



DEPARTMENT OF FINANCE

Investment Policy

I. POLICY

It is the policy of Howard County, Maryland (hereinafter referred to as “The County”) to invest public funds in a manner which will conform to all State of Maryland and County statutes governing the investment of public funds, while meeting its daily cash flow demands and providing a return at least equal to the three-month Treasury bill yield. The County may not borrow money for the sole purpose of investment.

Any request or directive to diverge from this policy shall be reported, immediately, to the Director of Finance or County Auditor, as appropriate.

II. SCOPE

This investment policy applies to all cash and investments of the County that are accounted for in the County’s Comprehensive Annual Financial Report and include:

- A. General Fund
- B. Special Revenue Funds
- C. Capital Project Funds (Including Bond Funds)
- D. Enterprise Funds
- E. Debt Service Funds
- F. Internal Service Funds.
- G. Trust and Agency Funds
- H. Any new funds as provided by County ordinance.

This policy does not cover the financial assets of the Howard County Retirement Plan, the Howard County Police & Fire Employees Retirement Plan, and the Howard County Other Post-Employment Benefits (OPEB) Trust Fund. There are separate investment policies which govern those assets.

III. PRUDENCE

- A. 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.
- B. The standard of prudence to be used by the investment officer shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall 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.

IV. OBJECTIVES

The primary objectives, in priority order, of the County’s investment activities shall be:

- A. Safety: Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the County will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

The County will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by: limiting investments to the types of securities listed in Section VIII of this Investment Policy, and pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business in accordance with Section VII. The County will also minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Third-party collateralization, safekeeping, and delivery versus payment will also be required.

- B. Liquidity: The County’s investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated.
- C. Yield: The County’s investment portfolio shall be designed with the objective of attaining a rate of return at least equal to U.S. Treasury bill yields through budgetary and economic cycles. A Treasury bill yield benchmark was selected after considering the County’s investment risk constraints and the cash flow characteristics of the portfolio. Generally, the three or six-month Treasury yield that most closely matches the weighted average maturity of the portfolio shall be used.

V. DELEGATION OF AUTHORITY

- A. Authority to manage the County's investment program is derived from state law (Title 17 of the Local Government Article of the Annotated Code of Maryland and Title 6 of the Finance and Procurement Article of the Annotated Code of Maryland) and the Howard County Code Title 11, Subtitle 1.

The Department of Finance, under direction of the Director of Finance, has responsibility for the administration of financial affairs of the County, including the custody, safekeeping and investing, as permitted by law, of all funds and securities belonging to or by law deposited with, distributed to or handled by the County.

- B. The Director of Finance shall develop and maintain written investment procedures for the operation of the investment program consistent with this policy. Such procedures shall include:
1. Explicit delegation of authority to investment officers responsible for investment transactions. No investment officer may engage in an investment transaction except as provided under the terms of this policy and the procedure established by the Director of Finance.
 2. Procedures should include reference to safekeeping, Public Securities Administration (PSA) master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements.

VI. ETHICS AND CONFLICTS OF INTEREST

Investment officers 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. Investment officers and employees shall disclose to the Howard County Ethics Commission, through a Howard County, Maryland Financial Disclosure Statement, any financial interests in financial institutions that conduct business with the County, and any personal financial/investment positions that could be related to the performance of the County's portfolio. The Director of Finance shall review these statements annually to ensure there are no conflicts of financial interests.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The County will maintain a list of financial institutions and brokers/dealers authorized to provide investment services. The following is a breakdown of the types of institutions and dealers the County deals with along with the type of investment transactions handled by those institutions. Described below are the types of institutions and dealers the County may utilize in this investment strategy.

A. Primary Government Dealers/Other Securities Dealers:

1. Primary Government Dealers

The Federal Reserve Bank of New York designates primary government dealers in government securities. The County can purchase all authorized and suitable investments as listed in Section VIII of this policy, except for certificates of deposit, from primary government dealers. The County may only enter into repurchase agreements with dealers if a signed PSA Master Repurchase Agreement is in effect.

2. Other Security Dealers:

The County may enter into repurchase agreements with non-primary dealers if certain criteria are met. The dealer must:

- a. be a Securities and Exchange Commission (SEC) registered Government Securities Dealer and
- b. maintain at least \$100 million in “excess net capital” per current audited financial statements
- c. be approved by the Director of Finance and
- d. have a signed PSA Master Repurchase agreement in effect.

The County may also execute a repurchase agreement with the County’s lead depository bank.

The County may purchase U.S. Government securities, U.S. Government agency securities, U.S. Government Instrumentality Securities (also known as government sponsored enterprises, or GSEs) commercial paper and bankers’ acceptances from dealers other than primary government dealers and from dealer banks which market these securities, provided that they qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

3. Reporting and Compliance

Prior to approval of financial institutions, brokers/dealers must supply the Director of Finance with:

- a. Trading Resolution
- b. All dealers must agree to the County’s policy of delivery-versus-payment as described in Section XI of this policy
- c. Acknowledgement that they have received a copy of this policy and agree to comply with its terms

The Department of Finance will work with all approved financial institutions and brokers/dealers to verify and provide the following information:

- a. Annual audited financial statements
- b. Proof of Financial Industry Regulatory Authority (FINRA) certification
- c. Proof of registration with State of Maryland
- d. Consolidated Report of Condition or “call” report (Commercial Banks)

B. Commercial Banks:

The County can only purchase Certificates of Deposit from any federally insured bank in the State of Maryland or any federally insured savings and loan association in the State of Maryland. Certificates of Deposit may be purchased directly through State-approved Commercial Banks or the Certificate of Deposit Account Registry Service (CDARS). Commercial Banks and savings and loan associations must have a short-term rating of at least investment grade from the appropriate Bank rating agencies. All banks shall provide their most recent Consolidated Report of Condition (“call” report) at the request of the County.

