

**CALVERT COUNTY GOVERNMENT**  
**INVESTMENT POLICY AND GUIDELINES**

**AUTHORITY: Article 95, § 22,  
Annotated Code of Maryland and  
State Finance & Procurement Article § 6-222**

Introduction

At such time as the County shall have on deposit funds not needed for immediate expenditure, the Director of Finance and Budget or his/her designee is authorized to invest such funds until the time they will be needed in such securities as are indicated in these guidelines.

Policy

It is the policy of the Board of County Commissioners of Calvert County to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

Scope

This investment policy applies to all financial assets of the Board of County Commissioners of Calvert County. These assets are included in the following funds:

General Fund  
Capital Project Funds  
Enterprise Funds  
Trust and Agency Funds  
Special Revenue Funds

This investment policy also applies to those agencies whose investments are managed by County staff.

This policy does not cover the financial assets of the Calvert County Sheriff's and Correctional Officers Pension Plan or the Calvert County Volunteer Fire Department and Rescue Squad Pension Plan. There is a separate investment policy which governs these assets.

## Investment Objectives

### I. Safety of principal;

A. Gains through price appreciation may be taken at the discretion of the Investment Manager.

B. No principal loss will be realized without approval from the Director of Finance and Budget.

### II. Long-run preservation of principal; low volatility of market value;

### III. Liquidity to meet short term working capital needs;

### IV. Best available yield consistent with safety and liquidity objectives.

## Investment Guidelines

I. The standard of prudence to be applied by the investment officer shall be the “prudent person” rule, which states, “Investments 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 rule shall be applied in the context of managing the overall portfolio.

### II. Investments are limited to:

1. Any obligation for which the United States has pledged its full faith and credit for the payment of principal and interest:

a. There shall be no dollar limitation on investments in any U.S. Government obligation.

2. Any obligation that a federal agency issues in accordance with an act of Congress:

a. There is no dollar limitation on federal agency obligations guaranteed by or backed by the full faith and credit of the U.S. Government.

b. Investment in the debt of other federal agencies, instrumentalities, and/or government sponsored corporations shall not exceed 10% of the portfolio at the time of purchase.

3. Bankers' Acceptances (BA's) of domestic and foreign banks that maintain the highest short term deposit rating from Standard & Poor's (A-1) and/or Moody's (P-1) or a long term deposit rating no lower than AA from either Standard & Poor's or Moody's:

a. The maximum investments in individual domestic or foreign banking institutions shall be limited to the greater of \$1,000,000 or 10% of the total investment portfolio at the time of purchase.

b. The total investment in Bankers' Acceptances shall not exceed 25% of the entire investment portfolio.

4. Repurchase Agreements (repo's) with dealers on the Approved List of Securities Dealers (attached) and/or with banking institutions that maintain the highest short term deposit rating from Standard & Poor's (A-1) and/or Moody's (P-1) or a long term deposit rating no lower than AA from Standard and Poor's and/or AA from Moody's:

a. Repo's must be collateralized by one of the following types of obligations:

- U.S. Government obligations backed by the full faith and credit of the U.S. Government;

or

- federal agency obligations that are backed by the full faith and credit of the U.S. Government.

b. Value of the underlying repurchase collateral must be equal to or exceed 102% of the principal and interest amount of the investment.

c. The maximum repo investments with authorized banking institutions or securities dealers may not exceed the greater of \$5,000,000 or 10% of the total investment portfolio at the time of purchase.

d. Prior to negotiating repo trades with any financial institution, a repurchase agreement contract mutually acceptable to both the County and financial institution must be executed.

5. Certificates of deposit of financial institutions that are nationally chartered or chartered in the State of Maryland:

a. The deposit must be interest bearing; and

b. the financial institution provides collateral, equal to the investment criteria outlined in these guidelines, with a market value that equals or exceeds 102% of the amount by which the deposit exceeds the deposit insurance, and custodian holds the collateral.

c. The maximum investments in nationally or Maryland chartered banking institutions shall not exceed the greater of \$5,000,000 or 10% of the total portfolio at the time of purchase.

