

SUPPLEMENT 1

I.	Appointment to the Board.....	1
II.	Appointment to an Unexpired Term	2
III.	Reappointment to the Board	2
IV.	Order of Business at Board Meetings	2
V.	Procedures Concerning an Agenda Item at a Board Meeting	3
VI.	Problem Solving	3
VII.	Board Reimbursement	3
VIII.	Board Meetings.....	3
IX.	Board Agendas.....	4
X.	Board Minutes.....	4
XI.	Proxy Votes.....	4
XII.	Confidentiality and Coping with Law Enforcement Inquiries.....	4
XIII.	Financial Disclosure Statements	5
XIV.	Open Meetings Law	5
XV.	Regulation for Open Meetings.....	7
XVI.	Investment Policy	8

I. Appointment to the Board

A. Application Requirements

1. Applicants should reside in the Howard County Council District of the Board member whose term has expired or who is leaving the Board. Exceptions include the replacement for the at-large members.
2. Potential conflicts of interests bar current Howard County Library System (HCLS) employees from serving on the Board.
3. Applicants must submit a resume and any other requested information prior to the application deadline, which will be set by the Board.

B. Recruitment Process

Any or all of the following methods may be used to recruit members:

1. The Chair or Vice Chair of the Board will attempt to identify seven individuals who might be qualified to fill the vacancy.
2. The Board member being replaced may identify potential replacement candidates.
3. News releases may be sent out requesting applications.
4. Organizations, such as Leadership Howard County and the Chamber of Commerce, may be contacted to share with their network.
5. Notice to County Executive to include in their communications.
6. Notice to County Council members to share with their constituents.
7. Social media notices (once per week 4 to 6 weeks prior to closing).
8. Eblast to approximately 60K customers (weekly, 4 to 6 weeks prior to closing).
9. Notice in library branches (flyers and/or branch monitors)
10. Notice to Racial Equity Alliance members to share with their networks

C. Selection of Candidates for Interview

The Chair, Vice Chair, President & CEO, COOs, and any other Board member, who wishes, may review each application. The Board will attempt to identify a minimum of seven candidates to be interviewed for each vacancy.

D. Interview Committee

1. Trustees, the President & CEO, and COOs may serve on the interview committee. Trustees and staff must commit to full participation in all candidate interviews in order to serve on the committee and vote. The Committee will recommend a maximum of three candidates per vacancy to the Board. The Board shall then forward these candidates, ranked in order of preference, to the County Executive.

E. County Executive/County Council Approval Process

The County Executive may interview the Board's selected candidate(s) before forwarding the nomination(s) to the County Council. The County Council introduces legislation in support of the nomination(s), interviews the candidate(s), and votes its approval in open session. If the County Council rejects a nomination, the process is repeated for that candidate.

II. Appointment to an Unexpired Term

An individual appointed to fill an unexpired term serves the remainder of that term. The individual may then opt to serve two full terms on the Board, subject to the formal reappointment process.

III. Reappointment to the Board

The Board may resubmit to the County Executive names of members who wish to serve a second five-year term. The approval process is the same as outlined above.

IV. Order of Business at Board Meetings

- A. Call to order
- B. Disposition of minutes of previous meeting
- C. Main theme of meeting
- D. Old business (if any)
- E. New business (if any)
- F. Statistical and fiscal review
- G. HCLS use patterns and/or information update
- H. Time and place of next Board meeting
- I. Adjournment

V. Procedures Concerning an Agenda Item at a Board Meeting

- A. President & CEO presents agenda item.
- B. Board member discussion.
- C. Chair of Board calls for a motion and vote.
- D. If the motion passes, the President & CEO implements as soon as possible, or on date agreed upon by the Board.
- E. If a motion does not pass, the Chair of the Board may request another motion and vote. If none is forthcoming, the Chair of the Board may: refer the item to the President & CEO for further study; refer the item to a committee for review; table; and/or end discussion on the item.
- F. If the Chair of the Board believes that an item needs more consideration before a vote is taken, the item may be referred to committee or tabled for future consideration.

VI. Problem Solving

If a problem arises that cannot be resolved through normal channels, the Chair will instruct the President & CEO to pursue one of the following:

- A. Chair investigates.
- B. President & CEO investigates.
- C. Committee is appointed.
- D. President & CEO is instructed to include item in Board agenda.
- E. President & CEO is instructed to monitor trends.
- F. President & CEO is instructed to seek aid from the County Government or elsewhere.

