

Investment Policy for Section 3

Adopted: October 14, 2015.

In consideration of Maryland House Bill 913 and Maryland Senate Bill 86 as approved by the Governor of the State of Maryland on May 9, 1995, the Council of Section 3 of the Village of Chevy Chase hereby resolves to use this revised investment policy governing the use and employment of public funds. This policy revises and supersedes the Investment Policy adopted by resolution of the Council on September 13, 1995 incorporating changes requested by the State of Maryland.

The Council updated the policy in February 14, 1996, and again in October, 2015.

Purpose

Council recognizes that from time to time funds are held in excess of immediate needs and that these funds may be prudently invested to earn income. The amount of such funds and the potential earnings therefrom are expected to be relatively modest; therefore, the safety of the investment and preservation of the principal are considered more important than the rate of return. Section 3 has neither the time nor the staff to devote to a sophisticated investment management program and the costs of hiring expertise to do so exceeds any expected marginal returns from so doing. As a consequence, Council herein deliberately adopts an investment policy that is more restrictive and more conservative than that allowed by state law.

Cash balances

Section 3 of the Village of Chevy Chase shall always maintain cash balances immediately accessible and sufficient in amount to pay three months anticipated expenses. Such expenses shall include the budgeted amounts adopted annually and emergent requirements as soon as they become known to the Council

Investment Vehicles

Capital and operating funds held in excess of required cash balances may be placed by the village investment manager (see below) to earn interest or dividends in the following vehicles:

- 1) Any obligation for which the United States of America has pledged its faith and credit for the payment of the principal and interest;
- 2) Any interest bearing deposit account or certificate of deposit of a federally insured preferably but not exclusively Maryland financial institution;
- 3) Any local government investment pool authorized by the State of Maryland for participation by local government bodies.

Term of investment

The term of individual investments shall not exceed two years for repayment of all principal and interest without specific approval by majority vote of the Council. Investments for shorter terms may be made appropriate to forecasted cash-flow projections. Investment maturities shall be staggered over time as appropriate to support cash needs and to get the best possible rate of return at the time of investment.

Collateralization

Any funds deposited in a financial institution as demand or time deposits shall be fully collateralized with U.S. Treasury obligations for amounts in excess of federal deposit insurance coverage. Any funds deposited in a local government investment pool shall be collateralized as specified by the State of Maryland in administering or authorizing the pool.

Diversification

Available funds may be invested up to 100% in either U.S. obligations or in time deposits authorized above and up to 30% of any local government pool.

Sources

U.S. obligations shall be purchased directly from the U.S. government. Local government investment pool participation shall be either with the State of Maryland or with financial dealers and institutions authorized by the State of Maryland.

Specific prohibitions

No funds shall be borrowed for the purpose of investment and no contract to invest or schedule of investment shall be entered into which requires funds in excess of immediately available excess cash.

Authority and responsibility of the Investment Manager

The Village Treasurer, an elected Councilman, shall also be the investment manager and will have the following authorities and responsibilities:

1) Authority. The investment manager will have the authority to make investments approved by the Council on consonance with the annual budget and cash-flow projections. The investment manager may direct the Village Manager to renew or “roll-over” investments as prudent without specific Council authorization, provided that the character of the investment instrument is unchanged. The investment manager may take any immediate action necessary to preserve the safety of invested principal amounts; such actions may include cancellation of an investment, shortening of term of an instrument, or other actions to effect recovery of principal, but may not include increased investment or new commitments without approval of the Council. Nothing herein overrides the regular requirement for two authorized signatures on checks drawn on Section funds.

2) Responsibility. The investment manager will present at regular Council meetings a statement of current income and expenses as they relate to the approved budget. In addition he will present for council approval a summary display of investments including amounts, terms and maturities. The investment manager will present the Council with a monthly balance sheet reflecting all accounts. In addition, the investment manager shall immediately report to the Council Chairman any event, circumstance, or condition which jeopardizes the value or safety of investments made or planned.

In addition, the investment manager will review and render all reports as required by the State of Maryland. The services of the Village’s accounting firm may be used to prepare the reports as necessary.

[Note: Under current law, reports are not required from local governments whose total annual budget is less than \$1,000,000.]

Internal Controls

In order to prevent abuses, the auditor hired by the Council will review the Section's financial records and accounts shall include as part of that audit a review of securities, certificates or account references and a comparison of their aggregate amounts with the amounts reported on the monthly financial statements.

Conflicts of Interest

Chapter 4 of the Code of Ordinances for the Section provides criteria and procedures for determining the presence or absence of conflicts between private interests or relationships and public interests. The provisions of Chapter 4 shall apply to investment matters and to the Councilman who is appointed Investment Manager with regard to his performance as Investment Manager just as those provisions apply to all other issues and actions. The Village Ethics Commission shall act in investment matters as it acts for all other ethical issues and disputes.

A copy of this resolution and any succeeding or amending resolutions will be filed promptly after adoption with the Treasurer of the State of Maryland.

Initially adopted by unanimous vote of the Village Council on February 14, 1996. Revised and updated in October 14, 2015.