

**Prince William County  
General Pool Investment Policy**



**As Prepared by the Department of Finance  
Treasury Management Division**

**Adopted by the Board of County Supervisors**

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Investment Policy Certificate of Excellence  
as Awarded by the Association of Public Treasurers of the United States and Canada  
(APT US&C)**

# Table of Contents

## Investments

- 1.0 Policy
- 2.0 Scope
- 3.0 Standards of Care
- 4.0 Objective
- 5.0 Delegation of Authority
- 6.0 Investment Oversight Committee
- 7.0 Investment Procedures
- 8.0 Authorized Financial Dealers and Institutions
- 9.0 Authorized Investments
  - 9.1 Government Obligations
  - 9.2 Commercial Paper
  - 9.3 Banker's Acceptances
  - 9.4 Repurchase Agreements
  - 9.5 Money Market Mutual Funds
  - 9.6 Negotiable Certificates of Deposit
  - 9.7 Corporate Notes
  - 9.8 Deposits/Savings Deposits/Insured Deposits
  - 9.9 Investment Pools
- 10.0 Collateralization
- 11.0 Safekeeping and Custody
- 12.0 Risk Mitigation
  - 12.1 Diversification
  - 12.2 Credit Risk
  - 12.3 Market Risk
- 13.0 Maximum Maturities
- 14.0 Internal Control
- 15.0 Performance Standards
  - 15.1 Market Yield Benchmark
- 16.0 Reporting
- 17.0 Policy Exceptions
- 18.0 Investment Policy Adoption
- 19.0 Attachments
  - 19.1 Policy Limits
    - 19.1.1 General Pool Portfolio

## **1.0 Policy:**

It is the policy of Prince William County (the County) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the County and conforming to all state and local statutes governing the investment of public funds.

The goal of the Investment Policy (the "Policy") is to document, strengthen and improve the County's investment management program. The Policy and the related procedures are intended to provide the investment objectives using authorized investment instruments. In addition, the Policy and related procedures are established to provide adequate controls through investment selection, diversification, monitoring, and reporting.

## **2.0 Scope:**

This policy applies to all investments held or controlled by Prince William County, Department of Finance. The policy excludes pension fund assets held by a third-party custodian and/or money manager.

Except for cash in certain restricted and special funds, the County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Bond proceeds shall be invested separately in accordance with the requirements and restrictions outlined in bond documents. Funds shall be invested in such a manner so as to ensure compliance with U.S. Treasury arbitrage regulations. In order to avoid difficulties associated with arbitrage, all unexpended bond proceeds shall be invested separately in the State Non-Arbitrage Program (or its equivalent) or in individual portfolios. Bond proceeds are exempt from portfolio composition, individual issuers, and maturity limitations as contained in Section 9.0.

## **3.0 Standards of Care:**

### **1. Prudence**

In accordance with §2.2-4514 of the *Code of Virginia*, the Director of Finance/CFO and authorized designees shall discharge their duties with respect to the investments of the County solely in the interest of the County and shall invest the assets of the portfolio with the care, skill, prudence, and diligence under the circumstances a prudent person familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Director of Finance/CFO (or designees) shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

### **2. Ethics and Conflicts of Interest**

Officers, employees, and citizens, including the Investment Oversight Committee, 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 decisions. They shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. They shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

#### **4.0 Objective:**

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

1. *Legality*

The investment program shall be operated in conformance with federal, state, and other legal requirements. Investment instruments shall at a minimum be limited as to security issues, issuers and maturities in compliance with §2.2-4500 thru §2.2-4519 of the *Code of Virginia*.

2. *Safety*

Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital and the protection of investment principal. The County will employ mechanisms to control risk and diversify its investments regarding specific security types or individual financial institutions.

3. *Liquidity*

The investment portfolio will remain sufficiently liquid to enable the County to meet reasonable anticipated operating requirements.

4. *Yield*

The County will maximize the yield on the portfolio but will avoid assuming unreasonable investment risk to preserve the purchasing power of the portfolio. Return on investment is of secondary importance compared to the legality, safety and liquidity objectives described above.

Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- The sale of a security would improve the quality, yield, or target duration in the portfolio; or
- Liquidity needs of the portfolio require that the security be sold.

In the event that the sale of any security will result in the realization of a loss, approval of such sale or trade, along with the appropriate documentation that formed the basis for the transaction, must be authorized by the Director of Finance/CFO.

If at any time, due to fluctuations in the size of the portfolio, a specific investment category exceeds the prescribed limit and remains over the limit in excess of thirty days, the Fiscal Manager shall advise the Director of Finance/CFO in writing.