VII. Board Reimbursement

Each member of the Board may request reimbursement for expenses incurred of not more than \$70 per year. Reimbursement may cover attendance at a related workshop or conference. Requests for reimbursement should be submitted to the Chair of the Board. Upon approval, the request will be forwarded to the President & CEO for payment.

VIII. Board Meetings

- A. Board meetings are held in September, November, January, March, and June. Dates are set at the March or June Board meeting for the following fiscal year (FY). Tentative dates may also

be set for monthly meetings in case they are needed. If the Board determines that these dates are not needed, the meeting room will be released for public use.

B. Items of business usually covered are:

1. September
 - a. Initial budgets for upcoming FY and curriculum for next five fiscal years.
 - b. Review Policies and Supplement 1.
 - c. Review progress of Long-Range Plan if needed.
2. November
 - a. Budget requests for upcoming FY and projections for next five fiscal years.
 - b. Review Supplement 2 rules and regulations.
3. January
 - a. Finalize proposed capital and operating budgets.
4. March
 - a. Review and possible revision of current FY operations beyond President & CEO's limit of changes.
 - b. Review Supplement 3 policies.
5. June
 - a. Review upcoming FY HCLS curriculum based upon County approved budget.
 - b. Review Supplement 4 policies.
 - c. Election of officers of the Board.

IX. Board Agendas

Board agendas should be emailed to the Board in advance of the Board meeting.

X. Board Minutes

Board minutes should be emailed within fifteen workdays after a Board meeting.

XI. Proxy Votes

The Chair of the Board may accept proxy votes from absent Board members. Proxy votes will be recorded in the minutes. Proxy votes may not be cast when personnel matters are discussed.

XII. Confidentiality and Coping with Law Enforcement Inquiries

HCLS follows the guidelines as stated in the ALA Policy Manual, 1996 Positions and Public Policy Statements 52.4:

“The ethical responsibilities of librarians, as well as statutes in most states and the District of Columbia, protect the privacy of library users. Confidentiality extends to ‘information sought or received, and materials consulted, borrowed, acquired,’ and includes database and Internet search histories, reference interviews, circulation records, interlibrary loan records, and other personally identifiable uses of library materials, facilities or services.”

“The American Library Association recognizes that law enforcement agencies and officers may occasionally believe that library records contain information which may be helpful to the investigation of criminal activity. If there is a reasonable basis to believe such records are necessary to the progress of an investigation or prosecution, the American judicial system provides the mechanism for seeking release of such confidential records: the issuance of a court order, following a showing of good cause based on specific facts, by a court of competent jurisdiction.”

XIII. Financial Disclosure Statements

All members of the Board are required to file annual financial disclosure statements with the Howard County Ethics Commission. The disclosure statements must be filed on or before May 1 of each year. They are reviewed by the Office of Law for compliance with the financial disclosure provisions of the Howard County Code and are open for public inspection and copying.

XIV. Open Meetings Law

The Board is a public body and, as such, is subject to the requirements of Maryland’s Open Meetings Law. The Open Meetings Law requires public bodies to conduct their business and deliberations in sessions, which are open to the public, with certain enumerated exceptions pursuant to §10-508 of the State Government Article, Annotated Code of Maryland.

- A. Closed Sessions Permitted. A Board may meet in closed session or adjourn an open session to a closed session to:
 - 1. discuss any personnel matter that affects one or more specific individuals;
 - 2. protect the privacy or reputation of individuals with respect to a matter that is not related to public business;
 - 3. consider the acquisition of real property for a public purpose and matters directly related thereto;
 - 4. consider the investment of public funds;
 - 5. consult with counsel to obtain legal advice;
 - 6. consult with staff, consultants, or other individuals about pending or potential litigation;
 - 7. discuss public security, if the Board determines that public discussion would constitute a risk to the public or to public security, including:
 - a. the deployment of fire and police services and staff; and

- b. the development and implementation of emergency plans;
- 8. conduct an investigative proceeding on actual or possible criminal conduct;
- 9. comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter; or
- 10. before a contract is awarded or bids opened, discuss a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

Before a Board may close a meeting under one of the exceptions enumerated above, the Chair must conduct a recorded vote on the closing and make a written statement of the reason for closing the meeting, including a citation of the legal authority and a listing of the topics to be discussed.

