the investment policy and the investment management agreement. I talked with Howard Pohl, the consultant with the Bogdahn Group who has been assisting us, and he concurred with my assessment. Mr. Pohl added that it is extremely uncommon to have an external person approve individual security trades given the fast moving financial markets. BMO Global Asset Management has indicated they would decline our business if they need to seek approval for individual security purchases or sales.

The final significant concern was the safekeeping agreement. I have reviewed the safekeeping agreement and distributed it to the Council. I believe the Village's current Federal Reserve Bank of Boston safekeeping agreement to be the best available. If the Council wants to explore an alternative agreement they believe to be more appropriate, I would suggest assigning that task to the Bogdahn Group and Village Attorney.

Should the Council wish to proceed with an investment manager, the following three steps are required: 1) negotiate an investment manager agreement, 2) revise the Village's investment policy (defining allowable investments, selecting an appropriate performance benchmarks, and setting diversification and portfolio management standards), and 3) update the Village's cash-flow projections. Also, I would suggest the Council consider retaining the services of the Bogdahn Group for on-going manager and performance monitoring at an annual cost of \$8,000.

Recommendation:

Direct Staff to:

- 1) Negotiate an agreement with BMO Global Asset Management for short-term investment management;
- 2) Revise the Village investment policy to reflect the revised investment approach (the current investment policy does not allow the investment manager (BMO) to purchase the investment types utilized in their investment style); and
- 3) Evaluate the desire for on-going independent investment performance monitoring.

Attachments:

- 1) August 25, 2014 memo to the Village Council following up on investment concerns raised at the June 10, 2014 meeting
- 2) September 12, 2014 memo to the Village Manager (previously distributed to the Council) following up on concerns raised at the September 2, 2014 meeting (without attachments)
- 3) Executive summaries from previous meetings (dated 2/11/2014, 6/10/2014, and 9/2/2014)
- 4) Staff report from Ed McKee on investment options dated 2/11/2014

contingency. By roll call vote, the motion carried. Ayes: Trustees Braun, Fessler, Kates, Krucks, McCrary and Prodromos. Nays: None. Absent: None.

- c) Investment Manager. Mr. McKee reviewed the Village's historical investment practices, which have produced a market rate of return the past five years, while avoiding exposure to a loss of principal. He explained that the current low interest rate environment has reduced earnings on the Village's investment portfolio, and he reviewed the pros and cons of four alternative investment options for the Council's consideration:
- i) Join the IMET investment pool
 - (+) used by many communities
 - (-) return no greater than current
 - ii) Hire a known bond manager
 - (+) possible higher investment income of .50% per year over long time periods
 - (-) possible loss of principal when interest rates increase
 - iii) Conduct a search for a bond manager
 - (+) same advantage as #2 as well as ability for Council to participate in selection
 - (-) cost for the search approximately \$5,000
 - iv) Purchase multiple certificates of deposit to take advantage of FDIC instead of collateral for backing
 - (+) estimated investment income increase of \$31,650
 - (-) concerns about internal control, compliance and time issues, as well as unusual approach to municipal investment

The Council discussed the options, and it was generally agreed that diversifying the current investments is more desirable than focusing on increased yields. Mr. McKee assured the Council that he had no doubt BMO would be a fiduciary of the Village under any proposed contract. He noted that Winnetka's reserve policy is very transparent, and the dilemma has occurred because a large sum was borrowed to lock in interest rates.

Trustee McCrary noted that the funds were borrowed as a hedge against rising interest rates; however, the Council miscalculated, as instead of increasing, interest rates have declined. The risk of paying more in interest than the returns could generate was understood at that time, and the best course is to spend the money on stormwater projects as quickly as possible.

In the ensuing discussion, President Greable stressed that he wants the principal protected against risk. Mr. McKee noted that the fees of the investment manager need to be offset; therefore, if the goal is zero exposure to loss of principal, there is no point to hiring a money manager.

President Greable suggested that Mr. McKee enter into discussions with BMO to see what type of agreement they would recommend to the Village, and what level of risk it would carry.

Mr. McKee said he could bring that material back to the Council possibly in March.

- 11) Appointments. None.

Attachment 9

February 11, 2014 Staff Report on Investment Options

To: Robert M. Bahan, Village Manager

From: Ed McKee, Finance Director

Date: February 11, 2014

Re: Village Corporate Investments

You asked me to summarize in this correspondence the Village's past investment performance for the Village's non-pension funds, explain the current investment environment, and explain what alternatives are available to the Village Council should they wish to pursue an alternative strategy.

As you are aware, macro-economic forces and the actions of the Federal Reserve Bank have resulted in historically low interest rates for fixed income investments of the type made by the Village. We have periodically discussed this low interest rate environment and the impact on the Village's investments. Staff has been shortening the duration of the Village's investment portfolio within the current investment policy guidelines as longer term investments offer little additional return. Other finance directors and I have discussed approaches to investments, and they face similar challenges.

