

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: May 19, 2009

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston

SUBJECT: **GOVERNING REGULATIONS AND BCPS INVESTMENT PROCEDURES**

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RESOURCE PERSON(S): Barbara Burnopp, Chief Financial Officer
Patrick Fannon, Controller

INFORMATION

The attached document is being provided to update the Board on the laws and regulations that govern how BCPS can invest funds, and the return on BCPS' investments for FY2008 and year-to-date for FY2009.

Attachment I - Summary of Governing Regulations and BCPS Investment Procedures

Summary of Governing Regulations and BCPS Investment Procedures

Baltimore County Public Schools (BCPS) investments are limited to short-term and overnight investments. BCPS has no long-term investments.

Investments Governing Authority

Governing authority for the BCPS investments includes: Article 95, Section 22 of the Annotated Code of Maryland, Sections 6-202 and 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland, and Sections 10-1-102, 10-1-103, and 10-1-104 of the Baltimore County Code, 2003.

In accordance with Baltimore County Resolution 2-08, the primary objectives, in priority order, of all short-term investment activities conducted by BCPS are safety, liquidity, and yield. Short investment options are selected in consultation with the Baltimore County Investment Administrator.

Types of Investments

Currently our investments are limited to three options: the Maryland Local Government Investment Pool (MLGIP), the Fidelity Government Portfolio Institutional Money Market Fund, and the MTB Government Money Market Fund.

The MLGIP is a short-term investment pool open to all Maryland local government units. It is under the administrative control of the State Treasurer and managed by PNC Institutional Investments. The MLGIP may invest in U.S. Treasury securities, Federal Agency notes, banker's acceptances, SEC-registered money market mutual funds, repurchase agreements (collateralized by U.S. Treasury and/or Federal Agency securities), unsecured commercial paper, and short-term structured asset-backed commercial paper. The Fidelity Government Portfolio Fund and MTB Government Money Market Fund are SEC-registered money market-rated funds. They primarily invest in U.S. Government securities and repurchase agreements for those securities. The Fidelity fund may also enter into reverse repurchase agreements for those securities. All three funds are rated "AAAm" by Standard and Poor's, their highest rating for money market funds. The Fidelity and MTB funds have also been evaluated by Moody's and have achieved their highest rating of "Aaa."

BCPS Procedures

Daily, an accountant estimates the amount of cash needed to cover obligations clearing the bank. If the accountant determines that there is excess cash available to invest, they will execute an investment order to transfer funds from our checking account, held at M&T Bank, to the Fidelity Investments Government Portfolio Money Market Fund and/or the Maryland Local Government Investment Pool. If any funds remain in the checking account after all obligations are settled, they are swept automatically into the MTB Government Money Market Fund.

Investment Return

For the fiscal year ending June 30, 2008, the average investment return earned was 4.1%, and the total interest earned was \$1,502,218. For fiscal year 2009 year-to-date through February 2009, the average rate of return has been 1.63%, and the total interest earned year-to-date is \$383,035.