C. Money Market Treasury Funds and Investment Pools:

The fund must be registered with Securities and Exchange Commission under the Investment Company Act of 1940, 15 U.S.C. §80 a-1 et seq., as amended, and must comply with Rule 2A-7, including, maintaining a net asset value (NAV) of \$1.00 at all times and providing investors with daily liquidity. The funds must have a AAA rating from at least one nationally recognized rating agency.

In addition to commercial investment pools/mutual funds, the County may invest in the Maryland Local Government Investment Pool (MLGIP) as authorized by State statute (Section 17-301, et. seq., of the Local Government Article of the Annotated Code of Maryland) and County Resolution 102-2000.

D. Social Investing:

From time to time, the County may invest in instruments offered by community and minority financial institutions. All terms and relationships will be fully disclosed in the monthly investment schedule provided to the County Executive and the County Council.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS:

The County is empowered by State statute (Title 17 of the Local Government Article of the Annotated Code of Maryland, and Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland) to invest in specific types of securities, which include:

- A. U.S. Treasury Obligations
- B. U.S. Government Agency and U.S. Government instrumentality securities (GSEs)
- C. Repurchase Agreements

- D. Certificates of Deposit which are collateralized or Federally insured
- E. Bankers' Acceptances
- F. Municipal Securities and Municipal Mutual Funds
- G. Commercial Paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency.
- H. Investment Pools/Mutual Funds/Money Market funds
- I. Supranational Issuers

All repurchase agreements will be governed by a Master Repurchase Agreement signed by the appropriate officials of the County and the broker/dealer.

IX. INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of a pool/fund is required prior to investing, and verification of AAA rating shall be performed annually. A questionnaire will be developed which will answer the following general questions:

- A. A description of eligible investment securities, and a written statement of investment policy and objectives.
- B. A description of interest calculations and distribution, and how gains and losses are treated.
- C. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- D. A description of who may invest in the program, how often, what size deposits and withdrawals are allowed.
- E. A schedule for receiving statements and portfolio listings.
- F. Are reserves, retained earnings, etc. utilized by the pool/fund?
- G. A fee schedule, and when and how it is assessed.
- H. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?
- I. Does the pool or fund have an AAA rating from at least one nationally recognized rating agency?
- J. Does the pool or fund operate in accordance with Rule 2A-7 of the Investment Company Act of 1940?

X. COLLATERALIZATION

- A. Collateralization will be required on certificates of deposit and repurchase agreements. The collateralization level will be at least 102% of market value of principal and accrued interest in anticipation of market changes and to provide a level of security for all funds.

- B. Collateral will always be held by an independent third-party with whom the County has a current custodial agreement. The independent third-party custodian will provide to the County a list of all securities held for the County at the end of each week and details of each transaction occurring during the month.
- C. Acceptable collateral is specified under Section 6-202 of Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland. However, the third-party custodian, who holds the collateral, has the right to reject otherwise acceptable collateral based on their discretion concerning market conditions. The County grants the right to substitute collateral.

XI. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the County shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Director of Finance.

XII. DIVERSIFICATION IN AUTHORIZED & SUITABLE INVESTMENTS

The County will diversify to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maryland state law pertaining to authorized instruments is attached.

	Maximum Percent of Portfolio
A. Diversification by Instrument	
1. U.S. Treasury Obligations	100%
2. U.S. Government Agency and U.S. Government —Sponsored instrumentalities	90%
3. Repurchase Agreements (Master Repurchase Agreement Required)	90%
4. Collateralized Certificates of Deposit (Only Maryland commercial Banks)	5%
5. Bankers’ Acceptances	30%
BA’s from domestic banks which also include the United States affiliates of large international banks. Short term rating of A1 from Standard and Poor’s Corporation or P1 from Moody’s Investor Service or F1 from Fitch Investor Service.	
6. Municipal Securities and Municipal Mutual Funds	40%
The funds and/or bonds must have a AAA rating from at least one nationally recognized rating agency.	
7. Commercial Paper	10%
Must have Short term rating of A1 from Standard and Poor’s	

Corporation or P1 from Moody's Investor Service or F1 from Fitch Investor Service.

- | | |
|------------------------------|-----|
| 8. Money Market Mutual Funds | 60% |
| 9. Supranational Issuers | 40% |

B. Diversification by Institution/Broker

No more than 40% of the total investment portfolio will be invested through a single broker, dealer or other financial institution.

XIII. MAXIMUM MATURITIES

The majority of the investments of the County will have a maturity of one year or less in order to meet the objective of the County's investment activities and meet the County's operating cash flow needs. However, a portion of the portfolio may contain investments with maturities up to five years if safety and liquidity standards of the portfolio are met. The investments in long-term maturities will be limited to U.S. Treasury Obligations and to U.S. Government Agency and U.S. Government Sponsored Instrumentalities. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. This section of the investment policy does not pertain to the Agricultural Land Program where U.S. Treasury stripped securities with long maturities are purchased.

XIV. INTERNAL CONTROLS

The Director of Finance shall establish a system of internal controls. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and investment officers of the County. The internal controls of the investment operation are audited as part of the annual financial audit conducted by an external auditor.