- B. Social Gatherings. The requirements of the Open Meetings Law do not apply to chance encounters or social gatherings of Board members on other occasions that are not intended to circumvent the law.
- C. Notice of Open Session. When an open session is required, or if a session is closed under one of the enumerated exceptions, the Board must give reasonable advance notice of the time, date and place of the session, in writing if possible, by delivery of the notice to the news media, posting at or near the place of the session, or any other reasonable method.
- D. Minutes. Boards must keep written minutes of their sessions, whether open or closed, that reflect each item that was considered, the action taken, and how each member voted. If the session is closed, the minutes for the next open session must include a statement of the time, place and purpose of the closed session, a record of the vote of each member as to closing the session, a citation of the section in the Open Meetings Law which authorizes the closing of the session, and a listing of the topics of discussion, persons present, and each action taken during the session.

Minutes of an open session must be made open to public inspection during ordinary business hours. Generally, minutes of closed sessions are sealed unless a majority of the Board votes to open them. Minutes of a closed session must be maintained for at least one year.

- E. Judicial Enforcement. Anyone who believes the Board did not comply with the Open Meetings Law may file a complaint with the Maryland Open Meetings Compliance Board.

If the Board fails to comply with the requirements of the Open Meetings Law, any person who is adversely affected may petition the Circuit Court of Howard County for relief. Relief may include an injunction or an order that requires the Board to comply with the Law. Further, if the Court finds that the Board's noncompliance was willful and that no other remedy is adequate, it may declare void the final action of the Board. As part of its judgment, the Court may assess counsel fees and other litigation expenses against the losing party. In

addition, a member of a public body who willfully participates in a meeting with knowledge that the meeting is being held in violation of the Act is subject to a civil penalty of up to \$100.

XV. Regulation for Open Meetings

A. Public Attendance

1. At any open session of the Board, the general public is invited to attend and observe.
2. Except in instances when the Board expressly invites public testimony, questions, comments, or other forms of public participation, or when public participation is otherwise authorized by law, no member of the public attending an open session may participate in the session.

B. Disruptive Conduct

1. A person attending an open session of the Board may not engage in any conduct, including visual demonstrations such as the waving of placards, signs, or banners, that disrupts the session or that interferes with the right of members of the public to attend and observe the session.
2. The presiding officer may order any person who persists in conduct prohibited by Subsection B, Part 1 of this section, or who violates any other regulation concerning the conduct of the open session, to be removed from the session and may request police assistance to restore order.
3. The presiding officer may recess the session while order is restored.

C. Recording, Photographing, and Broadcasting of Open Sessions

1. A member of the public, including any representative of the news media, may record discussions of the Board at an open session by means of a tape recorder or any other recording device if the device does not create an excessive noise that disturbs members of the Board or other persons attending the session.
2. A member of the public, including any representative of the news media, may photograph or videotape the proceedings of the Board at an open session by means of any type of camera if the camera:
 - a. is operated without excessively bright artificial light that disturbs members of the Board or other persons attending the session; and
 - b. does not create an excessive noise that disturbs members of the Board or other persons attending the session.

3. The presiding officer may restrict the movement of a person who is using a recording device, camera, or broadcasting or televising equipment, if such restriction is necessary to maintain the orderly conduct of the session.
- D. Recording Not Part Record. A recording of an open session made by a member of the public, or any transcript derived from such a recording, may not be deemed a part of the record of any proceeding of the Board.

XVI. Investment Policy

- A. Policy. It is the policy of HCLS to invest public funds in a manner which will conform to all State of Maryland and County statutes governing the investment of public funds while meeting its daily cash flow demands and providing a return at least equal to the three-month Treasury bill yield.
- B. Scope. This investment policy applies to all financial assets of HCLS. These funds are accounted for in the Howard County Government's comprehensive Annual Financial Report.
- C. Investment Manager. The Investment Manager is the HCLS accountant who is directly supervised by the President & CEO or his/her designee.
- D. Prudence
1. The standard of prudence to be applied by the Investment Manager shall be the "prudent person" rule, which states, "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 prudent person rule shall be applied in the context of managing the overall portfolio.
 2. Investment Managers acting in accordance with written procedures and the investment policy and exercising due diligence shall not be held personally responsible 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.
- E. Objective. The primary objectives, in priority order, of HCLS' investment activities shall be:
1. Safety. Safety of principal is the foremost objective of the investment program. Investments of HCLS shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification, third party collateralization and safekeeping, delivery-versus-payment (DVP) and the Federal Deposit Insurance Corporation (FDIC) will be required.

