

**COUNCIL OF THE CITY OF ABERDEEN**  
**Resolution No. 17-R-01**

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**Introduced By:**

**Mayor Patrick L. McGrady**

**Date Introduced:**

**Date Adopted:**

**Date Effective:**

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**RESOLUTION NO. 17-R-01**

**A RESOLUTION FOR THE PURPOSE OF AMENDING THE CITY OF  
ABERDEEN INVESTMENT POLICY**

1           **WHEREAS**, the Mayor and Council adopted the City of Aberdeen Investment Policy  
2 made effective on September 11, 1995 by passage of Resolution No. 445-95; and  
3

4           **WHEREAS**, the Investment Policy may be reviewed occasionally and revised if  
5 necessary; and  
6

7           **WHEREAS**, revisions are necessary to update and standardize the City's Investment  
8 Policy due to guiding State legislation.  
9

10          **NOW THEREFORE, BE IT RESOLVED THAT** the City of Aberdeen Investment  
11 Policy be amended to read as follows:  
12

13                               \*                       \*                       \*                       \*

14  
15       3. PRUDENCE: Investments shall be made with judgment, care, and prudence, not for  
16 speculation, but for **GROWTH AND** investment, considering the probable safety of capital as  
17 well as the probable income to be derived.  
18

19                               \*                       \*                       \*                       \*

20  
21       8. AUTHORIZED & SUITABLE INVESTMENTS: The City of Aberdeen is empowered by  
22 statute to invest in ((the following types of)) securities authorized by the State of Maryland,  
23 **INCLUDING THE FOLLOWING:** Certificates of Deposit, Direct Federal Obligations,  
24 Federal Agency Obligations, Repurchase Agreements, Bankers' Acceptances, Municipal  
25 Securities, Commercial Paper, Money Market Mutual Funds, Local Government Investment  
26 Pool.

\* \* \* \*

12. MAXIMUM MATURITIES: To the extent possible, the City of Aberdeen will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Aberdeen will not directly invest in securities maturing more than ((2)) 5 years from the date of purchase. ((However, the City of Aberdeen may collateralize its repurchase agreements using longer-dated investments not to exceed 5 years of maturity.))

((Reserve funds may be invested in securities exceeding 5 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.))

\* \* \* \*

14. PERFORMANCE STANDARDS: The investment portfolio shall be designed with the objective of obtaining a **POSITIVE** rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. **GIVEN THIS STRATEGY, THE BASIS USED BY THE TREASURER TO DETERMINE WHETHER MARKET YIELDS ARE BEING ACHIEVED SHALL BE THE SIX-MONTH U.S. TREASURY BILL AND THE AVERAGE FED FUNDS RATE.**

((14.1 MARKET YIELD (BENCHMARK): The City of Aberdeen's investment strategy is passive. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill and the average Fed Funds rate.))

\* \* \* \*

16. INVESTMENT POLICY ADOPTION: The City of Aberdeen's investment policy shall be adopted by resolution on the City of Aberdeen's legislative authority. The policy shall be reviewed ((annually)) **PERIODICALLY** by the City Manager and/or the Mayor and Council and any modifications made thereto must be approved by the Mayor and Council.

**BE IT FURTHER RESOLVED THAT** this Resolution shall take effect from the date of its passage, attached hereto in final form as **Exhibit A**.

**EXPLANATION:**

**BOLD CAPITALS** INDICATE MATTER ADDED TO EXISTING POLICY.

((Double Parenthesis)) indicate matter deleted from existing policy.

Underlining indicates amendments to policy.

~~Strike Out~~ indicates matter stricken from policy by amendment or deleted from the policy by amendment.

\* \* \* indicates existing unmodified text omitted from Policy.

## EXHIBIT A

### CITY OF ABERDEEN, MARYLAND INVESTMENT POLICY

1  
2 1. **POLICY:** It is the policy of the City of Aberdeen to invest public funds in a manner which  
3 will provide the highest investment return with the maximum security while meeting the daily  
4 cash flow demands of the city and conforming to all state and local statutes governing the  
5 investment of public funds.  
6

7 2. **SCOPE:** This investment policy applies to all financial assets of the City of Aberdeen. These  
8 funds are accounted for in the City of Aberdeen's Comprehensive Annual Financial Report and  
9 include the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds,  
10 Trust and Agency Funds, Retirement/Pension Funds, and any new fund created by the legislative  
11 body, unless specifically exempted.  
12

13 3. **PRUDENCE:** Investments shall be made with judgment, care, and prudence, not for  
14 speculation, but for growth and investment, considering the probable safety of capital as well as  
15 the probable income to be derived.  
16

17 The standard of prudence to be used by investment officials shall be the "prudent person"  
18 standard and shall be applied in the context of managing an overall portfolio. Investment  
19 officers acting in accordance with written procedures and the investment policy and exercising  
20 due diligence shall be relieved of personal responsibility for an individual security's credit risk or  
21 market price changes, provided deviations from expectations are reported in a timely fashion and  
22 appropriate action is taken to control adverse developments.  
23

24 4. **OBJECTIVE:** The primary objectives, in priority order, of the City of Aberdeen's investment  
25 activities shall be:  
26

27 4.1 **Safety:** Safety of principal is the foremost objective of the investment program.  
28 Investments of the City of Aberdeen shall be undertaken in a manner that seeks to ensure the  
29 preservation of capital in the overall portfolio. To attain this objective, diversification is required  
30 in order that potential losses on individual securities do not exceed the income generated from  
31 the remainder of the portfolio.  
32

33 4.2 **Liquidity:** The City of Aberdeen's investment portfolio will remain sufficiently  
34 liquid to enable the City of Aberdeen to meet all operating requirements which might be  
35 reasonably anticipated.  
36

37 4.3 **Return on Investments:** The City of Aberdeen's investment portfolio shall be  
38 designed with the objective of attaining a rate of return throughout budgetary and economic  
39 cycles, commensurate with the City of Aberdeen's investment risk constraints and the cash flow  
40 characteristics of the portfolio.