Past Performance

The Village currently invests about \$40 million in three types of investments: 1) the State Investment Pool (the Illinois Funds), 2) the Village's depository bank (Harris Bank, Winnetka), and 3) certificates of deposit (CDs). Prior to a few years ago, 50 to 70% of the Village's investment portfolio consisted of laddered CDs maturing 18 to 36 months out from the time of purchase. This allowed the Village to take advantage of the generally upward sloping nature of the yield curve to earn a higher return than investing in only very liquid accounts. Because these investments were purchased at different times, there was adequate cash-flow to meet unforeseen contingencies with a low probability of a forced sale of an existing investment.

On the following page is a summary of the three investment types currently used and several alternatives. The returns shown are the annualized amounts for the last 1, 3, and 5 years. To the right of the chart are alternative investment options: the Illinois Metropolitan Investment Fund (IMET) and a separately managed bond account. The IMET investment is commonly used by municipalities and has a 1 to 3 year duration.

The separately managed bond account would be specific to the Village of Winnetka and contain short to medium maturity securities with an overall portfolio duration around 2.5 to 3 years. The investment returns indicated reflect the expected investment returns by a bond portfolio meeting the restrictions imposed by State Statute. Typical investments in this portfolio would include CDs, commercial paper maturing within 270 days, Agency securities, municipal bonds, and short-term corporate bonds.

Current Yield on Date	Annualized Investment Returns for Periods Ending October 30, 2013				
	Village Portfolio	State Pool Short-Term	Harris Short-Term	Option 1 IMET Pool	Option 2 Bond Account Credit Risk
One Year	0.36%	0.05%	0.20%	0.25%	0.15%
3 Year	0.90%	0.07%	0.22%	0.22%	2.00%
5 Year	1.38%	0.13%	0.28%	1.35%	n/a

Based on the above analysis, Staff believes that historically, the Village has earned a fair return on the investment portfolio while maintaining a low risk approach to investing. The Village's portfolio returns have not exposed the Village to a negative return and all deposits in excess of FDIC limits are back by collateral held at the Federal Reserve.

Current Investment Environment

The current low fixed income return environment has persisted for several years now and this has impacted the Village's investment strategy. Normally, the Village would buy a new CD when an existing one matured and would look at a term of somewhere between 12 and 36 months. Over the past two years, when CDs mature, the Village has frequently elected to transfer those maturities into the Harris money market accounts, as that rate has been comparable to the one year CD rate.

Staff continues to evaluate CD purchases of up to 36 months in length. The premium offered for longer-term investments has varied, but currently is only about 0.15% to go from the money market rate with daily availability to a 36 month CD. Staff has felt it is appropriate to keep the liquidity given the relatively low premium offered.

In terms of the CD rates earned by the Village, it is important to understand the Village has an investment policy that focuses on preservation of capital and minimizing risk. For example, the Village requires that financial institutions post collateral for all CDs invested by the Village into the Village of Winnetka's separate account at the Federal Reserve Bank of Boston. This protects the Village should the financial institution fail as the Village's CD investments exceed FDIC insurance limits. Because the financial institutions factor in the cost to them of posting collateral for CDs, the returns earned by the Village are less than those available on uncollateralized CDs. It is a common practice for municipalities to require collateralization of public funds to meet a preservation of capital standard.

Available Alternatives

Staff believes the current investment strategy is appropriate given the Village’s investment policy. If the Village Council is seeking higher investment returns, it may be appropriate to move from a preservation of capital philosophy to total return philosophy over a 3 to 5 year time horizon. This would allow for alternative investment strategies that would likely provide a higher long-term return for the Village, though there would be more variability in the market value of the investments.

Option 1: Join the IMET investment pool. Many communities utilize this investment option for money they do not need in the near term. The investment returns under this option have been less than the CD earnings on the Village’s investments. IMET’s investment return approximately matches the total Village portfolio return over longer periods of time, including the cash held by the Village that earns a significantly lower rate of return.

Option 2: Hire a Bond Manager known to the Village. I have met several times with Great Lakes, one of the bond managers used by the Police and Firefighters’ Pension Funds, to understand what returns could be expected in a separately managed bond account. While the regulations for non-pension investments are different, I would still expect a separately managed bond account to result in a higher investment returns for the Village over a 3 year or longer time frame (compared to the Village’s current investment strategy).

One concern the Council should fully understand and be comfortable with, is that bond portfolios have negative annual investment returns when interest rates increase beyond a certain rate. The price someone will pay for a bond is the present value of future cash flows at a given discount rate. The discount rate is set by the financial market. If the market discount rate were to rise (due to higher interest rates, for example), the value of an outstanding bond would fall. It is helpful to think of the value of the bond on one side of a seesaw and the discount rate to be on the opposite side. If the discount rate goes up, the value of the bond goes down. Conversely, if the discount rate goes down, the value of the bond goes up.