Trading is not permissible when:

- The transaction is illegal under the *Code of Virginia*;  
The use of margin or other open position financing strategies are used to delay the closure of a trade; or
- The transaction involves the sale of securities that are not contractually owned or held in the portfolio (e.g., short sale).

## **5.0 Delegation of Authority:**

The Director of Finance/CFO, as authorized by §15.2-519 of the *Code of Virginia*, shall have charge of the custody of all public funds belonging to or handled by the County. Furthermore, the Director of Finance/CFO (or authorized designees), consistent with approved guidelines, is authorized to:

- Purchase investment securities at prevailing market prices/rates on behalf of and in the name of Prince William County.
- Sell such obligations or securities at the prevailing market price and to pay the proceeds of such sale into the proper accounts or funds of Prince William County, consistent with guidelines approved by the Board of County Supervisors (BOCS).
- Delegate the day-to-day management of the investment program to the Treasury Management Division Investment Staff listed below:
  - Deputy Finance Director
  - Assistant Director of Finance, Treasury Management
  - Fiscal Manager
  - Principal Fiscal Analyst
  - Senior Fiscal Analyst

Staff shall act in accordance with established written procedures and internal controls 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 Director of Finance/CFO.

## **6.0 Investment Oversight Committee**

The County Executive shall establish an Investment Oversight Committee (Committee) for the purpose of monitoring the performance and structure of the County's portfolio. The Committee shall consist of the following members:

Director of Finance/CFO (Chair)  
Deputy Finance Director  
County Staff (3)  
\*Citizens (2)

\*The BOCS shall appoint two citizen members with expertise in investing public funds and time available to dedicate to Committee activities with terms coterminous with the BOCS.

The Committee shall meet quarterly or more often as deemed necessary by the Director of Finance/CFO, under the given conditions, to review investment performance and the Quarterly Investment Performance Reports. In order to optimize total return through daily portfolio management, resources shall be allocated to the investment program. This commitment of resources shall include financial and staffing considerations.

## **7.0 Investment Procedures**

The Treasury Management Division Investment Staff has established written investment policy procedures for the operation of the investment program consistent with this policy. The procedures include reference to: the purchase and sale of investments that a prudent person seeking reasonable income and preservation of capital might buy, safekeeping and custodial agreements, Securities Industry and Financial Markets Association (SIFMA) repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures include explicit delegation of authority to persons, as listed above in §5.0, 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 Director of Finance/CFO.

## **8.0 Authorized Financial Dealers and Institutions**

The Assistant Director of Finance, Treasury Management shall maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience, and minimum capitalization, authorized to provide investment services to the County. A copy of this policy will be delivered to all financial dealers and institutions. The purpose is to assure all parties possess a copy of the relevant sections of State Code and any further restrictions imposed by the County.

Authorized Financial Dealers and Institutions shall include any of the following:

1. Primary securities dealers reporting to the Markets Report Division of the Federal Reserve Bank of New York or subsidiaries of primary securities dealers.
2. Any regional or secondary market dealers who meet the following criteria or as specifically approved by the Committee:
  - The financial institution must comply with the SEC Net Capital Requirements for Broker or Dealers (SEA Rule 15c3-1). The firm shall provide immediate disclosure to the investing government whenever the firm's capital position falls short of the capital requirement.
  - The financial institution shall submit audited financial statements annually.
  - The financial institution shall submit proof of Financial Industry Regulatory Authority (FINRA) certification.
  - The financial institution must be currently licensed and in good standing in Virginia, the Securities and Exchange Commission, the National Association of Securities Dealers, or other applicable self-regulatory organizations.

3. Any direct issuer of commercial paper that meets the credit criteria as outlined in the investment policy.

4. Commercial Banks who meet one of two criteria:

- Commercial banks must have at least two of the following short-term ratings from a Nationally Recognized Statistical Rating Organization (NRSRO): Moody's Investors Services, Inc. (Moody's) P-1, Standard & Poor's, Inc. (S&P) A-1, Fitch Ratings, Inc. (Fitch) F-1, or Duff and Phelps D-1, or
- Commercial banks which are listed in the Qualified Public Depository list as issued by the Virginia Department of the Treasury. In addition, all existing senior bond indebtedness must be rated "A" or better by at least two NRSROs.

Repurchase Agreements shall be negotiated only with financial dealers and/or institutions with which the County has an executed Master Repurchase Agreement.

Staff shall conduct an annual review of the financial condition, registrations, responsiveness, competitiveness and other qualifications of all approved financial dealers and institutions to determine if they continue to meet the County's guidelines for qualification. A current audited financial statement is required to be on file for each authorized financial institution.