XV. PERFORMANCE STANDARDS

The investment strategy is passive as the County intends to hold all securities until maturity. Short term U.S. Treasury Bill yields were selected as the benchmark to gauge the County's investment portfolio performance. This benchmark is described in Section IV.B. This benchmark comparison will be included in the monthly investment report.

XVI. REPORTING REQUIREMENTS

- A. The Director of Finance shall provide a monthly investment report to the County Executive, the County Council, the County Auditor, the Chief Administrative Officer, the Budget Administrator and the Office of Public Information which will include data on investment instruments being held, as well as any narrative necessary to provide a clear picture of the status of the current investment portfolio. This report should also

include discussions on changes to investment strategies and significant events or changes in the marketplace and shall be issued by the end of the subsequent month.

B. Schedules and charts in the monthly report will include the following:

1. Highlights for the month.
2. Portfolio yield.
3. Percentage of the portfolio by type and broker compared to authorized diversification percentages.
4. Investments and interest income by fund.
5. Comparison of current year and prior year portfolio balances.
6. A listing of individual securities held at the end of the reporting period by authorized investment type, including the coupon, discount or earnings rate (yield), average life and the purchase and final maturity dates for each investment.
7. Book value versus market value for securities with a final maturity greater than one year from the date of the report.
8. Comparison of current yield to benchmark yield.

C. Copies of the policy and the monthly investment report are available online at: <https://www.howardcountymd.gov/Departments/Finance/Financial-Information/Investments>

XVII. INVESTMENT POLICY ADOPTION

Per Section 17-205 of the Local Government Article of the Annotated Code of Maryland, the Investment Policy must be adopted by resolution of the Howard County Council and a certified copy sent to the State Treasurer's office.

Any changes to the policy must be approved by resolution of the Council.

XVIII. GLOSSARY

Because this Policy is to be available to the public as well as the County, it is important that a glossary of related terminology be part of the policy.

Janet R. Irvin

Janet R. Irvin

Director of Finance

Dated: 2/15/19

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): a time deposit with a specific maturity evidenced by a certificate. Large-denomination cd's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for Howard County, Maryland. It includes Government-wide financial statements and fund financial statements prepared in conformity with GAAP. It also

includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging, factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HOD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae,

as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 38% of the commercial banks in the United States are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the

spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase — reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFERS: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit;

sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some States the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed

date. The security “buyer” in effect lends the “seller” money for the period of the agreement and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SUPRANATIONAL ISSUER: An international development institution that provides financing, advisory services, or other financial services to the institution’s member countries to achieve the overall goal of improving living standards through sustainable economic growth; and is rated in the

highest credit rating category by a nationally recognized statistical rating organization. “Supranational Issuer” includes the World Bank, the International Finance Corporation, the Inter-American Development Bank, the African Development Bank, and the Asian Development Bank.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM. NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread

over the period from the date of purchase to the date of maturity of the bond.

Md. STATE FINANCE AND PROCUREMENT Code Ann. § 6-201

§ 6-201. Definitions

- (a) **In general.** -- In this subtitle the following words have the meanings indicated.
- (b) **Banking institution.** -- "Banking institution" means an institution that is incorporated under the laws of the State as a State bank, trust company, or savings bank.
- (c) **Collateral.** -- "Collateral" means collateral that is listed under § 6-202 of this subtitle.
- (d) **Deposit insurance.** -- "Deposit insurance" means insurance by:
- (1) the Federal Deposit Insurance Corporation; or
 - (2) the Resolution Trust Corporation created under § 21A of the Federal Home Loan Bank Act (12 U.S.C. § 1441a.).
- (e) **Financial institution.** -- "Financial institution" means:
- (1) any banking institution;
 - (2) any national banking association;
 - (3) an institution that is incorporated under the laws of any other state as a bank; and
 - (4) an institution that is incorporated under the laws of this State or of the United States as a savings and loan association.
- (f) **National banking association.** -- "National banking association" means an institution that is incorporated under federal law as a bank.
- (g) **State money.** -- "State money" for purposes of §§ 6-209 and 6-210 of this subtitle includes money in a bank account maintained under the control of an employee or official of the clerk of the court or register of wills.

Md. STATE FINANCE AND PROCUREMENT Code Ann. § 6-202

§ 6-202. Collateral

Collateral that may be used under this subtitle shall be:

- (1) an obligation of the United States or any of its agencies;
- (2) an obligation guaranteed by the United States or by any of its agencies;
- (3) an obligation insured by the United States;
- (4) an obligation of the State or any of its units or instrumentalities;
- (5) an obligation of a county of the State or any of its agencies;
- (6) an obligation of a municipal corporation in the State or any of its agencies;
- (7) an obligation of any other governmental authority in the State;
- (8) an obligation of the Inter-America Development Bank;
- (9) an obligation of the World Bank;
- (10) an obligation of the following government-sponsored enterprises:
 - (i) the Federal Home Loan Banks;

- (ii) the Federal Home Loan Mortgage Corporation;
 - (iii) the Federal National Mortgage Association;
 - (iv) the Farm Credit System;
 - (v) the Federal Agricultural Mortgage Corporation; and
 - (vi) the Student Loan Marketing Association;
- (11) a surety bond if:
- (i) subject to the terms and conditions of the bond, it is irrevocable and absolute;
 - (ii) the surety bond is issued by an insurance company authorized to do business in this State;
 - (iii) the issuer of the surety bonds does not provide surety bonds for any one financial institution in an amount that exceeds 10% of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance; and
 - (iv) the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the Treasurer;
- (12) an obligation or security of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., if:
- (i) the portfolio of the open-end or closed-end management type investment company or investment trust is limited to direct obligations of the United States government and to repurchase agreements fully collateralized by United States government obligations; and
 - (ii) the open-end or closed-end management type investment company or investment trust takes delivery of that collateral, either directly or through an authorized custodian; or
- (13) a letter of credit issued by a Federal Home Loan Bank if the letter of credit meets the conditions under the guidelines issued by the State Treasurer's office.

