






Interoffice Memorandum

TO: COMMISSIONERS

THRU: CARLA A. REID  
General Manager/Chief Executive Officer 

THRU: THOMAS J. STREET   
Deputy General Manager, Administration

FROM: JOSEPH F. BEACH   
Chief Financial Officer

DATE: November 9, 2016

SUBJECT: **PRINCE GEORGE'S COUNTY COMMUNITY BANK SMALL LENDING  
BUSINESS LENDING PROGRAM**

As requested at the September 2016 Commission Meeting, below are the estimated impacts of the Prince George's County Community Bank Small Business Lending Program.

**Prince George's County Council Community Bank Small Business Lending Program**

	Deposits	Small Business Loans	Interest Income	Jobs Created
2013 \$	1,000,000	\$ 2,985,795	\$ 2,963	10.6
2014 \$	2,000,000	\$ 4,965,923	\$ 5,669	18.4
2015 \$	2,000,000	\$ 4,803,408	\$ 7,041	15.5
<b>Total \$</b>	<b>5,000,000</b>	<b>\$ 12,755,127</b>	<b>\$ 15,672</b>	<b>44.5</b>

Prince Georges County Code 10-146 through 10-149

As indicated in the September briefing on the proposed Business Investment and Growth (BIG) Program we are planning to bring a Standard Procedure and amendment to the WSSC Investment Policy to authorize establishment of a similar program for WSSC that will support local business, local community banks, and foster job creation in both Counties.

Let me know if you have additional questions on this program.



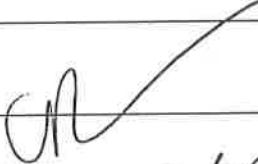


WASHINGTON SUBURBAN SANITARY COMMISSION

COMMISSION SUMMARY

AGENDA CATEGORY: Finance Office

ITEM NUMBER:

DATE: November 8, 2016

<b>SUBJECT</b>	Request for Commission to approve the attached amendments to the WSSC Investment Policy
<b>SUMMARY</b>	The attached Investment Policy amendments permit an exception to the Investment Policy to permit the Finance Team to invest funds with local community banks for the purpose of empowering local businesses by placing deposits in community banks headquartered in Prince George's and Montgomery Counties to generate jobs for the benefit of residents in both Counties. The terms and requirements of the investment of funds with locally based community banks are defined in the Regulations to be adopted by the Commission on The Local Business Investment and Growth (BIG) Program.
<b>SPECIAL COMMENTS</b>	
<b>CONTRACT NO./ REFERENCE NO.</b>	Not applicable.
<b>COSTS</b>	Not applicable.
<b>AMENDMENT/ CHANGE ORDER NO. AMOUNT</b>	Not applicable.
<b>MBE PARTICIPATION</b>	Not applicable.
<b>PRIOR STAFF/ COMMITTEE REVIEW</b>	Carla Reid, General Manager 
<b>PRIOR STAFF/ COMMITTEE APPROVALS</b>	Thomas Street, Deputy General Manager  Joseph F. Beach, Chief Financial Officer 
<b>RECOMMENDATION TO COMMISSION</b>	Approve.
<b>COMMISSION ACTION</b>	

## Legal Review of Standard Procedure

The following regulation has been reviewed by the General Counsel's Office as required by WSSC Standard Procedure NR-LGS-GC-2012-000, Procedure for Creating, Maintaining, Repealing and Deleting Standard Procedures and Regulations.

### WSSC Investment Policy of Surplus Funds

**1. Legal Sufficiency Review:**

This Standard Procedure has been reviewed and determined to be legally sufficient.


**2. Approval Authority:**

The Commission has authority to adopt this Standard Procedure.