## **9.0 Authorized Investments**

Authorized investments for public funds are set forth in the "Investment of Public Funds Act" of the *Code of Virginia* §2.2-4500 through §2.2-4519. Within the permitted statutory framework, the County limits the investment of assets to the following categories of securities:

Government Obligations	20% minimum	100% maximum
Non-Virginia Municipals		35% maximum
Commercial Paper		35% maximum
Negotiable CD's		40% maximum
Banker's Acceptances		40% maximum
Repurchase Agreements		30% maximum
Money Market Mutual Funds		60% maximum
Corporate Notes		35% maximum
Non-negotiable Certificates of Deposit, Insured Deposits		40% maximum
Investment Pools		50% maximum

Variable/floating-rate securities may account for no more than 20% of the portfolio at time of purchase.

To avoid exposure to the fluctuation of foreign exchange rates, all investments will be limited to U.S. dollar denominated instruments.

When applicable, market information resources such as Bloomberg should be referenced to assess market conditions, price discovery, and portfolio impact to determine that an offering aligns with current risk/return expectations for a permissible security purchase/sale.

**9.1 Government Obligations** (See §2.2-4501 of the *Code of Virginia*)

The County is authorized to invest in the following subject to §2.2-4501 of the *Code of Virginia*:

1. Stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth.
2. Bonds, notes and other obligations of the United States, and securities unconditionally guaranteed as to the payment of principal and interest by the United States, or any agency thereof.
3. Stocks, bonds, notes and other evidences of indebtedness of any state of the United States.
4. Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body in the Commonwealth.
5. Legally authorized stocks, bonds, notes and other evidences of indebtedness of any city, county, town, or district situated in any one of the states of the United States.
6. Bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, by the Asian Development Bank or by the African Development Bank.

These securities can be held directly, in the form of repurchase agreements collateralized by such debt securities, and in the form of a registered money market or mutual fund provided that the portfolio of the fund is limited to such evidences of indebtedness.

The County may invest, at time of purchase, up to 100% of the portfolio in the aforementioned instruments. At least 20% of the portfolio must be in direct government or Federal agency securities or repurchase agreements collateralized by government securities.

The County will invest in the highest rated U.S. Government Obligations as rated by at least one Nationally Recognized Statistical Rating Organization (NRSRO) such as Moody's Investors Service, Inc., Standard & Poor's, Inc., or Fitch Ratings, Inc. Out of state municipal issuances must be rated at least AA by two NRSROs.

Not more than 40% of the portfolio, at time of purchase, may be invested in any one U.S. Government Sponsored Enterprise (GSE) or Virginia municipal issuer.

Not more than 5% of the portfolio, at time of purchase, may be invested in any non-Virginia municipal issuer and no more than 35% of the portfolio may be invested in municipal issuance outside of the Commonwealth of Virginia.

All investments shall have a maximum maturity of ten years.



## **9.2 Commercial Paper** (See §2.2-4502 of the *Code of Virginia*)

“Prime quality” commercial paper of issuing corporations organized under the laws of the United States, or of any state thereof including paper issued by banks and bank holding companies. “Prime quality” means that the paper has received at least two of the following ratings: at least Prime-1 by Moody’s Investors Service, Inc.; at least A1 by Standard & Poor’s; or at least F1 by Fitch Ratings, Inc., provided that at the time of any such investment:

1. The issuing corporation, or its guarantor, has a net worth of at least \$50 million;
2. The net income of the issuing corporation, or its guarantor, has averaged \$3 million per year for the previous five years; and
3. All existing senior bonded indebtedness of the issuer, or its guarantor, has received at least two of the following ratings: at least A by Moody’s Investors Service, Inc.; at least A by Standard & Poor’s or at least A by Fitch Ratings, Inc.

Not more than 35% of the portfolio at time of purchase may be invested in commercial paper.

Not more than 5% of the portfolio at time of purchase may be invested in any one issuing or guaranteeing corporation.

The maximum length to maturity of any commercial paper investment is 270 days.

## **9.3 Bankers’ Acceptances** (See §2.2-4504 of the *Code of Virginia*)

Bankers’ acceptances (BA’s) with U.S. banks or domestic offices of foreign banks provided that the bank’s assets exceed \$500 million or \$1 billion respectively.

This issuing institution must have a rating of at least P-1 by Moody’s Investors Service, Inc., and A-1 by Standard & Poor’s, Inc.

Not more than 40% of the portfolio at time of purchase may be invested in Bankers’ Acceptances.