Md. STATE FINANCE AND PROCUREMENT Code Ann. § 6-222

§ 6-222. Permissible investments; sale, redemption, and exchange; report; investment standards; use of minority business enterprises

(a) "Supranational issuer" defined. --

- (1) In this section, "supranational issuer" means an international development institution that:
- (i) provides financing, advisory services, or other financial services to the institution's member countries to achieve the overall goal of improving living standards through sustainable economic growth; and
 - (ii) is rated in the highest credit rating category by a nationally recognized statistical rating organization.
- (2) "Supranational issuer" includes:
- (i) the World Bank;

- (ii) the International Finance Corporation;
- (iii) the Inter-American Development Bank;
- (iv) the African Development Bank; and
- (v) the Asian Development Bank.

(b) Permissible investments. -- The Treasurer may invest or reinvest unexpended or surplus money over which the Treasurer has custody in:

- (1) an obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;
- (2) an obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress;
- (3) an obligation issued and unconditionally guaranteed by a supranational issuer denominated in United States dollars and eligible to be sold in the United States;
- (4) a repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;
- (5) bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission or the Treasurer;
- (6) with respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission issued by or on behalf of this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this item;
- (7) commercial paper that has received the highest letter and numerical rating by at least two nationally recognized statistical rating organizations as designated by the United States Securities and Exchange Commission, provided that such commercial paper may not exceed 10% of the total investments made by the Treasurer under this subsection;
- (8) money market mutual funds that:
 - (i) are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as amended;
 - (ii) are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2A-7, as amended; and
 - (iii) have received the highest possible rating from at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission; and
- (9) any investment portfolio created under the Maryland Local Government Investment Pool defined under §§ 17-301 through 17-309 of the Local Government Article of the Code that is administered by the Office of the State Treasurer.

(c) Sale, redemption, and exchange. -- The Treasurer may sell, redeem, or exchange an investment or reinvestment made under this section in accordance with the limitations of this section.

(d) Report. -- Subject to § 2-1246 of the State Government Article, the Treasurer shall report by January 3 of each year to the General Assembly on investment activities for unexpended or surplus money over which the Treasurer has custody which have been conducted during the previous fiscal year. At a minimum, the report shall specify for General Fund investments and all other investments:

- (1) the inventory of investments with maturity dates and the book and market value as of June 30;
- (2) the net income earned;
- (3) the percentage share of each category of investment in the portfolio; and
- (4) any sale of investments prior to the maturity date.

(e) Investment standards. -- An investment made pursuant to this section shall be made:

- (1) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
- (2) in a manner designed to reasonably match the anticipated cash flow of the State so that sufficient funds are available to pay obligations upon proper presentation for payment;
- (3) so that a reasonable amount of cash or cash equivalents is available for unanticipated cash needs;
- (4) with due regard for minimizing risk while maximizing return;
- (5) using competitive purchasing practices except when impractical;
- (6) in accordance with a written investment policy;
- (7) so that the securities and collateral may continue to be priced on a market to market basis; and
- (8) to avoid the enhancement of the personal financial position of the Treasurer or any employee of the Treasurer who has responsibilities for such investments.

(f) Use of minority business enterprises. --

(1)

(i) Consistent with minority business purchasing standards applicable to units of State government under this article and consistent with the fiduciary duties of the Treasurer, the Treasurer shall attempt to use to the greatest extent feasible minority business enterprises for brokerage and investment management services under this section.

(ii) For purposes of this subsection, brokerage and investment management services shall include services relating to all allocated asset classes as described in subsection (b) of this section.

(2)

(i) To assist the Treasurer in achieving the goal described under paragraph (1) of this subsection, the Treasurer shall undertake measures to remove any barriers that limit full participation by minority business enterprises in brokerage and investment management services opportunities afforded under this section.

(ii) The measures undertaken by the Treasurer shall include the use of a wide variety of media, including the Treasurer's Web site, to provide notice to a broad and varied range of potential providers about the brokerage and investment management services opportunities afforded by the Treasurer.

(3) In conjunction with the Governor's Office of Small, Minority, and Women Business Affairs, the Treasurer shall develop guidelines to assist in identifying and evaluating qualified minority business enterprises in order to help the Treasurer achieve the objective for greater use of minority business enterprises for brokerage and investment management services under this section.

(4) On or before September 1 each year, the Treasurer shall submit a report to the Governor's Office of Small, Minority, and Women Business Affairs and, subject to § 2-1246 of the State Government Article, the General Assembly on:

(i) the identity of the minority business enterprise brokerage and investment management services firms used by the Treasurer in the immediately preceding fiscal year;

(ii) the percentage and dollar value of the assets under the custody of the Treasurer that are under the investment control of minority business enterprise brokerage and investment management services firms for each allocated asset class; and

(iii) the measures the Treasurer undertook in the immediately preceding fiscal year in accordance with paragraph (2)(ii) of this subsection.

Md. LOCAL GOVERNMENT Code Ann. § 17-101

§ 17-101. Investment or deposit of surplus money by counties, municipalities, and other entities

(a) **"State financial institution" defined.** -- In this section, "State financial institution" means an institution that:

(1) has a branch in the State that takes deposits; and

(2) is:

(i) a bank incorporated under the laws of any state or the United States;

(ii) a trust company or savings bank incorporated under the laws of the State; or

(iii) a savings and loan association incorporated under the laws of the State or the United States.