The table below shows an example of how annual returns would be calculated given the assumed changes in interest rates. The change in bond value amounts are calculated by taking the change in interest rates times the portfolio duration times -1 (as there is an inverse relationship). The investment yield is then added to the change in portfolio value to calculate the total return for the account.

Interest Rate Change	Portfolio Duration	Change in Portfolio Value	Investment Yield	Total Return
2.00%	2.00	-4.00%	1.20%	-2.80%
1.00%	2.00	-2.00%	1.20%	-0.80%
0.00%	2.00	0.00%	1.20%	1.20%
-1.00%	2.00	2.00%	1.20%	3.20%
-2.00%	2.00	4.00%	1.20%	5.20%

Option 3: Conduct a search for a bond manager. The Council could retain The Bogdahn Group (or another independent investment consultant) to perform a search to find a new Bond Manager for the Village's corporate funds. The Bogdahn Group (formerly, Becker, Burke, and Associates) has provided investment advice to both the Police and Firefighters' Pension funds for about 10 years, including selecting bond investment managers.

Both Pension Boards have selected Great Lakes Investment Advisors as a bond manager through a competitive screening process. If the Village Council preferred a new investment manager search, one could be performed for about \$5,000.

Option 4: Purchase many Certificates of Deposit. One of the Council Members has indicated that the Village should explore making many CD investments at multiple banks to remain under the \$250,000 FDIC limit. This would allow the financial institutions to pay a higher interest rate because they would not have to pledge collateral to secure a Village deposit.

This is a very time intensive approach to investing and has many risks, including those related to internal control concerns, fraud risks, compliance risks, and managing many relationships. From a practical standpoint, if the Village were to invest \$40,000,000 and remain under the \$250,000 FDIC insurance per institution FDIC, that would require relations with 160 financial institutions. This is beyond the capability of the existing Finance Department.

In attempting to estimate the additional income from this strategy, the staff looked at on-line CD quotes from various sources, including the web site: <http://www.bankrate.com/funnel/cd-investments/cd-investment-results.aspx?local=false&tab=CD&prods=15>

While some financial institutions are offering 1% interest rates for one year, many are unknown to the staff. Once you get below the first 23 or so financial institutions, there is little benefit to this strategy, as the rate earned is not too different from that under the Village's current CD possibilities. This means only about 10% of the Village's assets (\$5,500,000) could be successfully invested in this strategy (see Attachment A). Staff estimates that about \$31,650 of additional income might be generated under this strategy, a roughly 0.05% increase in return. This calculation ignores the value of the diverted Staff time and potential custodial costs.

Conclusion

Historically, the Village has had a cash and investment balance around \$40 million. With the recent bond issues, the cash and investment balance will likely increase to around \$60 million before the Village starts paying for stormwater improvements. While not exhaustive of all investment possibilities, Staff has explored several alternatives to the current investment strategy for non-pension holdings. If the Village wishes to maintain the current preservation of capital philosophy and never expect to experience a negative investment return, then no changes to the current investment strategy are suggested.

If the Council is willing to modify the preservation of capital philosophy that underpins the current investment strategy of the Village, Staff believes that option #2 - hiring a fixed income manager already utilized by the Police and Firefighters' Pension Funds and modifying their investment strategy to meet the risk tolerances of the Council, is the best option. A bond manager could reasonably be expected to improve investment income by .50% over a three to five year time frame. If \$30,000,000 were invested, that would result in \$150,000 ($\$30,000,000 * .50\%$) of additional annual investment income. However, there will be periods of time when a bond manager will underperform the Village's current investment strategy, and losses of investment principal are to be expected under this investment strategy when interest rates rise significantly.

Attachment A – CD Scenario spreadsheet - showing incremental revenue possible based on CD rates obtained on 1/22/2014 via the website: <http://www.bankrate.com/funnel/cd-investments/cd-investment-results.aspx?local=false&tab=CD&prods=15>



Agenda Item Executive Summary

Title: Strategic Planning: Survey Results

Presenter: Robert M. Bahan, Village Manager

Agenda Date: 02/10/2015

Consent: YES NO

- | | |
|-------------------------------------|-------------------------|
| <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | Bid Authorization/Award |
| <input type="checkbox"/> | Policy Direction |
| <input checked="" type="checkbox"/> | Informational Only |

Item History:

- Council 2014 Strategic Planning & Goal Setting: May 13, June 10, and July 8
- 2014 Village Citizen Survey Results Report: January 13, 2015

Executive Summary:

On January 13, 2015, Tom Miller, President of National Research Center (NRC), presented the results of the 2014 Village Citizen Survey, which provide a wealth of data about our services, the viewpoints of our residents, and perspective on several strategic issues. Because we worked with NRC to design a customized survey tool, we not only have data on standard core services provided by the Village that can be trended over time and benchmarked to comparable communities, we have input from a significant number of households on the actions that should be a high priority for Winnetka in the near future. Due to the amount of data in the survey reports, we wanted to first take time to review and then to assess how this information should influence the Village's actions in the short, mid, and long-term. Our previously established strategic planning process can now provide the appropriate context and will be a helpful tool for further understanding and prioritizing the survey data.