Not more than 5% of the portfolio at time of purchase may be invested in any one issuing or guaranteeing corporation.

The maximum length to maturity of any BA is 270 days.

## **9.4 Repurchase Agreements** (See §2.2-4507 of the *Code of Virginia*)

The County may invest in overnight, term and open repurchase agreements that are collateralized with securities that are approved for direct investment.

All repurchase agreements shall be fully collateralized by U.S. Treasury issues, agencies, or U.S. Government Sponsored Enterprises (GSEs) with maturities of less than ten years and executed using the "Master Repurchase Agreement" developed by the SIFMA. In order to anticipate market changes and provide a level of security for all funds, the collateralization

level will be 102% of the market value of principal plus accrued interest, and the value shall be adjusted at least weekly.

Master Repurchase Agreements will address at a minimum the following issues:

1. Policies allowing repurchase agreements such as the *Code of Virginia*, written policies, and/or unwritten management practices.
2. The periodic valuation of securities underlying the repurchase agreements.
3. The separation of securities underlying repurchase agreements from the custodian's assets, from the seller's assets, and from securities held for other customers. Such securities shall be held in the name of Prince William County.
4. Each party's rights in repurchase agreements and the significant conditions of those rights. Significant conditions should at a minimum include:
  - specifications for delivery of the underlying securities;
  - the rights of the purchaser to liquidate the underlying securities in the event of default by the seller;
  - the required margin of market value of the securities over the cost of the agreements;
  - specifications for the review (repricing) of market value of the underlying securities as necessary, depending on the terms of the repurchase agreement;
  - rights and/or specifications regarding substitution of securities;
  - the purchaser's rights to additional securities or a return of cash if the market value of the underlying securities falls below the required amount; and
  - remedial action should violation of agreement provisions occur.
5. Securities authorized for repurchase agreements: negotiable direct obligations of the U.S. Government and Federal Agencies.

Not more than 30% of the portfolio at time of purchase may be placed in repurchase agreements.

To provide flexibility for short-term cash management needs, a maximum of 30% of the portfolio may be invested in repurchase agreements with the County's current primary cash management bank. Otherwise, not more than 10% of the portfolio at time of purchase may be invested in any one issuing or guaranteeing corporation.

The maximum term of any repurchase agreement is thirty days.

#### **9.5 Mutual Funds** (See §2.2-4508 of the *Code of Virginia*)

The County may invest in mutual funds (money market funds), provided that the funds are registered under the "Securities Act" (§13.1-501 et seq.) of the Commonwealth or subject to Rule 2a-7 of the "Investment Company Act of 1940", as amended from time to time, and that the investments by such funds are restricted to investments otherwise permitted by law for political subdivisions as set forth under the provisions of §2.2-4500. Before investing in any money market mutual fund or investment pool, Treasury Management staff will conduct formal analysis to verify that the permitted investments in the offering statement of the money fund or pool are consistent with the permissible investments allowed by the *Code of Virginia* and the County's investment policy.

Money market funds must have a rating of AAA by at least one NRSRO, have at least \$100 million in net assets and a maximum weighted average maturity of 60 days or less.

Not more than 60% of the portfolio at time of purchase may be placed in money market funds.

Not more than 20% of the portfolio at time of purchase may be invested in any one money market fund.

**9.6 Negotiable Certificates of Deposit** (See §2.2-4509 of the *Code of Virginia*)

Negotiable certificates of deposit of domestic banks and domestic offices of foreign banks must have received at least two of the following ratings: at least P-1 by Moody's Investors Service, Inc., at least A-1 by Standard and Poor's, Inc.; or at least F1 by Fitch Ratings, Inc., for maturities of one year or less.

Not more than 40% of the portfolio at time of purchase may be invested in negotiable certificates of deposit.

Not more than 5% of the portfolio at time of purchase may be invested in any one issuing or guaranteeing corporation.

The maximum length to maturity of any negotiable certificate of deposit is one year.

**9.7 Corporate Notes** (See §2.2-4510 of the *Code of Virginia*)

Corporate notes must have received at least two of the following ratings: at least Aa by Moody's Investors Service, Inc.; at least AA by Standard and Poor's; or at least AA by Fitch Ratings, Inc.

Not more than 35% of the portfolio at time of purchase may be invested in corporate notes.

Not more than 5% of the portfolio at time of purchase may be invested in any one issuing or guaranteeing corporation.

The maximum length to maturity of any corporate note is five years.