**3. Regulation or Non-Regulation**

This Standard Procedure is a "Regulation"

  
\_\_\_\_\_  
Claudia Koenig  
Acting General Counsel

  
\_\_\_\_\_  
Date

# STANDARD PROCEDURES OF THE WASHINGTON SUBURBAN SANITARY COMMISSION

Sponsor	SP or Regulation Number	Approve By/Date	Recurring Review Period	Effective Date	Page 1
Richard M. Baker Retirement Group Leader	FIN __-17  Supersedes FIN 03-03	November 16, 2016		December 16, 2016	of 6

**TITLE: WSSC Investment Policy of Surplus Funds**

**1. PURPOSE**

The purpose of this Standard Procedure is to define investment objectives and policies, identify bidders' eligibility, standardize bidding procedures, and define investment limitations and safekeeping requirements. This policy applies to the investment of all unexpended or surplus funds of the Washington Suburban Sanitary Commission (WSSC). This policy does not cover the investment activities of employee retirement funds, which are administered by separate trustees, or investments associated with bond refunding transactions.

**2. DEFINITIONS**

(A) **BANKS** - Institutions authorized by federal law to operate as a bank, or institutions incorporated under the laws of the State of Maryland as a State Bank, trust company, or savings bank.

(B) **CUSTODIAN BANK** – A Custodian Bank is a financial institution that holds customers' securities for safekeeping to minimize the risk of their theft or loss. A Custodian Bank holds securities and other assets in electronic or physical form, and acts on behalf of the account owner.

(C) **FINANCIAL INSTITUTION** - Any brokerage **firm** registered with the Securities and Exchange Commission and registered in the state of Maryland, and any bank.

(D) **INVESTMENT OFFICIALS** - The Chief Financial Officer of the WSSC, the Retirement Group Leader and the employees of the Retirement Group to whom the Retirement Group Leader has, in writing, delegated the authority to conduct investment transactions including electronic transfers of funds.

(E) **MASTER REPURCHASE AGREEMENT** - A legal agreement standardized by the Public Securities Association (PSA) with Riders added by WSSC to further protect WSSC's interest, and signed by both WSSC and the counter party (broker or bank) to the transaction.

### 3. OBJECTIVES

The objectives for the investment of WSSC's funds are:

- (A) Preservation of capital through the avoidance of credit risk and interest rate risk;
- (B) Sufficient liquidity to meet all cash flow requirements which might reasonably be anticipated; and,
- (c) Attaining a market rate of return from the investment vehicles permitted under Maryland law.

### 4. RESPONSIBILITY

The responsibility for investing WSSC's funds rests with the WSSC Chief Financial Officer, who hereby delegates the responsibility for conducting daily investment transactions to the Retirement Group Leader. The Retirement Group Leader may further delegate, in writing, to the staff of the Retirement Group, the authority to conduct daily investment transactions provided they have the necessary qualifications as determined by the Retirement Group Leader.

### 5. PRUDENT PERSON RULE

The standard of care to be applied by the investment officials in the context of managing the overall portfolio shall be a Prudent Person Rule, which expects that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence acting in a like capacity 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.

### 6. ETHICS AND CONFLICTS OF INTEREST

Investment officials involved in the investment process shall refrain from personal business activity that could conflict with or appear to conflict with proper execution of the investment program or could impair or appear to impair their ability to make impartial investment decisions. Investment officials shall disclose to the Chief Financial Officer any material financial interest they may have in financial institutions that conduct business with WSSC, and they shall further disclose any significant personal financial investment positions that could be related to the performance of the WSSC's investment portfolio. Investment Officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the WSSC.

### 7. AUTHORIZED INVESTMENTS

The Chief Financial Officer may invest WSSC funds in the following investments:

- (A) U.S. Government Securities - Obligations for which the United States has pledged its full faith and credit for the payment of principal and interest.

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(B) U.S. Agency Securities - Obligations that a federal agency or a federal instrumentality issues in accordance with an act of Congress.

(C) Repurchase Agreements - Repurchase Agreements entered into with financial institutions that provide and maintain sufficient collateral to WSSC's Custodian Bank. Additionally, a signed Master Repurchase Agreement must be on file.

(D) Certificates of Deposit - Certificates of Deposit, including deposits to the Certificate of Deposit Account Registry Service (CDARS) issued by banks and savings and loan associations on the Chief Financial Officer's Approved List, that provide collateral to WSSC's Custodian Bank equal to or exceeding the amount of any deposit not federally insured by the FDIC and comply with other safekeeping and collateral requirements.