Staff provided the Village Council with an updated strategic planning tool following the January Study Session. We would like to discuss the survey results in the context of our existing Goals and Action Steps and identify items that should be revised, added, or deleted to update the strategic plan.

Recommendation:

Council discussion of 2014 Village Citizen Survey Results and input on strategic initiatives to pursue in the short, mid, and long-term.

Attachments:

- 1) Agenda Report
- 2) 2014/2015 Strategic Planning Tool

**VILLAGE OF WINNETKA
MEMORANDUM**

TO: Village Council

FROM: Robert M. Bahan, Village Manager

CC: Megan Pierce, Assistant to the Village Manager

DATE: February 5, 2015

RE: Strategic Planning: Survey Results

Background

On January 13, 2015, Tom Miller, President of National Research Center (NRC), presented the results of the 2014 Village Citizen Survey. NRC's *Report of Results* and *Report of Benchmark Comparisons* (available in the January 13 Agenda Packet) provide a wealth of data about our services, the viewpoints of our residents, and perspective on several strategic issues. Because we worked with NRC to design a customized survey tool, we not only have data on standard core services provided by the Village that can be trended over time and benchmarked to comparable communities, we have input from a significant number of households on the actions that should be a high priority for Winnetka in the near future.

Overall, survey responses highlight that:

- Winnetka residents enjoy a high quality of life;
- Village services perform very well overall;
- Residents support prioritizing stormwater management, economic development in the business districts, and potential changes to refuse collection; and
- Residents would like to see redevelopment in the Village's three business districts, with an emphasis on increasing options for food and dining.

Due to the amount of data in the survey reports, we wanted to first take time to review and then to assess how this information should influence the Village's actions in the short, mid, and long-term. Our previously established strategic planning process can now provide the appropriate context and will be a helpful tool for further understanding and prioritizing the survey data.

Progress To-Date

At the January Study Session, we distributed an updated strategic planning tool, and a memo refreshing how the tool is structured. Previously, Staff reviewed the eight Strategies, Goals, and Action Steps—making changes mostly to Action Steps and updating completion targets. A great deal of progress has been made on the items that have been identified as high priorities, which is apparent when looking broadly at the eight key Strategies:

1. *Identify the best and future use of key Village-owned sites*

In a decision that positively impacts and moves forward a number of Goals and Action Steps, the Council has decided to proceed with a Request for Proposals to develop a Downtown Master Plan. The Plan will incorporate all three of the Village's business districts, with special attention to conducting a market analysis and identifying redevelopment opportunities for targeted properties, such as the Village-owned Post Office site.

2. *Revitalize the Village's three business districts and conduct comprehensive community planning*

Many of the Urban Land Institute (ULI) Technical Assistance Panel's (TAP) recommendations were blended into Goals and Action Steps under this strategy. We have taken critical steps toward advancing many items, including hiring the Village's first Economic Development Coordinator, revising our liquor license requirements, evaluating commercial zoning amendments, and making physical improvements to our highly visible and traveled business districts. A number of Action Steps under this Strategy are also linked to the first Goal, due to the focus on comprehensive community planning.

3. *Engage in more in-depth financial planning and maintain the Village's strong financial position*

Having completed the major implementation of new financial software and changing our fiscal year, the Village has continued to prioritize careful budgeting and capital planning. We are regularly tracking budget follow-up items for the Council and continue to look at our financial position as it relates to taxes, fees, and pensions.

4. *Analyze elements of the Village's operating structure to ensure efficient, effective service delivery*

Excellent service delivery and programs depend on the Village's sound operating structure. We have explored and implemented new staffing models, including contractual inspectional services and departmental restructuring in several areas. The amount of cooperation and collaboration between our departments and neighboring municipalities is probably at an all-time high, and we continue to look for other collaborative opportunities like furthering fire inspection services and a regional approach to the recycling contract.

5. *Facilitate information sharing and understanding through improved Village communications and expanded engagement efforts*

Most significantly, the Village conducted its inaugural survey of residents. However, that effort should not overshadow the enhanced communications the Village has employed over the last year or so, especially as connected to our Stormwater Management Program (special newsletters, dedicated website, etc.). We have worked diligently to improve our communication tools, such as the redesigned website, Winnetka Report, E-Winnetka, E-Developments, and press releases. These tools will help us take advantage of more engagement and input opportunities going forward.

6. *Implement the Stormwater Management Program, using the Stormwater Master Plan as a guide to long-term decision making*

2014 was a year of much accomplishment for stormwater management, both in terms of the construction of improvements that will alleviate structural flooding issues and in the further development of plans and programs to reduce future flooding. The Village has advanced the engineering and design of the most significant infrastructure component, the Willow Road Stormwater Tunnel and Area Drainage Improvements Project, while also gearing-up for work on Northwest Winnetka improvements to begin this spring. In addition, work was completed on Lloyd Outlet, Northeast Winnetka, and the Winnetka Avenue Pump Station. While not as visible as construction projects, we also implemented the Village's stormwater utility and began administering it in July, 2014. Finally, the Village adopted both the Stormwater Master Plan and the Water Solutions Project report for the IKE Grant.

