



I. Policy Statement

As a Local Education Authority (LEA), the Howard County Public School System (HCPSS) is authorized to invest excess funds under specific provisions of the Maryland State Annotated Code.

It is the intent of the Board to follow best practices with regard to the investment of funds.

II. Purpose

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

III. Definitions

There are no definitions.

IV. Standards

A. Scope

1. The investment policy applies to the investment activities of the HCPSS, with the exception of pension funds or other trust fund accounts, which are organized and administered separately by various Boards of Trustees.
2. All financial assets of all funds, including the General Education Fund and all Restricted Funds (excluding pension funds and those funds under the administration of other governing bodies), 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 preserve 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 diversification of 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 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.
2. The standard of prudence to be used by staff responsible for managing investments will be the “prudent person” standard and will be applied in the context of managing the overall portfolio. Staff responsible for managing investments acting in accordance with written procedures and this policy and exercising due diligence will not be held personally responsible for an individual 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 of Education members as well as all staff members responsible for managing financial investments will adhere to the Howard County Public School System Ethics Regulations and file a Statement of Financial Interest in accordance with those regulations.

E. Investment Strategy, Monitoring and Controls

1. In accordance with state law and regulation, investments are 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 with the staff responsible for investments to evaluate the portfolio for

compliance with current investment policy, to discuss market conditions and cash flows, and to identify appropriate investment vehicles and the most effective means of generating income. The Superintendent/designee will ensure the school system's investment policy is consistent with the local government investment guidelines adopted by the State Treasurer. An information report will be submitted to the Board communicating any changes in strategy resulting from these meetings.

V. Compliance

- A. The Superintendent/designee is responsible for ensuring that the school system's investment policy is consistent with the local government investment guidelines adopted by the State Treasurer.
- B. The Superintendent/designee is responsible for ensuring compliance with the standards of this policy.

VI. 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.

VII. References

- A. Legal
The Annotated Code of Maryland, Article 95, Sections 22, 22F, 22G, 22N, 22O
- B. Other Board Policies
- C. Other
Howard County Public School System Ethics Regulations
Howard County Department of Finance Investment Policy

ADOPTED: April 10, 2008

AMENDED:

EFFECTIVE: July 1, 2008

I. Investment Instruments

While the school system may invest its funds in those instruments permissible under state law, the school system 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 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.

II. Collateralization

- A. Time deposits in excess of Federal Deposit Insurance Corporation (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 must 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 school system must provide normal banking services, including, but not limited to, checking accounts, wire transfers, and safekeeping services.
2. The school system 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 Director of Finance with copies of the latest two statements of condition which it is required to furnish to the Comptroller of Currency. While acting as a depository, a financial institution must continue to furnish such statements to the Director of Finance within 45 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 Director of Finance on an annual basis. Fees for services shall be substantiated by a monthly account analysis.
5. Each financial institution acting as a depository for the school system must enter into a depository agreement with an authorized school district official that incorporates this policy and these procedures by reference.

B. Banks and Savings and Loans – Certificates of Deposit

Any financial institution selected to be eligible for the school system's competitive certificate of deposit purchase program must:

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 school system; and

3. Meet at all times the financial criteria as established in the investment procedures of the school system.

C. Intermediaries

Any financial intermediary selected to be eligible 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 following individuals are authorized to execute any documents required under these procedures:

1. Superintendent
2. Chief Operating Officer
3. Director of Finance

- B. Documents which may be executed by the individuals listed in IV.A include:

1. Wire Transfer Agreement
2. Depository Agreement
3. Safekeeping Agreement

- C. Management responsibility for the investment program is hereby delegated to the Chief Operating Officer and Director of Finance, who shall establish a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity. Such procedures shall include explicit delegation of authority to persons responsible for the execution under the direction of the Director of Finance of specific financial transactions, including investment transactions, check signing, check reconciliation, deposits,

bond payments, report preparation, and wire transfers. No person may engage in any investment transaction except as provided for under the terms of this policy and these procedures. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

- D. The wording of agreements necessary to fulfill the investment responsibilities is the responsibility of the Director of Finance. Agreements shall be periodically reviewed for their consistency with school system policy and Maryland law by the Director of Finance, Chief Operating Officer, legal counsel, and auditors. These agreements include, but are not limited to, those listed in IV.B.
- E. The Director of Finance 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 of Education.

V. Performance

The Director of Finance 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 Director of Finance 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 school system's investments.

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