

Effective: July 1, 2022

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I. Policy Value Statement

The Board of Education of Howard County is required to invest and deposit unexpended funds pursuant to specific provisions of the Annotated Code of Maryland and it is the intent of the Board to follow best practices with regard to the investment of these funds.

II. Purpose

This investment policy is intended to establish the investment scope, objectives, and delegation of authority from the Board to the Superintendent/designee to invest school system unexpended funds, and the standards of prudence to be applied to such investments.

III. Standards

A. Scope

All unexpended funds under the control and direction of the Howard County Public School System (HCPSS) will be administered in accordance with the provisions of this investment policy.

B. Investment Objectives

The primary objectives, in order of priority, of school system investment activities will be:

1. To protect the capital in the overall portfolio and to protect the investment principal.
2. To retain sufficient liquidity to meet disbursement requirements which might be reasonably anticipated, and to diversify investments by specific security types and individual financial institutions to reduce risk to the extent possible.
3. To maximize the return of the investment portfolio, consistent with legal restrictions, risk and prudent investment policies.

C. Prudence

1. Investments will be made pursuant to state law, exercising prudent judgment, discretion, and care, under circumstances then prevailing, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.
2. HCPSS employees responsible for managing investments while acting in accordance with state law, written procedures and this policy and exercising due diligence will not be held personally responsible for a single security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

D. Ethics and Conflict of Interest

All Board members as well as all HCPSS employees responsible for managing financial investments will adhere to HCPSS Policy 2070 Ethics and the HCPSS Ethics Regulations, and file a Financial Disclosure Statement in accordance with those regulations.

E. Investment Strategy, Monitoring and Controls

1. In accordance with state law and regulation, investments will be limited to insured or fully collateralized funds, including obligations of the federal government, federal agency obligations, and repurchase agreements secured by direct government or agency obligations.
2. Quarterly, the Superintendent/designee will hold investment strategy sessions.
 - a. To evaluate the portfolio for compliance with current investment policy.
 - b. To discuss market conditions and cash flows.
 - c. To identify appropriate investment vehicles and the most effective means of generating income.

3. The school system's investment policy will be consistent with COMAR 25.03.03 and the local government investment guidelines adopted by the Maryland State Treasurer.

IV. Responsibilities

- A. The Superintendent/designee will ensure that the school system's investment policy is consistent with COMAR 25.03.03 and the local government investment guidelines adopted by the Maryland State Treasurer. The annual audit financial statement confirms the Board's investments and policies.
- B. The Superintendent/designee will ensure compliance with the standards of this policy.

V. Delegation of Authority

- A. The authority and power to invest, redeem, sell, exchange, and reinvest unexpended or surplus monies will be with the Superintendent/designee. No agency and/or person may engage in an investment transaction on behalf of the school system without the expressed written approval of the Superintendent/designee subject to this policy and written delegations of authority by the Board.
- B. The Superintendent is authorized to develop procedures to implement this policy.

VI. Definitions

Within the context of this policy, the following definition applies:

Unexpended Funds – The HCPSS appropriations and other revenues received that are yet to be spent.

VII. References

- A. Legal
 - The Annotated Code of Maryland, Local Government Article, Section 17-101 – Investment or deposit of surplus money by counties, municipalities, and other entities.
 - The Annotated Code of Maryland, Local Government Article, Section 17-104 – Investment in open-end and closed-end investment companies and trusts.
 - The Annotated Code of Maryland, Local Government Article, Sections 17-301 through 17-309 – Local Government Investment Pool.
 - COMAR 25.03.03 – Local Government Investment Guidelines and Reporting Requirements.
- B. Other Board Policies
 - Policy 2070 Ethics
- C. Relevant Data Sources

- D. Other
 - HCPSS Ethics Regulations
 - Howard County Department of Finance Investment Policy

VIII. History¹

ADOPTED: April 10, 2008
REVIEWED: December 19, 2019
MODIFIED: May 7, 2015
REVISED: January 13, 2022
EFFECTIVE: July 1, 2022

¹ Key: *Adopted*-Original date the Board took action to approve a policy; *Reviewed*-The date the status of a policy was assessed by the Superintendent's Standing Policy Group; *Modified*-The date the Board took action to alter a policy that based on the recommendation of the Superintendent/designee did not require a comprehensive examination; *Revised*-The date the Board took action on a policy that based on the recommendation of the Superintendent/designee needed a comprehensive examination; *Effective*-The date a policy is implemented throughout the HCPSS, typically July 1 following Board action.