7. *Seek new avenues through which to enhance the Village's environmental stewardship*

During 2014 strategic planning, several Goals and Action Steps were added to this Strategy. While there are not as many boxes to check-off as complete, environmental stewardship is becoming more engrained as a value in the way we do business. Last year, the Village created a ban on coal-tar based pavement sealers due to the potential negative impacts on our residents and natural assets such as Lake Michigan. The Council also approved a program of new recycling containers for the business districts. And, when bidding new construction projects, we look at more sustainable solutions, such as with the renovation of lighting at the Hubbard Woods Parking Deck.

8. *Develop and enhance organizational efforts for strategic planning, collaboration, and cooperation*

This goal is not as action-oriented as many of the others, but it is no less important. I believe we have made strides in this area and continue to collaborate within the community, both through our advisory boards and commissions and other units of government. The improved relationships and understandings will positively underpin the other strategic actions the Village takes.

Survey Results

Keeping what we have accomplished, as well as the other priorities previously identified in-mind, the Council should discuss the survey results. For strategic planning purposes, focusing on the core service data as well as the questions that identify actionable priorities, will be most helpful in reaching consensus about revising our strategic plan. Though Staff updated the strategic planning tool in January to reflect items from the fiscal year 2015 budget and some survey data, we are seeking Council input on whether it sees any new Goals or existing ones that should be revised. Next, we want to explore how the data should influence the Action Steps—possibly adding, revising, or deleting steps based on priority of what we heard from residents.

In altering Action Steps, we will want to pay careful attention to the Timeframes, because not every item can be an immediate, short-term, or high priority. The Council may decide that the Timeframe of some existing items should be revised, especially when adding a new Action Step.

Please recall that Timeframes in the tool are listed as either immediate, short-term (6-12 months), mid-term (1-2 years), or long-term (more than 2 years). It is best to realistically consider what can be accomplished with current resources when revising an expectation of time to complete a Goal or Action Step.

I would ask the Council to bring their Survey Results binders to the February Study Session so that we can dig into the data, discuss possible Goals and Action Steps, and agree on how to update the planning tool to guide our highest priorities for the coming months.

Next Steps

While Staff reviewed and updated the planning tool, there are some data points from the survey that we feel should be addressed. Following are highlights of the items that may be incorporated into our strategic plan (page references are to the January 13 agenda packet).

- Overall customer service by Village employees (pg. 19): While Staff received a rating of Excellent or Good from 87% of respondents, this is lower than we would have expected compared to our benchmarks and demonstrates there is room for improvement. We want to evaluate the survey data to look for those opportunities for improvement and implement changes across all departments to improve our customer service to stakeholders.
- Development requirements for new home construction (pg. 23): Approximately two-thirds of respondents indicated strong support for adding development requirements. Public Works Director Steve Saunders has outlined a process for undertaking this evaluation, and the project is already underway.
- Business district development (pg. 28): 77% of residents agreed that business district revitalization should be a high priority for the Village, which aligns with the Council's current strategic plan priorities.
- Redevelopment of Post Office site (pg. 32): Respondents also indicated a high degree of support for redeveloping the Post Office site to incorporate it into the Elm Business District; half indicating strong support and 30% indicating they somewhat supported redevelopment. The Downtown Master Plan project has been designed to specifically address this site and will provide the Village with a plan to proceed.
- Core services (pg. 19): In addition to focusing on our customer service, we see opportunities in the areas of sidewalk maintenance (75%) and street lighting (67%), where projects have already been outlined in the budget and strategic plan.
- Storm drainage improvements (pg. 19): Only 36% of respondents rated storm drainage (flood control) as Excellent or Good. Storm drainage was also the number one area of comment when residents were asked what one thing could most improve services in the Village (pg. 20). Continuing to allocate time and resources to these services is also closely aligned with the Council's existing strategic plan priorities.
- Availability of downtown living (pg. 27): As a characteristic of the business districts, only 32% of respondents rated this type of living favorably. The Council may wish to consider whether to pursue this now or continue to evaluate it as part of the Downtown Master Plan process.

- Food and dining options (pg. 30): In rating the most important aspects that would encourage them to spend more time in the business districts, the top four resident responses all revolved around food and dining options. Further, the survey results revealed other highly desirable business district features, such as entertainment, clothing stores, enhanced public or open spaces, specialty shops, etc., which could be used to help establish priorities for our economic development program.

The Village's first resident survey certainly raises awareness of certain issues and teaches us about our community, but it also confirms some of the things we already know, from living here, working here, or regularly engaging with our residents. There are numerous positive messages that we can draw from the survey data and employ in our communication plans going forward. As a village, we should take stock of the attributes, services, and characteristics that residents feel are positive and define their unique sense of community.