2. Liquidity. HCLS' investment portfolio will remain sufficiently liquid to enable HCLS to meet all operating requirements that might be reasonably anticipated.
3. Return on Investment. HCLS' investment portfolio shall be designed with the objective of attaining a return at least equal to the three-month U.S. Treasury bill yield. The three-month Treasury benchmark was selected after considering HCLS' investment risk constraints and the cash flow characteristics of the portfolio.

F. Delegation of Authority

1. Authority to manage HCLS' investment program is derived from State Law. (Education Article 23 – 305 of the Annotated Code of Maryland)
2. The President & CEO shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include:
 - a. Explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the President & CEO.
 - b. Procedures should include reference to safekeeping, PSA repurchase agreements (Purchase Security Agreement), wire transfer agreements, collateral/depository agreements, and banking/service agreements.
 - c. The President & CEO shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the HCLS accountant.

G. Ethics and Conflicts of Interest. The HCLS accountant involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair his/her ability to make impartial investment decisions. The HCLS accountant shall disclose to the President & CEO or his/her designee any material financial interests in financial institutions that conduct business within this jurisdiction, and he/she shall further disclose any large personal financial/investment positions that could be related to the performance of HCLS' portfolio. The HCLS accountant shall subordinate his/her personal investment transactions to those of HCLS, particularly with regard to the time of purchases and sales.

H. Authorized Financial Dealers and Institutions. HCLS shall maintain a listing of financial institutions that are approved for investment purposes. The following is a breakdown of the types of institutions that are available to HCLS along with the types of investment transactions handled by those institutions:

1. Primary Government Dealers. The Federal Reserve Bank of New York designates primary government dealers in government securities. HCLS can purchase all

authorized and suitable investments as listed in Section XVI, Subsection I of this policy, except for certificates of deposit, from primary government dealers. All repurchase agreements (repos) entered into by HCLS will be with primary government dealers with the exception of any repos executed with HCLS' lead depository bank.

2. Other Security Dealers. HCLS may purchase U.S. Government securities, U.S. Government agency securities, and Bankers Acceptances from dealers other than primary government dealers and from dealer banks which market these securities.
 - a. All dealers must agree to HCLS' policy of delivery-versus-payment (DVP) as described in Section XVI, Subsection K of this policy.
 - b. The firm must provide copies of its audited financial statements, which are reviewed carefully to assure that the firm is on sound financial footing. The firm must also have adequate capital to fulfill its commitments under adverse market conditions.
 - c. The firm must be registered in the State of Maryland with a record for responsible business practices and professional integrity. The dealer must also provide adequate research facilities and market-related information.
 - d. HCLS will deal only through knowledgeable and experienced salespersons. To meet this criterion, the firm will send resume information on the salesperson with whom HCLS will be dealing. The firm will also send a list of other governments that buy and sell securities through their firm in order for HCLS to obtain references.
 - e. All dealers, including primary government dealers, are required to send HCLS an annual report on a yearly basis.
3. Commercial Banks. HCLS may invest only in banks located in the State of Maryland (Certificates of Deposit) with the exception of Bankers Acceptances which are discussed in Section XVI, Subsection H of this policy. Commercial banks must have a short-term rating of at least investment grade from the appropriate bank rating agencies. All banks shall provide their most recent Consolidated Report of Condition ("call" report) at the request of HCLS. HCLS shall conduct an annual evaluation of each bank's credit worthiness to determine whether it should be on the "Qualified Institution" listing.
4. Money Market Treasury Funds. The fund must be registered with the Securities and Exchange Commission under the Investment Company Act of 1940, (15 U.S.C. & 80CA), and operated in accordance with Rule 2A-7 of the Investment Company Act of 1940. The fund must have a AAA rating from at least one nationally recognized rating agency. HCLS is also authorized to invest in the Maryland Local Government Investment Pool, which functions as a U.S. Treasury Money Market Fund.

