POLICY BOARD OF EDUCATION OF MONTGOMERY COUNTY

~~**Related Entries:**~~
Responsible Division ~~Office~~: Division of Financial Management~~Chief Operating Officer~~

Operating Fund Investments

A. PURPOSE

To establish the Montgomery County Board of Education's criteria for the investment of all unexpended appropriated operating funds and the process by which the Board carries out its oversight responsibility

To designate the superintendent of schools/designee as the persons responsible for investing funds in a manner consistent with this policy

~~This policy establishes the investment scope, objectives, and guidelines for the investment of school district operating funds.~~

B. ISSUE

~~It is important to ensure that operating fund investments comply with all state laws relating to investments. It also is important to guarantee that investment vehicles meet the primary criteria of prudence, safety of principal, liquidity, and market rate of return~~.

This policy applies to cash operating funds of the school district only. Montgomery County Public Schools (MCPS) draws cash as needed from the Montgomery County Government, based on weekly projections and receives additional cash from other entities such as the state of Maryland that require~~s~~ short-term investment.

This policy does not cover the investment activities of pension funds or certain trust or agency funds.

C. POSITION

1. Operating funds invested under the control and direction of MCPS will be administered in accordance with the provisions of this policy.

2. The Board designates the superintendent of schools/designee as the persons responsible for investing funds in a manner consistent with this policy.

3. The project objectives of MCPS investment activities will be as follows:

   a. Except in cash in certain restricted and special funds, the entity consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration.

   b. The protection of investment principal is the foremost objective in the overall portfolio. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, MCPS will mitigate both credit risk and interest rate risk. Credit risk is defined as the risk of loss due to the failure of a security issuer, or backer, and the risk will be mitigated.

   c. To retain sufficient liquidity to meet disbursement requirements which might be reasonably anticipated, and to diversify investments by specific security types and individual financial institutions to reduce risk to the extent possible.

   d. To maximize the return of the investment portfolio, consistent with legal restrictions, risk and prudent investment policies.

4. Investments will be made pursuant to state law, exercising prudent judgement, discretion, and care, under circumstances then prevailing, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.

5. Ethics and conflict of interest

   a. All Board members as well as all MCPS employees responsible for managing financial investments will adhere to Board Policy BBB, *Ethics*, and MCPS Regulation GCA-RA, *Employee Conflict of Interest*, and file a Financial Disclosure Statement in accordance with those rules. Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions.

   b. MCPS employees responsible for managing investments while acting in accordance with Maryland law, written procedures, and this policy, and exercising due diligence, will not be held personally responsible for a single 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.

6. Funds not required for immediate expenditure will be invested in a manner that will preserve capital while conforming to Maryland law governing the investment of public funds and in accordance with best investment practices of public funds as promulgated by industry trade associations.

7. In accordance with Maryland law, the responsibility for conducting investment transactions rests with the Secretary-Treasurer, Department of Finance.

~~1. The scope of this policy shall be operating funds.¶~~

~~Guidelines for the investment of MCPS Employees' Retirement and Pension System investments are provided in the Investment Policy of the Retirement and Pension Board of Investment Trustees.¶~~

~~Guidelines for the investment of MCPS Other Post Employment Benefits (OPEB) Trust investments are provided in the Investment Policy of the OPEB Board of Investment Trustees.¶~~

~~Guidelines for the investment of schools' Independent Activity Funds (IAF) are provided in the *Manual of Policies and Procedures for Administering Independent Activity Funds*.¶~~

~~2. The primary objectives of the investment of operating funds are:¶~~

~~a) Legality¶~~

~~Operating funds shall be invested in accordance with this policy, local government investment guidelines adopted by the Maryland State Treasurer, and any other applicable law.¶~~

~~b) Safety of Principal¶~~

~~The investment of operating funds shall be undertaken in a manner that seeks to ensure the preservation of capital.¶~~

~~c) Liquidity¶~~

~~The operating funds shall be invested to assure that funds are available to meet immediate payment requirements.¶~~

~~d) Maximum Return¶~~

~~The investment of operating funds shall be managed in a manner to attain a market rate of return consistent with legal restrictions, risk, and prudent investment practices while preserving and protecting invested capital and taking into account constraints on risk and cash flow requirements.¶~~

~~3. The investment of the operating funds will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation,~~

~~but for investment, considering the probable safety of their capital as well as the probable income to be derived.¶~~

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D. DESIRED OUTCOMES

Investments of operating funds appropriated to the Board of Education shall be fully compliant with state and county requirements and ensure safety and security of investment capital, liquidity to meet cash flow requirements, and market rate of return on invested funds.

~~1. A strategy and process that ensure safety and security of investment capital, liquidity to meet cash flow requirements, and a market rate of return on invested funds.¶~~

E. IMPLEMENTATION STRATEGIES

1. The superintendent of schools/designee will ensure that operating funds are invested in accordance with this policy, County investment guidelines adopted by the Maryland State Treasurer, and any other applicable law.

2. MCPS employees responsible for the investment of operating funds are –
   a. prohibited from borrowing money for the sole purpose of investment,
   b. will invest readily available funds to general income while preserving capital and ensuring liquidity for operational needs
   c. will hold periodic investment strategy meetings with the chief financial officer, delegated investment officials, or outside professional consultants, and shall document the resulting investment strategies approved to meet the objectives of this policy.

F. REVIEW AND REPORTING

1. The superintendent of schools/~~ or his/her~~ designee and the Board of Education shall monitor compliance with the objectives of this policy.

2. This policy will be reviewed in accordance with the Board of Education policy review process.

Policy History: New Policy adopted by Resolution 201-10, April 15, 2010; amended by Resolution No. 239-11, May 10, 2011.