1 **5. DELEGATION OF AUTHORITY:** Authority to manage the City of Aberdeen's investment  
2 program is derived from the City Charter. Management responsibility for the investment  
3 program is hereby delegated to the City Manager, who shall establish written procedures for the  
4 operation of the investment program consistent with this investment policy. Procedures should  
5 include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements,  
6 banking service contracts and collateral/depository agreements. Such procedures shall include  
7 explicit delegation of authority to person(s) responsible for investment transactions. No person  
8 may engage in an investment transaction except as provided under the terms of this policy and  
9 the procedures established by the City Manager. The City Manager shall be responsible for all  
10 transactions undertaken and shall establish a system of controls to regulate the activities of  
11 subordinate officials.  
12

13 **6. ETHICS AND CONFLICTS OF INTEREST:** Officers and employees involved in the  
14 investment process shall refrain from personal business activity that could conflict with proper  
15 execution of the investment program, or which could impair their ability to make impartial  
16 investment decisions. Employees and investment officials shall disclose to the Mayor and  
17 Council any material financial interests in financial institutions that conduct business within this  
18 jurisdiction, and they shall further disclose any large personal financial/investment positions that  
19 could be related to the performance of the City of Aberdeen, particularly with regard to the time  
20 of purchases and sales.  
21

22 **7. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:** The City Treasurer will  
23 maintain a list of financial institutions authorized to provide investment services. In addition, a  
24 list will also be maintained of approved security broker/dealers selected by credit worthiness  
25 who are authorized to provide investment services in the State of Maryland. These may include  
26 "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule  
27 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public  
28 depository as established by state laws.  
29

30 All financial institutions and broker/dealers who desire to become qualified bidders for  
31 investment transactions must supply the treasurer with any of the following as may be requested:  
32 Audited financial statements, proof of National Association of Security Dealers certification,  
33 trading resolution, proof of state registration, completed broker/dealer questionnaire, certification  
34 of having read the City of Aberdeen's investment policy and depository contracts.  
35

36 An annual review of the financial condition and registrations of qualified bidders will be  
37 conducted by the Treasurer.  
38

39 A current audited financial statement is required to be on file for each financial institution  
40 and broker/dealer in which the City of Aberdeen invests.  
41

42 **8. AUTHORIZED & SUITABLE INVESTMENTS:** The City of Aberdeen is empowered by  
43 statute to invest in securities authorized by the State of Maryland, including the following:  
44 Certificates of Deposit, Direct Federal Obligations, Federal Agency Obligations, Repurchase  
45 Agreements, Bankers' Acceptances, Municipal Securities, Commercial Paper, Money Market

Mutual Funds, Local Government Investment Pool.

**9. COLLATERALIZATION:** Collateralization will be required on two types of investments; certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the city and retained.

The right of collateral substitution is granted.

**10. SAFEKEEPING AND CUSTODY:** All security transactions, including collateral for repurchase agreements, entered into by the City of Aberdeen shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

**11. DIVERSIFICATION:** The City of Aberdeen will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City of Aberdeen's total investment portfolio will be invested in a single security type or with a single financial institution.

**12. MAXIMUM MATURITIES:** To the extent possible, the City of Aberdeen will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Aberdeen will not directly invest in securities maturing more than 5 years from the date of purchase.

**13. INTERNAL CONTROL:** The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

**14. PERFORMANCE STANDARDS:** The investment portfolio shall be designed with the objective of obtaining a positive rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill and the average Fed Funds rate.

**15. REPORTING:** The Treasurer is charged with the responsibility of including a market report on investment activity and returns in the City of Aberdeen's Financial Report. Reports will include performance, interest earnings, etc.

1 16. **INVESTMENT POLICY ADOPTION:** The City of Aberdeen's investment policy shall be  
2 adopted by resolution on the City of Aberdeen's legislative authority. The policy shall be  
3 reviewed periodically by the City Manager and/or the Mayor and Council and any modifications  
4 made thereto must be approved by the Mayor and Council.  
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7  
8 Adopted on: September 9, 1995.  
9

10 Approved Revision: \_\_\_\_\_.

**COUNCIL OF THE CITY OF ABERDEEN**

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**Patrick L. McGrady, Mayor**

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**Steven E. Goodin, Councilman**

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**Sandra J. Landbeck, Councilwoman**

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**Timothy W. Lindecamp, Councilman**

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**Melvin T. Taylor, Councilman**

**ATTEST:**

**SEAL:**

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**Monica A. Correll, City Clerk**

**Date** \_\_\_\_\_