(b) **Scope of section.** -- This section applies to the following governmental entities:

(1) the governing body of each county;

(2) the governing body of each municipality;

(3) each county board of education, including the Baltimore City Board of School Commissioners;

(4) each road, drainage, improvement, construction, or soil conservation district or commission;

(5) the Upper Potomac River Commission; and

(6) any other political subdivision or body politic and corporate of the State.

(c) Required. -- Subject to Subtitle 2 of this title and notwithstanding any provision of local law or ordinance, a governmental entity or its authorized agent:

(1) in accordance with § 6-222 of the State Finance and Procurement Article may:

(i) invest and reinvest in obligations or repurchase agreements all unexpended money in any fund or account of which the governmental entity or its authorized agent has custody or control; and

(ii) sell, redeem, or exchange an investment or reinvestment made under this item; or

(2) may deposit unexpended money in:

(i) an interest-bearing time deposit account or savings account at a federally insured bank or federally insured savings and loan association in the State; or

(ii) the Local Government Investment Pool established under § 17-302 of this title.

(d) Required security for deposits. -- Except as provided in subsections (e) and (f) of this section, a governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association under subsection (b)(2)(i) of this section only if the bank or savings and loan association gives as security for the deposit collateral of a type specified in § 6-202 of the State Finance and Procurement Article.

(e) Exception for deposits in State financial institutions -- Generally. -- A governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association without the security required under subsection (d) of this section if:

(1) the money is initially deposited in a State financial institution chosen by the depositor;

(2) the State financial institution arranges for the further deposit of the money into one or more certificates of deposit in an amount not exceeding the applicable Federal Deposit Insurance Corporation maximum insurance coverage limit, issued by one or more federally insured banks or federally insured savings and loan associations for the account of the depositor;

(3) when the money is deposited and the certificates of deposit are issued, the State financial institution receives deposits from customers of other banks or savings and loan associations in an amount at least equal to the amount of money initially deposited by the depositor;

(4) each certificate of deposit issued for the depositor's account is insured by the Federal Deposit Insurance Corporation for 100% of the principal of and accrued interest on the certificate of deposit; and

(5) the State financial institution acts as custodian for the depositor with respect to the certificates of deposit issued for the depositor's account.

(f) Exception for deposits in State financial institutions -- Deposit placement program. -- A governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association without the security required under subsection (d) of this section if:

(1) the money is initially placed for deposit with a State financial institution chosen by the depositor to arrange for the redeposit of the money through a deposit placement program that meets the requirements under this subsection;

(2) on or after the date that the money of the governmental entity is received, the State financial institution:

(i) arranges for the redeposit of the money into one or more deposit accounts, each in an amount of not more than the applicable Federal Deposit Insurance Corporation maximum insurance coverage limit, in one or more federally insured banks or federally insured savings and loan associations for the account of the depositor; and

(ii) acts as custodian for the depositor with respect to the money deposited into the accounts;

(3) any money of a governmental entity deposited into a State financial institution in accordance with this subsection and held by that State financial institution at the close of a business day that is in excess of the amount insured by the Federal Deposit Insurance Corporation is secured in accordance with this title;

(4) the full amount of the money of the governmental entity redeposited by the State financial institution into deposit accounts in federally insured banks or federally insured savings and loan associations under this subsection is insured by the Federal Deposit Insurance Corporation; and

(5) on the same date that the money of the governmental entity is redeposited under this subsection, the State financial institution receives an amount of deposits from customers of other banks or savings and loans in accordance with the deposit placement program that is at least equal to the amount of the money of the governmental entity redeposited by the State financial institution.

(g) Income from investments and deposits. --

(1) The interest or income from an investment or deposit made under this section:

(i) shall be credited to the fund from which the investment or deposit was made; and

(ii) may be invested or deposited as provided in this section.

(2) Notwithstanding paragraph (1) of this subsection, if the money invested or deposited under this section is from a fund that contains the proceeds of the issuance of bonds or other obligations, the issuer may use the interest or income from the investment or deposit to repay the principal of or interest on the bonds or other obligations.

(h) Withdrawal or alteration of investments and deposits. -- A governmental entity or its authorized agent may withdraw or alter an investment or deposit made under this section:

(1) to meet the requirements for which the money is held; or

(2) for reinvestment in accordance with this section.

Md. LOCAL GOVERNMENT Code Ann. § 17-102

§ 17-102. Postemployment benefits funds

(a) "Other postemployment benefits" defined. -- In this section, "other postemployment benefits" means:

(1) postemployment health care benefits; and

(2) postemployment benefits provided separately from a pension plan.

(b) Investment authority of trustees and officers. -- Notwithstanding § 17-101 of this subtitle, the trustees or other officers in charge of a pension or retirement system or fund, other postemployment benefits fund, trust fund account, fund for self-insurance purposes, or facility closure reserve fund of a political subdivision of the State or a unit of a political subdivision of the State:

(1) may:

(i) invest and reinvest money in their custody or control as provided by a law enacted by the governing body of the political subdivision; and

(ii) sell, redeem, or exchange an investment or reinvestment made under this item; and

(2) shall comply with fiduciary standards that at least meet the standards in Title 21, Subtitle 2 of the State Personnel and Pensions Article in connection with money in their custody or control.

