

CHAPTER 3

FINANCE

INVESTMENT ORDINANCE

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Sec. 3-110 Investment Policy

It is the policy of Section 5 of the Village of Chevy Chase (Section 5) to invest funds not required for immediate expenditure (operating funds), in a manner which will conform to all State of Maryland statutes governing the investment of public funds. Section 5 Council or an appropriate designee is authorized by law to invest such funds until the time they will be needed, in such investments as are authorized by law in the Investment Policy delineated below. This Policy's four primary goals are as follows:

- 1) To assure compliance with federal, state and local laws governing the investment of public monies under the control of Section 5 Council.
- 2) To provide sufficient liquidity to meet normal operating and unexpected expenditures.
- 3) To protect the monies entrusted to Section 5.
- 4) To generate the maximum amount of investment income within the parameters of prudent risk management as defined under Sec. 3-130 in this Investment Policy.

Sec. 3-110 Scope

This investment policy applies to all Section 5 monies. These monies are accounted for in Section 5's Comprehensive Annual Financial Report (CAFR).

Sec. 3-120 Prudence

"Investment shall be made with the 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."

(See Investment Policy - Maryland State Treasurer's Office: Prudence.)

Sec. 3-130 Investment Objectives

Section 5's priorities for investment and managing of public funds, are as follows:

- 1) Safety of principal: Investments of Section 5 shall always be undertaken with a view toward ensuring that there will be preservation of the principal.
- 2) Liquidity: The maturity mix of the investment portfolio will be continuously monitored by Section 5 Council or its designee with a view toward reasonable estimation of the timing of Section 5's expenditure needs so that sufficient liquidity is maintained to meet operating requirements.
- 3) Return on investments: Section 5's investment program will be formulated with the objective of attaining a favorable rate of return throughout budgetary and economic cycles, taking into account Section 5's investment risk constraints established under Sec. 3-150 in this policy.

Sec. 3-140 Delineation of Express State Law Requirements to Which Section 5 Resolves to Adhere

- 1) Section 5 of the Village of Chevy Chase will invest only in those types of securities described in State Finance and Procurement Article 6-222(a) or Article 95, Section 22-22-N and 22-O of the Annotated Code of Maryland..
- 2) All investments made by Section 5 will comply with the standards of State Finance and Procurement Article 6-222(d).
- 3) Section 5 is prohibited from borrowing money for the sole purpose of investment.
- 4) Section 5 Council or its designee will not invest public funds in a manner inconsistent with this adopted policy.

Sec. 3-150 Ethics and Conflicts of Interest

Section 5 Council or its designee and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Individual members of the Section 5 Council, employees and investment officials shall disclose to the Council any material financial interests in financial institutions that conduct business with Section 5, and they shall further disclose any large personal financial investment positions that could be related to the performance of Section 5's portfolio.

Sec. 3-160 Internal Controls

The Section 5 Manager in coordination with Section 5 Council and Section 5 Auditor shall be responsible for establishing a system of internal controls designed to prevent losses of public funds due to fraud, employee error, misrepresentation by third parties, conflicts of interest or imprudent actions by Section 5 officers and employees.

Internal controls deemed most important shall include: avoidance of collusion; separation of duties and administrative controls; separating transaction authority from accounting and record keeping.

Review of these controls shall be conducted as part of the annual Section 5 audit handled by an independent firm of auditors.

Sec. 3-170 Insurance/Collateralization

- 1) Insurance is required on all investments:
- 2) Acceptable insurance is that which is specified under Section 6-202 of Title 6 of the State Finance Procurement Article of the Annotated Code of Maryland.

Sec. 3-180 Reporting Requirements

Cash and investment reports should be submitted at least quarterly to Section 5 Council for information purposes. This report should include information such as type of investments held, the issuers, and maturity dates.

Sec. 3-190 Adoption of Investment Ordinance

The Manager shall submit the Investment Ordinance to Section 5 Council at least every two years for its review. This will allow the Ordinance to remain current with legislative changes as well as to reflect Best Management Practices in Municipal Finance.

Enacted December 11, 2012