The enclosed Strategic Planning Tool is the same document that was distributed in January. After discussing the survey results and highest priority Goals and Action Steps with the Council, Staff will update the tool for Council review.

Attachment

- 2014/2015 Strategic Planning Tool

GOAL	ACTION STEPS	ORIGIN	RESPONSIBILITY	TIMEFRAME	COMPLETE	STATUS		
1. Identify the best and future use of key Village-owned sites								
1-1	Evaluate use of Willow Road Landfill property	A		Sep, 2013		Mid-term		
1-2	Develop plan for Post Office development	A	Determine whether to undertake downtown master planning process, concurrently incorporating the Post Office site	May, 2014	VM & CD	Mid-term	May, 2015	Incorporate into Master Plan Process
1-3	Create stakeholder engagement process to gather community sentiment about use of Post Office Site			May, 2014		Mid-term	May, 2015	Incorporate into Master Plan Process
1-4	Consider alternative community sites for Post Office	A	Negotiate new lease with Post Office for 512 Chestnut Street	May, 2014	VM	Short-term	Apr, 2014	VC approved new month-to-month lease (1 year termination)
		B	Develop list of potential sites for Post Office within the Village	Jun, 2014	CD	Short-term	Mar, 2015	
1-5	Conduct a market analysis of Post Office building & parking lot	A	Consider as stand-alone project or incorporate into Goal #2-5 B	May, 2014	VC & VM	Short-term	May, 2015	Incorporate in Master Plan Process
2. Revitalize the Village's three business districts and conduct comprehensive community planning								
2-1	Look at branding and promotion opportunities	A		Sep, 2013	BCDC, VM, CD, VC	Short-term	Jun, 2015	Funding included in FY 15 budget; assigned to Economic Development Coordinator
2-2	Evaluate zoning requirements & regulatory environment	A	Evaluate the Overlay District	Sep, 2013	BCDC, PC, VC	Immediate	May, 2015	Board/commission recommendations received in 2014; pending survey results and Master Plan Process
		B	Follow-up on the outcomes of the Plan Commission open house	Jun, 2014	CD & VM	Immediate	Sep, 2014	Open house feedback provided to PC as part of their Overlay District Review
		C	Streamline Village regulations, with special attention to commercial district regulations	Sep, 2013	FD, VM, VC	Short-term	Mar, 2015	Fire sprinkler retrofit proposal brought to Council Nov, 2014
		D	Evaluate Village's height/density restrictions as part of commercial district regulations	Sep, 2013	BCDC, PC, ZBA, VC	Short-term	Feb, 2015	Pending public hearing on zoning regulations
		E	Consider lower board & commission review requirements (special use process)	Jun, 2014	CD, VM, VC	Short-term	Apr, 2015	Reviewed requirements of SUP and PC/ZBA authority Dec, 2014
		F	Revise liquor licensing requirements	Sep, 2013	VM/VA & VC	Immediate	Apr-14	Complete
		G	Develop informational materials to assist in permit process understanding	Jun, 2014	CD & VM	Short-term	Mar, 2015	Economic Development Coordinator developing How-to-Guide
		H	Employ positive messaging to address the negative perception of Village's application and permitting processes	Jun, 2014	CD & VM	Short-term	May, 2015	Use Permit Customer Survey and Village Survey data to develop key messages
		I	Evaluate roles & responsibilities of economic development staffer	Sep, 2013	CD & VM	Short-term	Oct, 2014	Economic Development Coordinator hired
2-3	Assess parking needs & requirements	A	Look at parking inventory & restrictions	Sep, 2013	BCDC, PC, CD, VC	Short-term	Feb, 2015	Pending public hearing on zoning regulations

