

Chevy Chase Village

Investment Policy

1.0 Policy

It is the Investment Policy of Chevy Chase Village (the “Village”) to invest public money in a manner that provides a reasonable rate of return while emphasizing the preservation of capital, that meets the cash flow needs of the Village, and that conforms to all federal, state and local laws and regulations governing the investment of public money.

2.0 Scope

This Policy applies to all public money. Public money means all money held by the Village, with certain exceptions. The exceptions are: money held as part of the retirement plan and the Section 457 deferred compensation plan funds; any fund for other postemployment benefits, including postemployment health care benefits and postemployment benefits provided separately from a retirement plan; any trust fund account; any facility closure reserve fund; and funds held for self-insurance purposes. Apart from petty cash, all other money or securities in bank accounts or investment accounts controlled by the Village are subject to the rules described in this Policy.

3.0 Objectives

Following, in priority order, are the objectives of Chevy Chase Village’s investment program:

3.1 Safety: The first priority is preservation of capital. This will be achieved by limiting investments to those authorized in this Policy, and by diversification as described in this Policy.

3.2 Liquidity: The Village's investment portfolio shall remain sufficiently liquid to enable the Village to meet conservatively estimated operating and capital requirements. The Village’s annual budget provides the framework for anticipating operating and capital requirements.

3.3 Yield: Among investments with similar safety and liquidity, the Village will prefer those with higher yields or that provide superior protection against inflation.

3.4 Time Efficiency: Among investments with similar safety, liquidity, and yield, the Village will prefer those that minimize the staff time required to manage the investment.

4.0 Prudence

Investments will be made with care under the circumstances then prevailing that persons acting with 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 standard of care to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officials shall act in accordance with written procedures and this Investment Policy and exercise due diligence. Deviations from expectations shall be reported in a timely fashion and appropriate action shall be taken to control adverse developments.

Investment officials or their delegees acting in accordance with this Investment Policy and related written procedures, and exercising due diligence, shall be relieved of personal liability for investment actions.

5.0 Delegation of Authority

Management responsibility for the investment program is delegated to the Treasurer of the Village’s Board of Managers who, in consultation with the Financial Review Committee, shall establish written procedures for the operation of the investment program consistent with this Investment Policy.

6.0 Management and Internal Controls

The Treasurer shall be responsible for all transactions undertaken and shall establish a system of internal accounting controls which shall be reviewed as part of an independent auditor’s annual audit of the Village. The controls shall be designed to prevent loss of funds due to fraud, error, misrepresentation, or imprudent actions. The controls shall address at least the following:

- Control of collusion

- Separation of duties
- Clear delegation of authority
- Documentation of transactions

7.0 Ethics and Conflicts of Interest

Employees and investment officials shall be subject to the conflict of interest provisions of the Village's Ethics Ordinance.

8.0 Authorized Financial Institutions

The Treasurer, in consultation with the Financial Review Committee and deferring to any Board decisions on the matter, may determine financial institutions suitable for the Village's purchases and management of securities described below. Considerations will include the institution's track record of financial stability, the institution's being of sufficient size to easily handle the Village's investments, whether the institution does proprietary trading, and the fees the Village would incur.

The Village may deposit funds or invest in CDs with banks or savings and loans chartered or licensed to operate within the State of Maryland. The Village may buy Treasuries or money-market securities only from registered broker-dealers subject to the SEC's Net Capital rules.

9.0 Collateral, Custody, and Safekeeping

To the extent that the market value plus accrued interest on any Village bank deposits, CDs, or CDARs exceeds the limit of FDIC insurance, they must be collateralized in an amount not less than 102% of the non-insured amount by collateral of a type or types authorized in §6-202 of Maryland's State Finance and Procurement Article. Collateral will be held by a third party custodian designated by the Village.

Treasuries, money market funds, or other securities held in broker-dealer accounts for the Village must be protected by SIPC and supplemental insurance provided by the broker-dealer, and must be held in accounts subject to the SEC's Customer Protection rules governing custody and use of client securities and cash.

10.0 Authorized and Suitable Investments

The Village's Board of Managers may consider for investment any of the securities described in Local Government Article, Title 17 and State Finance and Procurement Article, Sections 6-222 and 6-223 of the Annotated Code of Maryland, as amended. The following list identifies the investments authorized by the Board by the adoption of this Policy. The underlying laws provide more complete descriptions and applicable restrictions and collateral requirements.

U.S. Treasury Obligations

Bank accounts, CDs and CDARs

Money Market Funds investing solely in direct United States obligations and repurchase agreements backed by such obligations

The Maryland Local Government Investment Pool ("MLGIP")

11.0 Proceeds from Bond Issuance

The proceeds from municipal bond issuances are subject to special legal constraints. The U.S. Treasury has created State and Local Government Series (SLGS) securities to address the legal requirements. Should the Village decide to issue bonds in the future, the Board may invest the proceeds in SLGS securities, or it may investigate alternatives available at that time.

12.0 Borrowing

The Village will not borrow solely for the purpose of investment and may not invest in a manner inconsistent with this Investment Policy.

13.0 Diversification

The Village will use FDIC insured or collateralized bank accounts for maintaining sufficient funds to cover current operating needs. In addition to these accounts the Village will divide its investments among at least three financial institutions. No more than 50% of the portfolio will be invested with a single financial institution, except that the bank accounts may temporarily hold more than this amount when new funds are received or are being transferred among investments.

If the Village's investable funds total less than \$1 million, diversification requirements may be waived.

14.0 Maximum maturity

The Village will not directly invest in securities maturing more than five years from the date of purchase unless the securities are matched to specific payment obligations.

15.0 Reporting and Audit

The Treasurer's monthly report to the Board of Managers shall include a description of all current Village investments. The description of each investment shall include the following:

- Name of institution where the investment is held
- Type of security or fund
- Current (previous week or last report from institution) value of investment
- Expected rate of return for investment

All Village investments and collateral are subject to audit by the Village's independent auditors.

The foregoing Investment Policy was Approved and Adopted by the Chevy Chase Village Board of Managers this 8th day of July, 2019.

CHEVY CHASE VILLAGE

By: _____

Elissa A. Leonard, Chair

Board of Managers

ATTEST:

Shana R. Davis-Cook, Village Manager

Date of Adoption: July 8, 2019