I. Investment Instruments

While the Howard County Public School System (HCPSS) has the authority to invest its funds in those instruments permissible under state law, the HCPSS will limit its allowable investments to those instruments listed below:

- A. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities.
- B. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any other investments constituting direct obligations of any federally insured credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in the state of Maryland.
- C. Certificates of deposit that are insured by an insurer having a claims paying rating which is in the highest or second highest rating category assigned by a nationally recognized rating agency.
- D. Commercial paper meeting the following requirements:
 - 1. The corporation is organized in the United States.
 - 2. The obligation at the time of purchase is rated within the highest classifications by at least two of the three standard rating services (Standard and Poor's, Moody's, and Fitch Investors Service).
- E. The State of Maryland Local Government Investment Pool (MLGIP).
- F. Savings banks or savings and loan associations, the shares or investment certificates of which are insured by the Federal Deposit Insurance Corporation (FDIC).

II. Collateralization

- A. Time deposits in excess of FDIC insurable limits must be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.

- B. Eligible insurers will have a claims paying rate in the highest or second highest rating category assigned by a nationally recognized rating agency.

III. Qualified Financial Institutions and Intermediaries

A. Depositories – Demand Deposits

1. Any financial institution selected by the HCPSS will provide normal banking services, including, but not limited to, checking accounts, wire transfers, and safekeeping services.
2. The HCPSS will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the school system will not maintain funds in any institution that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the school system.
3. To qualify as a depository, a financial institution must furnish the Superintendent/designee with copies of the latest two statements of condition which it is required to furnish to the Maryland Comptroller of Currency. While acting as a depository, a financial institution must continue to furnish such statements to the Superintendent/designee within 45 calendar days of the end of each year.
4. Fees for banking services will be mutually agreed to by an authorized representative of the depository bank and the Superintendent/designee on an annual basis. Fees for services will be substantiated by a monthly account analysis.
5. Each financial institution acting as a depository for the HCPSS will enter into a depository agreement with an authorized school district official that incorporates this policy and these procedures.

B. Banks and Savings and Loans – Certificates of Deposit

Any financial institution eligible to be selected for the HCPSS's competitive certificate of deposit purchase program will:

1. Provide wire transfer and certificate of deposit safekeeping services;
2. Be a member of FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the HCPSS; and
3. Meet at all times the financial criteria as established in the investment procedures of the school system.

C. Intermediaries

Any financial intermediary eligible to be selected for the school system's competitive investment program must:

1. Provide wire transfer and deposit safekeeping services;
2. Maintain appropriate federal and state registrations for the type of business in which it is engaged;
3. Provide an annual audit upon request;
4. Be licensed to conduct business in Maryland; and
5. Be familiar with this policy and these procedures and accept financial responsibility for any investment not appropriate according to the policy and procedures.

IV. Management of Program

- A. The Superintendent/designee will be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinates.
- B. The Superintendent/designee may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit. These intermediaries must meet the criteria set forth in Section III.C. above and must be approved by the Board.

V. Performance

The Superintendent/designee will seek to earn a rate of return appropriate for the type of investments being managed, given the portfolio objectives defined in the policy. In general, the Superintendent/designee will strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time for the average weighted maturity of the HCPSS's investments.

VI. Monitoring

Policy 4100 implementation procedures will be overseen by the Division of Administration.

VII. History¹

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