

**Town of Glen Echo  
Investment Policy Resolution**

Resolution No.: 20 - 1  
Introduced: January 13, 2020  
Adopted: January 13, 2020  
Effective Date: January 13, 2020

**SUBJECT:** A RESOLUTION TO ADOPT INVESTMENT POLICY

WHEREAS, the Maryland Code, Local Government Article, Section 17-205(a) requires all municipal corporations within the State to adopt by resolution a local investment policy that is consistent with the local government investment guidelines adopted by the State Treasurer and that meets the individual needs of the local government unit; and

WHEREAS, in or about 1996, the State Treasurer approved the Town's current Investment Policy and it has not been amended since that time; and

WHEREAS, the Town Council finds that the Town's Investment Policy, adopted in 1996 should be amended to more closely follow the current policy of the State; and

WHEREAS, after due consideration, in open meeting assembled on the 13<sup>th</sup> day of January, 2020, the Town Council found that the resolution as hereinafter set forth is necessary in order to assure the good government of the municipality, to protect and preserve the municipality's rights, property, and privileges, to preserve peace and good order, to secure persons and property from danger and destruction, and to protect the health, comfort and convenience of the citizens of the Town, and otherwise advantageous and beneficial to the Town; and

NOW, THEREFORE, BE IT:

RESOLVED: By the Town Council that the Investment Policy attached hereto and incorporated herein be and the same is hereby adopted as the investment policy of the Town;

RESOLVED: That any and all prior investment policies adopted by the Town Council are hereby superseded and replaced; and

RESOLVED: That to comply with Maryland Code, Local Government Article, Section 17-205(d), the Town Clerk-Treasurer is hereby authorized to submit a certified copy of this Resolution and the Investment Policy to the State Treasurer.

**Attest:**

I hereby attest that the above Resolution was duly adopted by the Town Council on the 13<sup>th</sup> day of January, 2020, by a vote of 4 in favor and 0 in opposition.

Elizabeth Boa  
Clerk-Treasurer

TOWN OF GLEN ECHO  
INVESTMENT POLICY  
January 2020

I. POLICY

It is the policy of the **Town of Glen Echo** to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the anticipated daily cash flow requirements of the Town. The Town will not borrow funds for the express purpose of investing those funds. The policy will conform to all State and Town laws governing the investment of public funds.

II. SCOPE

This investment policy applies to financial assets of the Town.

III. PRUDENCE

Investment shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The “prudent person” standard shall be applied in the context of managing an overall portfolio. Investment officers shall act in accordance with written procedures and the investment policy and while exercising due diligence. Deviations from expectations are to be reported to the Mayor in a timely fashion and appropriate action should be taken to control adverse developments.

IV. OBJECTIVE

The primary objectives of the Town’s investment activities, in order of priority shall be:

- A. Safety: Safety of principal is the foremost objective of the investment program. To attain this objective, diversification, collateralization, third party safekeeping and delivery versus payment (DVP) will be required.
- B. Liquidity: The Town’s investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated plus a reasonable amount for unanticipated needs.
- C. Return of Investment: The Town’s investment portfolio shall be designed with the objective of attaining a market rate of return at least equal to the three month U.S. Treasury bill yield, with due regard for minimizing risk while maximizing return and considering the cash flow characteristics of the portfolio.

V. DELEGATION OF AUTHORITY

Authority over the Town's investment program is derived State law (Title 17 of the Local Government Article and Title 6 of the Finance and Procurement Article of the Annotated Code of Maryland) and the Town's Charter, Article VI. Management responsibility for the investments is delegated to the Clerk-Treasurer, under the supervision of the Mayor. The Clerk-Treasurer, under the supervision of the Mayor, shall be responsible for all transactions undertaken and shall establish a system of controls.

## VI. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials shall disclose to the Town Council any material financial interest in financial institutions that conduct business within the jurisdiction, and they shall further disclose any large personal financial/ investment positions that could be related to the performance of the Town's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Town, particularly with regard to the time of purchases and sales.

## VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Clerk-Treasurer may maintain a list of financial institutions authorized to provide investment services. The following is a breakdown of the types of institutions that may be used by the Town along with the type of investment transactions handled by those institutions.

- A. Primary Government Dealers: The Federal Reserve Bank of New York designates primary government dealers in government securities. The Town can purchase all authorized and suitable investments as listed in Section VIII of this policy, except for certificates of deposit and the Maryland Local Government Investment Pool, from primary dealers.
- B. Other Security Dealers: The Town may purchase repurchase agreements, U.S. Government agency securities, commercial paper, and banker's acceptances from dealers other than primary government dealers and from dealer banks that market these securities. The Clerk-Treasurer's policy is to make sure that local, regional and minority firms have an opportunity to bid on a portion of the Town's investable funds. All dealers must agree to the Town's policy of delivery versus payment as described in Section X of this policy. Firms must have adequate capital to fulfill their commitments under adverse market conditions. All non-primary firms must provide copies of their audited financial statements and Financial and Operational Combined Uniform Single Report (FOCUS Report) for review and approval before initiating any transactions and annually thereafter.

## VIII. AUTHORIZED AND SUITABLE INVESTMENTS

The Clerk-Treasurer is authorized by statute to invest in the following types of securities subject to the

restrictions in the statute, Maryland Code, State Finance and Procurement Article § 6-222.

- A. U.S. Treasury Obligations
- B. Certificates of Deposit
- C. Federal Agency or Instrumentality Obligations
- D. Repurchase Agreements Master Repurchase Agreement and Addendum must be signed before any repurchase transactions are entered into.
- E. Banker's Acceptances
- F. Municipal Securities and Municipal Mutual Funds for bond sale proceeds only
- G. Commercial Paper limited to 10% of the total portfolio
- H. Money Market Mutual Funds
- I. Maryland Local Government Investment Pool
- J. Supranational Issuers

#### IX. COLLATERALIZATION

Collateralization will be required on two types of permitted investments: Certificates of Deposit and Repurchase Agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of the market value of the principal and accrued interest for Repurchase Agreements and 100% of the market value of the principal and accrued interest for Certificates of Deposit. State law limits acceptable collateral to U.S. Government Treasuries, Agencies and instrumentalities as defined in the statute, Maryland Code, State Finance and Procurement Article §6-222. An independent third party with whom the Town has a current custodial agreement will always hold the collateral. Clearly marked evidence of ownership must be supplied to the Town and retained. The right of collateral substitution is granted and the seller will pay all associated costs. Collateral will be priced on a mark-to-market basis when the investment is initiated and daily for the term of the investment.

#### X. SAFE KEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Town shall be conducted on a delivery versus payment (DVP) basis. A third party custodian designated by the Treasurer and evidenced by safe keeping receipts will hold securities.

#### XI. DIVERSIFICATION

The Town will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution (and further provided that commercial paper shall be limited to 10%).

XII. MAXIMUM MATURITIES

To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five (5) years from the date of purchase.

XIII. INTERNAL CONTROL

If investments are made, the Clerk-Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

XIV. PERFORMANCE STANDARDS

The investment portfolio is designed to obtain an average market rate of return during budgetary and economic cycles, taking into account the Town's investment risk constraints and cash flow needs. The Town's investment strategy is passive and the benchmark yield comparison shall be the yield on the three-month U.S. Treasury Bill.

XV. REPORTING

The Clerk-Treasurer shall include a report on investment activity and returns in the Town's Financial Report. Reports will include performance, market sector breakdown, number of trades, interest, earnings and other material information.

XVI. INVESTMENT POLICY ADOPTION

The Town's investment policy shall be adopted by resolution of the Town Council. The policy shall be reviewed annually by the Council and any modifications made thereto must be approved by the Town Council.