GOAL	ACTION STEPS	ORIGIN	RESPONSIBILITY	TIMEFRAME	COMPLETE	STATUS		
2-4	Advance physical improvements to beautify the areas	A	Improve Hubbard Woods Parking Deck	Sep, 2013	PW	Short-term	Dec, 2014	Structural & painting work completed, Jun, 2014. Lighting improvements completed Dec, 2014
		B	Advance repairs & maintenance to Village's streetscape	Sep, 2013	PW, W&E, VM	Short-term	Sep, 2014	Crosswalks completed Jul, 2014. 2014 Floral program implemented. Pole painting completed Sep, 2014
		C	Continue Business District Floral Program	Jan, 2015	PW, VM	Short-term	May, 2015	Approved as part of FY 15 budget
		D	Install lighting at Indian Hill Train Station	Jan, 2015	PW, W&E, VM	Short-term	Sep, 2015	Approved as part of FY 15 budget
		E	Complete sidewalk grate and paver repairs	Jan, 2015	PW	Short-term	Sep, 2015	Approved as part of FY 15 budget
		F	Evaluate and implement Wayfinding program	Jan, 2015	CD, PW, VM	Short-term	Oct, 2015	Approved as part of FY 15 budget
2-5	Use the ULI study as basis for downtown master plan that includes all business districts & public input	A	Decide whether to pursue downtown Master Plan	May, 2014	VM & VC	Short-term	Dec, 2014	Included in FY 15 budget; Council directive to proceed with Master Plan Process Dec, 2014
		B	Review and clarify roles and timeframe for a master plan process	May, 2014	CD & VM	Short-term	May, 2015	See #1-2 A
		C	Draft Request for Proposals for downtown Master Plan	Jun, 2014	CD & VM	Mid-term	Mar, 2015	Council directed Staff to proceed with drafting & revising RFP based on Dec, 2014 Study Session
2-6	Charge the Plan Commission with research and outlining a process for the next "2020" comprehensive plan	A	Determine role of Plan Commission if downtown Master Plan pursued	May, 2014	PC, VC, CD, VM	Short-term	May, 2015	Working Group for Master Plan Process to be determined
3. Engage in more in-depth financial planning and maintain the Village's strong financial position								
3-1	Analyze levels of taxation among governmental units	A		Sep, 2013		Mid-term	Ongoing	
3-2	Expand capital planning for long-term infrastructure needs	A	Conduct in-depth budget review of Capital Plan for FY 2015	Sep, 2013	FIN, VM, VC	Short-term	Oct, 2014	Staff expanding assessment of long-term needs beyond 5 years, especially for STMW & water utilities
3-3	Review Village fees	A	Conduct comparative fee analysis	Sep, 2013	CD, FIN, VM, VC	Short-term	Oct, 2015	To be evaluated in conjunction with 2016 budget process
3-4	Ensure adequate cash flow and return on investments, such as CD holdings	A	Evaluate hiring an investment manager and alternatives to improve investment returns	Sep, 2013	FIN & VC	Short-term	Feb, 2015	To be discussed at future Council Study Session
3-5	Improve budget data gathering & presentation	A	Track budget items for follow-up	Sep, 2013	FIN	Short-term	Oct, 2014	Budget adopted Dec, 2014
		B	Implement NewWorld financial software	Sep, 2013	FIN	Short-term	Dec, 2014	
3-6	Evaluate pension plan funding for ways to reduce taxpayer burden	A	Review pension funding alternatives	May, 2014	FIN & VC	Short-term	Apr, 2015	Follow-up from FY 15 budget
3-7	Monitor pension & health care costs and reform opportunities	A		Sep, 2013	FIN & VC	Mid-term	Ongoing	Ongoing work with NWMC and Pension Fairness Coalition
3-8	Develop strategic financial & capital plan	A		May, 2014		Mid-term	Ongoing	

GOAL	ACTION STEPS	ORIGIN	RESPONSIBILITY	TIMEFRAME	COMPLETE	STATUS		
4. Analyze elements of the Village's operating structure to ensure efficient, effective service delivery								
4-1	Continue to carefully monitor the human resources function, particularly retention, recruitment and succession planning	A	Restructure Public Works Department	Sep, 2013	VM & PW	Short-term	Jun, 2014	Complete- hired new Asst. Director & PW Analyst
		B	Evaluate realignment of responsibilities in Village Manager's Office	Sep, 2013	VM	Short-term	Jun, 2014	Complete- hired new Management Analyst; Village attorney selection made
4-2	Evaluate service provision, especially opportunities for contractual services & regionalization	A	Contract out certain inspectional services with SAFEbuilt	Sep, 2013	VM, CD, PW	Short-term	Jun, 2013	Complete
		B	Sign IGA to provide fire inspection services to Village of Northfield	Sep, 2013	FD, VM, VC	Short-term	Apr, 2014	Complete
		C	Evaluate recycling contract & refuse program for potential efficiencies	Sep, 2013	VM, PW & VC	Short-term	Aug, 2015	Pending Winnetka & Glencoe negotiations (recycling) and program evaluation (refuse/yard waste)
5. Facilitate information sharing and understanding through improved Village communications and expanded engagement efforts								
5-1	Foster community pride and goodwill through open and transparent communications	A		Sep, 2013	VC & VM	Mid-term	Ongoing	Council liaison for Outreach & Engagement Program appointed May, 2014
5-2	Develop and administer a community-wide survey to gather resident views and input	A		Sep, 2013	VM & VC	Short-term	Jan, 2015	Hired NRC, Jul, 2014. Survey conducted Oct, 2014
5-3	Create forums for open community dialogue	A		May, 2014	VM & VC	Short-term	Ongoing	Launching "The Exchange" business development meetings, Feb, 2015
5-4	Provide fact-based and issue-focused communications	A		May, 2014	VM & VC	Mid-term	Ongoing	New business focused e-newsletter, e-Developments to be launched Jan, 2015
5-5	Consider an ad hoc committee to establish goals for communications & engagement	A		May, 2014	VM & VC	Mid-term	May, 2015	Consider relationship to Master Plan Process
5-6	Expand Village website functionality, especially for e-commerce opportunities	A		May, 2014	VM	Short-term	Jul, 2015	Launched new Bids & Proposals function Dec, 2014. Added business development section to Village website
5-7	Engage all stakeholder types to help iterate the desired vision of the Winnetka community	A		May, 2014	VM & VC	Mid-term	Ongoing	Tied to survey (5-2) and downtown planning process (2-5)
5-8	Evaluate re-establishing the "Winnetka Corner"	A		May, 2014	VC	Mid-term	Ongoing	