(E) Bankers' Acceptances - Bankers' Acceptances issued by a bank having a short-term debt rating of the highest letter and numerical rating issued by at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission (the "SEC"). Bankers' Acceptances shall meet negotiable instrument eligibility requirements of the Federal Reserve System.

(F) Commercial Paper - Up to 5% of the WSSC portfolio to be invested may be invested in Commercial Paper issued by a company having a short-term debt rating of the highest letter and numerical rating issued by at least one nationally recognized statistical rating organization as designated by the SEC.

(G) Municipal Bonds or Notes

(H) Money Market Mutual Funds

(I) Maryland Local Government Investment Pool

The Chief Financial Officer may deem any investment instrument as unacceptable despite the fact that it may meet the legal requirements of the Annotated Code of Maryland and this WSSC Regulation.

## 8. COLLATERAL

(A) For all WSSC bank accounts and certificates of deposit, collateral shall be maintained for amounts in excess of federal insurance coverage. Acceptable collateral is specified under Section 6-202 of the State Finance and Procurement Article of the Annotated Code of Maryland.

(B) For all repurchase agreements, collateral of at least 102% of the principal and interest amount is required. Acceptable collateral shall consist of obligations of the United States, its agencies or instrumentalities as described in Sections 7 (A) and (B).

(C) The collateral shall be held by WSSC's Custodian Bank. The adequacy of the collateral shall be monitored daily as part of the Custodian Bank's responsibilities.

## 9. EXECUTION, SAFEKEEPING AND CUSTODY

(A) The Chief Financial Officer will appoint independent Custodian Banks. All security transactions shall be executed on a delivery-versus-payment basis on the day of purchase where the security or the collateral is delivered to a WSSC Custodian Bank before WSSC's Custodian Bank releases funds to pay the winning investment bidder.

(B) A Custodian Bank may not be a party to an investment transaction. Investments with affiliates of Custodian Banks are not permitted unless approved in writing by the Retirement Group Leader or the Chief Financial Officer.

## 10. INVESTMENT LIMITATIONS

(A) Maturity - Investment maturities shall be selected to cover anticipated cash flow requirements. Generally, investments shall be for a maximum maturity of one (1) year except for Bankers' Acceptances, which shall not exceed a six-month maturity. Any investment with a maturity in excess of one year must be approved by the Chief Financial Officer and will be limited to U.S. Government and U.S. Agency securities.

(B) Maximum Percentage of Portfolio - The maximum percent limitations of the portfolio at time of investment purchase is as follows:

(I) Repurchase Agreements with any one broker/dealer are limited to a maximum dollar value of 20% of the total investment portfolio, except when approved **in** writing by the Retirement Group Leader or the Chief Financial Officer.

(II) Commercial paper is limited to a maximum dollar value of 5% of the total investment portfolio.

(III) Deposits in the Local Business Investment and Growth Program are limited to 10% of the total investment portfolio.

(C) Reverse Repurchase Agreements - WSSC shall not enter into reverse repurchase agreements.

(D) Derivatives - WSSC shall not purchase security derivatives.

## 11. AUTHORIZED DEALERS AND FINANCIAL INSTITUTIONS

Financial institutions wishing to provide investments to WSSC must be approved by the Chief Financial Officer.

A list of approved banks or institutions (the "Chief Financial Officer's Approved List") will be maintained by the Chief Financial Officer.

An approved dealer shall have a short-term or long-term debt rating of investment grade by at least one nationally recognized statistical rating organization as designated by the SEC.

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An approved bank shall be a national or Maryland chartered bank or savings and loan institution. There shall be no exceptions to the collateral and safekeeping requirements of this policy.

## 12. THE WSSC LOCAL BUSINESS INVESTMENT and GROWTH (BIG) PROGRAM

In order to enable community based financial institutions to compete against regional and national institutions for WSSC investment funds, the WSSC has established the Local Business Investment and Growth (BIG) Program (WSSC SP: FIN \_\_-17). The BIG Program enhances and economically empowers local business lending by placing deposits in community banks headquartered in Prince George's and Montgomery Counties to generate jobs for the benefit of residents in both Counties, while providing the WSSC with a competitive rate of return on those deposits, which will be covered by FDIC insurance, and placed with qualifying community banks per the terms of the program and Section 11 of this Investment Policy.

