

VILLAGE OF FRIENDSHIP HEIGHTS INVESTMENT POLICY

**Adopted by the Friendship Heights Village Council
on April 14, 2025**

**Approved by the Maryland State Treasurer's Office
on April 25, 2025**

I. POLICY

It is the policy of the Village of Friendship Heights ("the Village") to invest public funds in a manner that will provide the highest investment return consistent with maximum safety and security while meeting the anticipated cash flow requirements of the Village. The Village will not borrow funds for the express purpose of investing those funds. The policy will conform to all State laws governing the investment of public funds.

II. SCOPE

This investment policy applies to all financial assets of the Village of Friendship Heights as authorized by State Finance and Procurement Article §6- 222.

III. PRUDENCE

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 standard of prudence to be used by Village Council members and Village staff shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Village Council members and Village staff acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility 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. OBJECTIVE

The primary objectives, in priority order, of the Village of Friendship Heights's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Village of Friendship Heights shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio;
2. **Liquidity:** The Village's investment portfolio will remain sufficiently liquid to enable the Village to meet all operating requirements that might be reasonably anticipated, plus a reasonable amount for unanticipated needs; and
3. **Return on Investments:** The Village of Friendship Heights' investment portfolio shall be designed with the objective of attaining a rate of return, throughout the budgetary and economic cycles, commensurate with the Village of Friendship Heights' investment risk constraints and the cash flow characteristics of the portfolio.

V. DELEGATION OF AUTHORITY

Management responsibility for the investment program is hereby delegated to the Village Council who shall establish written procedures for the operation of the investment program consistent with this investment policy.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Village Council. The Finance Committee of the Village is delegated the authority to advise the Village Council on its investments.

Any deviation shall be reported to the Village Council in a timely fashion and appropriate action should be taken to control adverse developments.

VI. ETHICS AND CONFLICTS OF INTEREST

Council members and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and Investment Officers shall disclose to the Mayor any material financial interest in financial institutions that conduct business within the jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the investment of monies in the custody of the Treasurer. Employees and Investment Officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Village Manager shall maintain a list of financial institutions authorized to provide investment services.

VIII. PERMISSABLE INVESTMENTS

The Village's authority to invest is limited by State Finance and Procurement Article §6-222 (last updated July 2021), and, at all times, the Village will remain in compliance. Among the instruments permissible by statute to which the Village shall limit its investments are:

1. **US Treasuries** - Obligations for which the United States has pledged its faith and credit for the payment of the principal and interest.
2. **Certificate of Deposits and bank accounts** – In accounts with maximum federal deposit insurance held at federally-insured U.S. banks; and
3. **Maryland Local Government Investment Pool** - Any investment portfolio created under the Maryland Local Government Investment Pool (MLGIP) 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.

IX. DIVERSIFICATION

The Village will limit its investment as a percentage of its portfolio to no more than the following percentages:

Diversification by Security Type	Maximum % of Portfolio
1. US Treasury Obligations	100%
2. Deposits in federally insured banks	100%
3. MD Local Government Investment Pool	50%

X. MAXIMUM MATURITIES

To the extent possible, the Village of Friendship Heights will attempt to match its investments with anticipated cash flow requirements. The Village of Friendship Heights will not directly invest in any securities maturing more than two years from the date of purchase.

XI. INTERNAL CONTROL

The Village of Friendship Heights shall establish a process to issue annual audited Financial Statements. Statements shall include a list of Village investments. The statements must be prepared by an independent Certified Public Accountant.

Village Council members may propose areas of internal control for review.

XII. PERFORMANCE STANDARDS

The investment portfolio is designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the Village's investment risk constraints and cash flow needs.

XIII. REPORTING

An inventory of the Village's Investments shall be posted monthly in summary form.

XIV. INVESTMENT POLICY ADOPTION

The Village of Friendship Heights' investment policy shall be adopted by resolution of the Friendship Heights Village Council. The policy shall be reviewed at least once during each Council term by the Finance Committee of the Village of Friendship Heights. Any modifications recommended by the Finance Committee must be approved by the Friendship Heights Village Council.