(c) Third party agreements. --

(1) Notwithstanding any other law, a political subdivision of the State or a unit of a political subdivision of the State may enter into an agreement with a third party contractor or vendor for the management or investment of money intended for other postemployment benefits.

(2) An agreement entered into under this subsection includes the authority to:

(i) create pooled investments under the stewardship of:

1. a political subdivision of the State or a unit of a political subdivision of the State; or

2. a separate body under an agreement with a political subdivision of the State;

(ii) create one or more accounts to be managed in coordination with other funds or investments by a third party under an agreement with a political subdivision of the State; and

(iii) create distinct funding accounts for payment on behalf of employees of a unit of a political subdivision of the State under an agreement with the political subdivision.

(d) Agreement with third party for management or investment of money in fund. --

(1) Notwithstanding any other law, a political subdivision of the State or a unit of a political subdivision of the State may enter into an agreement with a third party contractor or vendor for the management or investment of money in a facility closure reserve fund.

(2) An agreement entered into under this subsection includes the authority to:

(i) create pooled investments under the stewardship of:

1. a political subdivision of the State or a unit of a political subdivision of the State; or

2. a separate body under an agreement with a political subdivision of the State; and

(ii) create one or more accounts to be managed in coordination with other funds or investments by a third party under an agreement with a political subdivision of the State.

Md. LOCAL GOVERNMENT Code Ann. § 17-103

§ 17-103. Charter counties and Baltimore City

(a) Scope of section. -- This section applies to bond sale proceeds and other money that are:

(1) subject to arbitrage, rebate, or similar limitations under federal tax law; and

(2) in the custody or control of the controller, director of finance, or similar official of a charter county or Baltimore City.

(b) Authorized investments. -- Notwithstanding any other law, the controller, director of finance, or similar official of a charter county or Baltimore City may:

(1) invest and reinvest bond proceeds and other money to which this section applies:

(i) in bonds, notes, or other obligations that are:

1. of investment grade quality as established by a nationally recognized rating agency; and

2. issued by or on behalf of a state or a unit, political subdivision, public corporation, special district, or authority of a state; and

(ii) directly or through a trust or fund that restricts investments to obligations of investment grade quality; and

(2) sell, redeem, or exchange an investment or reinvestment made under item (1) of this subsection.

Md. LOCAL GOVERNMENT Code Ann. § 17-104

§ 17-104. Investment in open-end and closed-end investment companies and trusts

(a) Scope of section. -- This section applies to the following governmental entities:

(1) the governing body of each county;

(2) the governing body or chief fiscal or administrative officer of each municipality;

(3) the governing body or chief fiscal or administrative officer of:

(i) each road, drainage, improvement, construction, or soil conservation district or commission; or

(ii) the Upper Potomac River Commission;

(4) each county board of education, including the Baltimore City Board of School Commissioners;

(5) any other political subdivision or body politic and corporate of the State;

(6) a unit of a political subdivision of the State; and

(7) the trustees or other officers in charge of a pension or retirement system or fund of:

(i) the State;

(ii) a political subdivision of the State; or

(iii) a unit of the State or of a political subdivision of the State.

(b) Authorized. -- Notwithstanding any other law, when a governmental entity is required or authorized to invest in, purchase, or take as collateral a bond, an obligation, or any other evidence of indebtedness of the United States, the governmental entity may invest in, purchase, or take as collateral an obligation or security of or other interest in an open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, 15 U.S.C. § 80A-1 et seq., if:

- (1) the portfolio of the investment company or investment trust is limited to:
 - (i) direct obligations of the United States; and
 - (ii) repurchase agreements that are fully collateralized by obligations of the United States; and
- (2) the investment company or investment trust takes delivery of the collateral directly or through an authorized custodian.

Md. LOCAL GOVERNMENT Code Ann. § 17-201

§ 17-201. Definitions

- (a) **In general.** -- In this subtitle the following words have the meanings indicated.
- (b) **Financial officer.** -- "Financial officer" means the treasurer or other financial officer of a governmental entity who is responsible for the investment of public funds or the issuance and management of debt of the governmental entity.
- (c) **Governing authority.** -- "Governing authority" means:
 - (1) for Baltimore City, the Baltimore City Board of Estimates;
 - (2) for a commission county, the county commissioners;
 - (3) for a charter county, as provided by local law, the county council or the county executive and the county council;
 - (4) for a code county, the county commissioners;
 - (5) for a community college, the board of trustees;
 - (6) for a municipality, the body provided by the municipal charter;
 - (7) for the Washington Suburban Sanitary Commission, the Commission;
 - (8) for a public corporation, the board of directors; and
 - (9) for an authority, the board of the authority.
- (d) **Public money.** --
 - (1) Except as provided in paragraph (2) of this subsection, "public money" means any money held by a governmental entity.
 - (2) "Public money" does not include money held as part of a pension fund, a fund for other postemployment benefits, as defined in § 17-102(a) of this title, a trust fund account, or a facility closure reserve fund or for self-insurance purposes.

Md. LOCAL GOVERNMENT Code Ann. § 17-202

§ 17-202. Conflict with other laws

To the extent of any conflict, this subtitle and the local government investment guidelines adopted by the State Treasurer under this subtitle supersede:

- (1) any local law, including a charter provision; and
- (2) any other public general law.

Md. LOCAL GOVERNMENT Code Ann. § 17-203

§ 17-203. Scope of subtitle

This subtitle applies to the following governmental entities:

- (1) each county;
- (2) each municipality;
- (3) each community college other than the Baltimore City Community College;
- (4) each regional community college established under Title 16, Subtitle 2 of the Education Article;
- (5) the Washington Suburban Sanitary Commission;
- (6) a public corporation authorized to issue debt; and
- (7) an authority of the State authorized to issue debt.