6. Securities of, or other interests in, any open-end or closed-end management type of investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940.

a. The portfolio of the investment company fund or trust is limited to direct obligations of the U.S. Government and to repurchase agreements fully collateralized by U.S. Government obligations and;

b. the investment company fund or trust takes delivery of that collateral, either directly or through an authorized custodian.

c. The investment company fund or trust must maintain a net asset value of \$1.00 at all times and the fund or trust must provide investors with daily liquidity.

d. The maximum investments in an investment company or trust of any one company shall not exceed the greater of \$5,000,000 or 25% of the total portfolio at the time of purchase.

7. Other investment instruments and guidelines which receive the express written approval of the Director of Finance and Budget.

8. Relative to sovereign risk, at any time, no more than \$1,000,000 or 10% of the total investment portfolio is to be invested with financial institutions residing in a single foreign country.

9. Investment maturities in any permitted investment shall not exceed 24 months in duration unless prior approval is received from the Director of Finance and Budget or his/her designee. Investment in securities exceeding 24 months in duration shall not exceed 20% of the total investment portfolio at the time of purchase.

10. No principal loss will be realized without the express approval of the Director of Finance and Budget.

11. Principal and interest income will be reinvested immediately upon receipt.

12. The borrowing of money for the sole purpose of investment is prohibited.

#### Ethics and Conflicts of Interest

Officials 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. Employees and investment officials shall disclose to the Director of Finance and Budget any material (15% or more ownership) financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the County's portfolio. Employees and officers having material ownership as defined above shall subordinate their personal investment transactions to those of the County, particularly with regard to the time of purchases and sales.

#### Authorized Dealers/Brokers

All of the County's investments with the exception of certificates of deposit, money market accounts, and investments in the Maryland Local Government Investment Pool are required to be third party held, thereby eliminating the risk of using an dealer/broker who is in financial hardship. Therefore, the dealer/broker used in an investment transaction is at the discretion of the authorized individual making the trade.

It is the County's policy to limit the purchase of certificates of deposit to \$100,000 per financial institution covered under FDIC insurance. All money market accounts are to be maintained at the financial institution where the County has contracted its banking services.

#### Custodial/Investment Manager Guidelines

1. The investment manager is not permitted to invest public funds of Calvert County in a manner inconsistent with this adopted policy.
2. All investments, with the exception of directly purchased C.D.'s, must be third party held.

3. All securities purchased by the County or agencies shall be delivered versus payment to the applicable primary safekeeping bank or correspondent bank, on the settlement day.
4. The custodian will provide a monthly report of each portfolio's transactions to the Director of Finance and Budget.
5. The Investment Manager will issue quarterly reports and will be available for meetings with the Director of Finance and Budget.
6. The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the Board of Commissioners of Calvert County investment risk constraints and cash flow needs.
7. Performance Measurement Standards - Results will be reviewed on a quarterly basis using time weighted, dollar weighted, balanced index, and consumer prices. The manager is expected to outperform the appropriate measures over a full market cycle. The benchmarks are as follows:

Calvert County Government's portfolio return will be measured against:

Merrill Lynch 1-3 year government securities,  
and,  
91-day Treasury Bill Index.

Due to liquidity demands, the Board of Education's portfolio return will be measured against:

30-day Treasury Bill Index.

### Reporting Requirements

The County shall file an investment report with the State Treasurer every January 15 and July 15, beginning January 15, 1996. The report shall be:

- a. prepared and certified by the investment manager for accuracy and compliance with the approved policy;
- b. certified by the County Administrator as to the date on which the form was received, and a statement that he/she has checked the report and has verified that the information contained in the report complies with the approved policy.

[This reporting requirement ended in October of 1999 and last required report was filed on July 15, 1999]