5. Social Investing. From time to time, HCLS may invest in instruments offered by community and minority financial institutions. These financial institutions may not meet all of the criteria under Section XVI, Subsection H of this policy. All terms and relationships will be fully disclosed in the monthly investment schedule provided to the HCLS Board.

I. Diversification in Authorized & Suitable Investments. HCLS will diversify to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maryland State Law pertaining to authorized instruments is attached.

1. Diversification by Instrument

	<u>Maximum Percent of Portfolio</u>
a. U.S. Treasury Obligations	100%
b. U.S. Government Agency and U.S. Government– sponsored instrumentalities.	90%
c. Repurchase Agreements (Master Repurchase Agreement required and only with primary government dealers)	90%
d. Collateralized Certificates of Deposit (Only Maryland commercial banks)	40%
e. Bankers' Acceptances BAs from domestic banks which also include the United States affiliates of large international banks. Short-term rating of A1 from Standard and Poor's Corporation and P1 from Moody's Investor Service.	40%
f. Commercial Paper Must have short-term rating of A1 from Standard and Poor's Corporation and P1 from Moody's Investor Service.	5%
g. Money Market Mutual Funds	60%

2. Diversification by Institution

	<u>Maximum Percent of Portfolio</u>
a. Primary Government Dealers (repurchase agreements)	40%

- b. Commercial Banks (Certificates of Deposit) 30%
 - c. Money Market Treasury Funds 40%
 - d. Banker's Acceptances by Institution 25%
 - e. Commercial Paper 5%
- 3. Diversification of Maturities
 - a. In order to meet the objectives of HCLS' investment activities as listed in Section XVI, Subsection E of this policy, the majority of the investments of HCLS will be on a short-term basis (less than a year). However, a portion of the portfolio can contain investments with longer maturities (up to five years) without jeopardizing adequate safety and liquidity standards of the portfolio and at the same time increasing the overall yield of the portfolio.
 - b. The investments in long-term maturities will be limited to direct Federal Government obligations and to securities issued by U.S. Government agencies. The length of maturity of the security will not exceed five years from the time of the County's purchase.
 - c. The maximum level of long-term investments in the portfolio is determined by the following method:
 - (1) Analyze the investment portfolio for the last five years.
 - (2) Determine the investment balance low point for each of those years and then compute the average for those five amounts.
 - (3) The maximum level of long-term investments will be approximately 30 percent of this average. This will be a rolling process to be performed at the end of each fiscal year.
 - (4) If the amount of long-term investments exceeds the 30 percent maximum, then no new investments can be purchased in the coming year.

J. Collateralization

- 1. Collateralization will be required on two types of investments:
 - a. Certificates of Deposit and
 - b. Repurchase (and reverse-repurchase) agreements.
- 2. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102 percent of the market value of principal and accrued interest.

3. Collateral will always be held by an independent third party with whom HCLS has a current custodial agreement.
 4. Acceptable collateral is specified under Section 6–202 of Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland. However, the third party trust custodian, who holds the collateral, has the right to reject otherwise acceptable collateral based on their discretion concerning market conditions.
 5. The right of collateral substitution is granted, and all associated costs will be paid by the seller (Financial Institution).
- K. Safekeeping and Custody. All security transactions, including collateral for repurchase agreements, entered into by HCLS shall be conducted on a delivery–versus–payment (DVP) basis. Securities will be held by a third party custodian designated by the President & CEO. All repurchase agreements will be governed by a Master Repurchase Agreement signed by the Chair and Treasurer of the Board. All commercial bank Certificates of Deposits and Money Markets are covered by the Federal Deposit Insurance Corporation (FDIC).
- L. Internal Controls. The President & CEO shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by the HCLS accountant. An audit of the internal controls of the investment operation is part of the annual financial audit conducted by an outside independent audit company.
- M. Performance Standards. HCLS’ investment strategy is active. Given this strategy and taking into account HCLS’ investment risk constraints and cash flow needs, the three–month U.S. Treasury Bill yield was selected to gauge HCLS’ investment portfolio performance. This comparison will be shown in the monthly reporting referred to in Section XVI, Subsection N of this policy.
- N. Reporting Requirements. The HCLS accountant shall generate semi-annual reports to the Board, which will include data on investment instruments being held, as well as any narrative necessary for clarification.