Md. LOCAL GOVERNMENT Code Ann. § 17-204

§ 17-204. Adoption and requirements

(a) Adoption. -- After consulting with the governmental entities, the State Treasurer shall adopt by regulation local government investment guidelines to govern the investment of public money by the entities in a manner that:

- (1) facilitates sound cash management;
- (2) protects the public; and
- (3) ensures that each entity has access to its public money.

(b) Requirements. -- The local government investment guidelines shall:

- (1) specify the types of investments in which public money may be invested;
- (2) include guidance for the prudent investment of public money based on cash flow projections, income, liquidity, investment ratings, and risk;

(3) require that investments by a county board of education and a county board of library trustees comply with the local investment policy of the county; and

(4) prohibit the borrowing of money for the express purpose of investment.

Md. LOCAL GOVERNMENT Code Ann. § 17-205

§ 17-205. Local investment policy

(a) **Adoption required.** -- The governing authority of each governmental entity shall adopt by resolution a local investment policy that:

(1) meets the needs of the governmental entity; and

(2) is consistent with the local government investment guidelines adopted by the State Treasurer under § 17-204 of this subtitle.

(b) **Copy to State Treasurer.** -- Promptly after the adoption of a local investment policy, the governmental entity shall mail a certified copy to the State Treasurer.

(c) **Determination by State Treasurer.** -- If the State Treasurer determines that the local investment policy is not consistent with the local government investment guidelines adopted by the State Treasurer under § 17-204 of this subtitle:

(1) the State Treasurer shall notify the governmental entity; and

(2) the governing authority shall prepare and submit a revised local investment policy that is consistent with the local government investment guidelines.

(d) **Amendments.** -- If the governing authority amends the governmental entity's local investment policy, the governmental entity shall submit the new local investment policy to the State Treasurer in accordance with subsection (b) of this section.

Md. LOCAL GOVERNMENT Code Ann. § 17-206

§ 17-206. Restriction on investments

A financial officer may not invest public money of a governmental entity in a manner that is inconsistent with the entity's local investment policy.

Md. LOCAL GOVERNMENT Code Ann. § 17-207

§ 17-207. Local debt policy

(a) **Adoption.** --

(1) Each governmental entity shall adopt by resolution, motion, or ordinance a local debt policy that:

- (i) is consistent with the Maryland Constitution and all applicable State and local laws; and
 - (ii) meets the needs of the governmental entity.
- (2) Promptly after the adoption of a local debt policy, the governmental entity shall mail a certified copy to the State Treasurer.
- (3) If the State Treasurer determines that the local debt policy is not consistent with the Maryland Constitution or any applicable State or local law:
- (i) the State Treasurer shall notify the governmental entity; and
 - (ii) the governmental entity shall prepare and submit a revised local debt policy.
- (b) **Revision.** -- If the governmental entity amends its local debt policy, the governmental entity shall submit its revised policy to the State Treasurer in accordance with subsection (a) of this section.

Md. LOCAL GOVERNMENT Code Ann. § 17-208

§ 17-208. Enforcement

- (a) **In general.** -- The State Treasurer shall contact the governmental entity to seek compliance if a governmental entity does not maintain a local investment policy or local debt policy as required by this subtitle.
- (b) **Reports required.** -- On request of the State Treasurer, a financial officer shall provide to the State Treasurer, in the format and time frame requested:
- (1) a report of the investment portfolio of the governmental entity; or
 - (2) a report of the debt portfolio of the governmental entity in the format required under § 16-103 of this article.
- (c) **Notice to Joint Committee on the Management of Public Funds.** -- If, after being contacted by the State Treasurer, a governmental entity does not comply with this section, the State Treasurer shall notify the Joint Committee on the Management of Public Funds in writing.
- (d) **Action by Attorney General.** -- The Joint Committee on the Management of Public Funds may request the Attorney General to seek judicial enforcement of this subtitle against the governmental entity.

Md. LOCAL GOVERNMENT Code Ann. § 17-301

§ 17-301. Definitions

- (a) **In general.** -- In this part the following words have the meanings indicated.

**** REVISOR'S NOTE**

This subsection formerly was Art. 95, § 22G(a)(1)(i).

**** REVISOR'S NOTE**

The only changes are in style.

(b) Authorized participant. -- "Authorized participant" means:

- (1) the governing body of each county or municipality;
- (2) a county board of education;
- (3) the governing body of each road, drainage, improvement, construction, or soil conservation district or commission in the State;
- (4) the Upper Potomac River Commission;
- (5) any other political subdivision or body politic and corporate of the State;
- (6) a local government insurance pool formed under Title 19, Subtitle 6 of the Insurance Article; or
- (7) on approval of the State Treasurer, a unit of State government or an entity created by the State if the funds of the unit or entity are not State money over which the Treasurer has investment authority.

**** REVISOR'S NOTE**

This subsection formerly was Art. 95, § 22G(a)(1)(ii).

**** DEFINED TERMS:**

"County" § 1-101

**** DEFINED TERMS:**

"Governing body" § 1-101

**** DEFINED TERMS:**

"Municipality" § 1-101

**** DEFINED TERMS:**

"State" § 1-101

(c) Pool. -- "Pool" means the Local Government Investment Pool.

REVISOR'S NOTE

This subsection formerly was Art. 95, § 22G(a)(1)(iii).

REVISOR'S NOTE

The only changes are in style.