GOAL	ACTION STEPS	ORIGIN	RESPONSIBILITY	TIMEFRAME	COMPLETE	STATUS		
6. Implement the Stormwater Management Program, using the Stormwater Master Plan as a guide to long-term decision making								
6-1	Create a process for implementing best management practices (BMPs), as described in the Stormwater Master Plan	A	Adopt Stormwater Master Plan	May, 2014	VC	Short-term	Apr-14	Complete
		B	Additional review of local stormwater development regulations	May, 2014	PW, VM, VC	Short-term	May, 2015	Adopted MWRD WMO, Apr, 2014. Staff provided analysis to perform work in-house vs. outside assistance, Jan, 2015
		C					Mar, 2015	Incorporation of BMPs into Willow Road STADI project; also part of MWH Review Point #2
6-2	Analyze programs to encourage homeowner & neighborhood flood mitigation projects	A	Monitor the implementation of the IKE Planning grant for the Boal Parkway neighborhood project	May, 2014	PW	Short-term	Sep, 2014	Water Solutions Project report adopted by Council Resolution
6-3	Manage the Village's contract with MWH Global to provide the preliminary engineering, permitting & design of the Willow Road Tunnel Project	A	Determine MWH's next steps at Review Point #1	Jun, 2014	VM, PW & VC	Short-term	Jun, 2014	MWH presentation on outcomes of Review Point #1
		B	Monitor MWH progress on 30% design and permitting action plan toward Review Point #1	Jun, 2014	VM, PW & VC	Short-term	Mar, 2015	Review Point #2
6-4	Focus & incorporation of ongoing work on Stormwater Management Program	A	Complete construction of Lloyd Outlet (Northeast Winnetka)	Jun, 2014	PW	Short-term	May, 2014	Complete
		B	Complete construction of Tower Relief Sewer (Northeast Winnetka)	Jun, 2014	PW	Short-term	Sep, 2014	Complete
		C	Complete improvement of Winnetka Avenue Pump Station	Jun, 2014	PW	Short-term	Aug, 2014	Complete
		D	Bid and construct proposed improvements to the storm sewer network in Northwest Winnetka	Jun, 2014	PW	Short-term	Nov, 2015	Project bid awarded Nov, 2014
		E	Implement and administer the stormwater utility	Jun, 2014	VM, FIN, PW	Short-term	Oct, 2014	Includes management of utility credit & appeals processes
		F	Design, build, and construct Ash Street Pump Station replacement	Jun, 2014	PW	Short-term	Oct, 2015	Council authorized contract Jul, 2014
		G	Address sanitary sewer I&I issues, including sewer lining in designated areas	Jun, 2014	PW	Short-term	Jun, 2015	Rehabilitation work contract awarded by Council Oct, 2014
7. Seek new avenues through which to enhance the Village's environmental stewardship								
7-1	Assess costs of using LED lighting in Village infrastructure	A		May, 2014	PW, W&E, VM	Mid-term	Ongoing	Hubbard Woods Parking Deck received LED lighting as part of renovation and upgrade project completed Dec, 2014
7-2	Renew recycling efforts and publish outreach to encourage participation	A		May, 2014	PW	Mid-term	May, 2015	Recycling containers for business districts approved for installation in May, 2015
7-3	Look for ways to innovate and encourage sustainable "green" initiatives	A		May, 2014		Long-term	Ongoing	

GOAL	ACTION STEPS	ORIGIN	RESPONSIBILITY	TIMEFRAME	COMPLETE	STATUS		
8. Develop and enhance organizational efforts for strategic planning, collaboration, and cooperation								
8-1	Assess effectiveness of lower board & commission structure	A		Sep, 2013	VC	Mid-term	Apr, 2015	See #2-2 E
8-2	Retain and recruit quality applicants to serve the lower boards & commissions	A		May, 2014	VC & VM	Short-term	Ongoing	Actively working on new appointments
8-3	Monitor lower board & commission activities and seek ways to utilize members' expertise and experience	A		May, 2014	VC & VM	Mid-term	Aug, 2015	Last annual board/commission update completed Aug, 2014
8-4	Improve intergovernmental cooperation	A		Sep, 2013	VC & VM	Long-term	Ongoing	Established quarterly administrator meetings with local taxing districts in 2014
8-5	Develop relationships with other governmental boards & leaders	A		May, 2014	VC	Long-term	Ongoing	
8-6	Establish an annual strategic planning process with prioritized goals and timeframes	A		May, 2014	VC & VM	Mid-term	Ongoing	