The aggregate investments held for any qualifying institution is not to exceed five percent of the institution's total assets as reported on the most recent audited financial statements or Quarterly Call Report. Aggregate investment in the Program is also subject to the investment limitations referenced in Section 10 of this Investment Policy. Investments placed in the Program are subject to the terms required in WSSC SP: FIN \_\_-17, and are otherwise specifically exempted from the competitive bidding requirements of Section 13 of this Investment Policy.

## 13. COMPETITIVE BIDDING

Funds invested by the Custodian Banks in overnight repurchase agreements issued by the Federal Reserve will not be competitively bid and may exceed the 20 % portfolio limit. Investments shall be awarded on a competitive bid basis to the institution whose bid produces the greatest income to WSSC on a percentage yield basis and which complies with the collateral requirements and portfolio limitations. At least three bids will be solicited prior to investing. In the case of tie bids, the award will be at the discretion of the Retirement Unit Coordinator or the Retirement Group Leader. Investments placed with institutions participating in the WSSC Local Business Investment and Growth (BIG) Program are specifically exempted from this requirement.

In inviting institutions on the Chief Financial Officer's Approved List to bid the Unit Coordinator will take into account the following factors with respect to those institutions:

- Portfolio Limit – The aggregated value of investments with any one bank or broker will not exceed 20 percent of the total investment portfolio at the time of investment, unless approved in writing by the Retirement Group Leader or the Chief Financial Officer.
- History of promptness and accuracy in delivering collateral to the WSSC's Custodian Bank for safekeeping.

Record of offering competitive rates to WSSC.



**14. REPORTING**

The Retirement Group will prepare a daily report entitled the "Schedule of Investments" which will account for all WSSC investments by:

Type of Investment  
Broker/Dealer  
Purchase Date  
Maturity Date  
Amount of Each Investment  
Yield of Each Investment and Yield on the Total Portfolio  
Percentage of Investments Made with Each Approved Broker/Dealer  
Percentage of Investments by Type of Investment  
Total of All Investments

The Month End edition of the Schedule of Investments Report will be distributed to the following:

General Manager  
Deputy General Manager  
Chief Financial Officer  
Retirement Group Leader  
Accounting Group Leader  
Internal Auditor

**15. INTERNAL CONTROLS**

The Retirement Group Leader shall establish and the Chief Financial Officer shall approve written procedures and internal controls for the operation of WSSC'S investment program, consistent with this investment policy. These procedures shall provide reasonable assurance that WSSC's investments are protected from loss, theft or misuse.

**16. PERFORMANCE STANDARDS**

WSSC will measure investment performance against a benchmark appropriate to the composition, risk and duration of the investment portfolio. The performance standard will be the 90-day U.S. Treasury Bill Index.

**17. FILING WITH STATE TREASURER**

This investment policy is to be filed with the State Treasurer's Office.

**18. AUTHORITY**

The General Counsel certifies that the statutory authority for the adoption of this Standard

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Procedure is Maryland Annotated Code, Public Utilities Article, Division II, §17-403, Local Government Article §§17-204&17-205, and State Finance and Procurement Article, §6-222.

**Distribution:**

General Manager's Office  
Internal Audit Office  
Secretary's Office'  
General Counsel  
Chief Financial Officer  
Retirement Group Leader  
Accounting Group Leader  
Disbursements Group Leader

**STANDARD PROCEDURES  
OF THE  
WASHINGTON SUBURBAN SANITARY COMMISSION**

**Order of Approval**

**Number and Title of Standard Procedure/Regulation:** WSSC Investment Policy of Surplus Funds

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I hereby affirm and acknowledge that I have reviewed the foregoing Standard Procedure/Regulation and recommend that it be adopted as an official WSSC Standard Procedure/Regulation to become effective on the earliest date in accordance with law. Therefore, I hereby approve the foregoing Standard Procedure/Regulation.

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Printed Name  
(Approval Authority)

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Position  
(Chair, Vice-Chair, GM/CEO, Other (including Team name))

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Signature

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Date of Signature