Md. LOCAL GOVERNMENT Code Ann. § 17-302

§ 17-302. Established

There is a Local Government Investment Pool.

Md. LOCAL GOVERNMENT Code Ann. § 17-303

§ 17-303. Composition

The Pool consists of:

- (1) money of authorized participants that is deposited in the Pool; and
- (2) money of the State that is deposited in the Pool by the State Treasurer.

Md. LOCAL GOVERNMENT Code Ann. § 17-304

§ 17-304. Administration

(a) **In general.** -- The State Treasurer shall administer the Pool on behalf of:

- (1) authorized participants; and
- (2) to the extent that State money is included in the Pool, the State.

(b) **Procedures.** -- The State Treasurer shall develop procedures necessary to administer the Pool efficiently, including:

- (1) specification of the minimum and maximum amounts that may be deposited by any authorized participant in the Pool and minimum periods of time for which deposits must be retained in the Pool;
- (2) payment of administrative expenses from the earnings of the Pool; and
- (3) distribution of earnings in excess of expenses or allocation of losses to authorized participants in a manner that equitably reflects the amount and duration of each authorized participant's investments in the Pool.

Md. LOCAL GOVERNMENT Code Ann. § 17-305

§ 17-305. Investments

(a) **Policies.** -- The State Treasurer shall establish investment policies for the Pool.

(b) Procedures. -- Subject to the objectives and requirements of this part, the State Treasurer shall establish procedures for:

- (1) the investment and reinvestment of money in the Pool; and
- (2) the acquisition, retention, management, and disposition of investments of the Pool.

(c) Governing law. --

(1) The State Treasurer shall invest money in the Pool in accordance with [§§ 6-222 and 6-223 of the State Finance and Procurement Article](#).

(2) Notwithstanding any other law, the State Treasurer may:

- (i) invest and reinvest money in the Pool in bankers' acceptances guaranteed by banks; and
- (ii) sell, redeem, or exchange an investment or reinvestment made under this paragraph.

(d) Custody of instruments of title. -- Except as otherwise provided in this part, the State Treasurer shall retain custody of all instruments of title to all investments of the Pool.

(e) Deposit of instruments of title. --

(1) The State Treasurer may deposit with one or more fiscal agents or banks any instruments of title to investments of the Pool that the State Treasurer considers advisable.

(2) A fiscal agent or bank shall hold any instruments of title deposited with the agent or bank for collection of:

- (i) the principal of and interest or other income from the investments; or
- (ii) the proceeds of sale of the investments.

(f) Collection of principal and income by State Treasurer. -- The State Treasurer shall collect the principal of and interest or other income from investments of the Pool, the instruments of title to which are in the State Treasurer's custody, when due and payable.

Md. LOCAL GOVERNMENT Code Ann. § 17-306

§ 17-306. Employment of fiscal agent

(a) Authorized. -- The State Treasurer may:

- (1) contract with a qualified Maryland fiscal agent; and
- (2) compensate the fiscal agent for services rendered.

(b) Scope of services. -- The fiscal agent may perform administrative and investment services that the State Treasurer performs under this part.

Md. LOCAL GOVERNMENT Code Ann. § 17-307

§ 17-307. Status of money in Pool

Except for State money, money deposited in the Pool is not money of the State.

Md. LOCAL GOVERNMENT Code Ann. § 17-308

§ 17-308. Procedures for participation

(a) In general. -- The governing authority of an authorized participant may direct its financial officer to remit to the State Treasurer for investment in the Pool money that:

- (1)** is available for investment; and
- (2)** is not required, by law or a covenant or agreement with bondholders or others, to be segregated and invested in a different manner.

(b) Other postemployment benefit funds. -- The governing authority of an authorized participant having money intended for other postemployment benefits that are available for investment, as authorized under § 17-102 of this title, may direct its financial officer to remit that money to the State Treasurer for investment in the Pool.

(c) Resolution or ordinance required. --

(1) If the governing authority of an authorized participant determines that it is in the best interest of the authorized participant to deposit money in the Pool, the governing authority shall:

- (i)** adopt a resolution or ordinance authorizing the deposit; and
- (ii)** file a certified copy of the resolution or ordinance with the State Treasurer accompanied by a statement of the approximate cash flow requirements of the authorized participant for the invested money.

(2) The resolution or ordinance shall indicate the official of the authorized participant who is responsible for depositing money in and withdrawing money from the Pool.

(d) Required statements. -- Each subsequent deposit of money into the Pool shall be accompanied by a statement of:

- (1)** the intended duration of the investment; or
- (2)** the anticipated date of withdrawal of the money from the Pool.

Md. LOCAL GOVERNMENT Code Ann. § 17-309

§ 17-309. Participant accounts

(a) Required. -- The State Treasurer shall maintain a separate account designated by name or number for each authorized participant in the Pool, including the State, to record the individual transactions and totals of all investments of each authorized participant.

(b) Accumulated income. -- At least monthly, the State Treasurer shall credit accumulated income to each authorized participant's account.

(c) Reports. --

(1) The State Treasurer shall provide to each authorized participant a monthly report of the changes in investments made during the preceding month.

(2) On request, the State Treasurer shall provide a detailed report of any transaction relating to an investment of an authorized participant.

(d) Payments from accounts. -- On request, the State Treasurer shall pay from the Pool the principal and credited income of an account maintained for an authorized participant if the request conforms to the terms of the deposit.

(e) Limit on payments. --

(1) The State Treasurer may not make a payment from an account of an authorized participant in an amount that exceeds the total amount of money in the account.

(2) The payee shall refund any excess amount paid.