**9.8 Non-negotiable Certificates of Deposits/Bank Demand Deposits/Insured Deposits** (See §2.2-4400 and §2.2-4518 of the *Code of Virginia*)

Non-negotiable certificates of deposits and savings deposits in banks and savings and loans organized under the laws of the Commonwealth, in National Banks and Federal Savings and Loans organized under the laws of the United States and doing business and situated in Virginia, provided that such deposits are secured by collateral as may be prescribed by law §2.2-4400, et. seq. and §2.2-4401 through §2.2-4518. "

Non-negotiable certificates of deposit and time deposits are to be federally insured to the maximum extent possible and collateralized under the "Virginia Security for Public Deposits Act" of the *Code of Virginia*. Refer to Section 10.0 (Collateralization) for collateral specifications.

Insured deposits shall be initially invested through a federally insured bank or savings institution qualified by the Virginia Treasury Board to accept public deposits.

No more than 40% of the portfolio at time of purchase may in compliance with §2.2-4518 of the *Code of Virginia* be invested in non-negotiable certificates of deposits or insured deposits.

Not more than 15% of the portfolio at time of purchase may be placed in non-negotiable certificates of deposit or insured deposits, issued by a single bank.

The maximum length to maturity of any non-negotiable CD is two years.

For the purpose of this policy, NOW Accounts and demand deposits will be exempt from the prescribe portfolio limits however will be included in the total investment assets and return.

### **9.9 Investment Pools** (See §2.2-4600 of the *Code of Virginia*)

The Local Government Investment Pool (LGIP) was established on January 1, 1981. Investments in this pool are subject to the rules and regulations as set forth by the Virginia Department of the Treasury which manages the pool (§2.2-4600 through §2.2-4606). Before investing in any money market mutual fund or investment pool Treasury Management staff will conduct formal analysis to verify that the permitted investments in the offering statement of the money fund or pool is consistent with the permissible investments allowed by the *Code of Virginia* and the County's investment policy.

The LGIP is managed in accordance with Statement No. 79 of the Governmental Accounting Standards Board.

Local government investment pools must have a rating of AAA or better by at least one NRSRO.

Not more than 50% percent of the portfolio at time of purchase may be placed in LGIP.

### **10.0 Collateralization**

Collateralization will be required on two types of investments: non-negotiable certificates of deposit and repurchase agreements. Deposit-type securities (i.e., non-negotiable certificate of deposit) shall be collateralized through the state collateral pool as required by the *Code of Virginia*, for any amount exceeding Federal Deposit Insurance Corporation (FDIC) coverage. All repurchase agreements shall be fully collateralized in the form of securities that are authorized for direct investments in Section 9.0 with maturities of less than ten years. 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 for repurchase agreements and at a minimum, the value shall be adjusted weekly.

### **11.0 Safekeeping and Custody**

All securities purchased by the County shall be properly and clearly designated as an asset of the County and held in safekeeping by a third-party custodian in compliance with §2.2-4515 of the *Code of Virginia*.

No withdrawals of such securities, in whole or in part, shall be made from safekeeping except by the Director of Finance/CFO or authorized designees.

The County will execute a third-party custodial agreement with its depository institutions. Such an agreement will include letters of authority, details as to responsibilities of each party, notification of security transactions and wire transfers, safekeeping and transaction costs, and procedures in case of wire failure or other unforeseen mishaps including liability of each party.

All securities purchased by the County will be executed, where applicable, on a delivery-versus-payment (DVP) basis. Non-DTC investments such as state pools, money funds and certificates of deposit will be reflected on the custodial statements and funds will be transmitted electronically for payment.

The Director of Finance/CFO or authorized designee(s) is authorized to accept, on the behalf of and in the name of Prince William County, bank trust receipts or confirmations from a third-party custodian (which might be the trust department of the bank) in return for investment of temporarily idle funds as evidence of actual delivery of the obligations or securities. Any such trust receipt or confirmation shall fully describe the various obligations or securities held, together with the specific number of each obligation or security held, and that they are held for the jurisdiction. The actual obligations or securities, whether in book entry or physical form, on which trust receipts or confirmations are issued may be held by any bank/depository chartered by the United States Government or the Commonwealth of Virginia.

## **12.0 Risk Mitigation**

The County will strive to mitigate credit and market risks associated with investments through diversification.

### **12.1 Diversification**

The County will follow a diversification strategy to minimize risks inherent in elevated exposure to specific investment instruments, individual financial institutions, or maturities. Diversification strategies (within the established guidelines as outlined in Sections 9.0 through 9.10) shall be reviewed and revised periodically as necessary by the Committee or other appropriate designees. In addition, the County shall:

- Continuously invest a portion of the portfolio in readily available funds (as outlined in Sections 9.0 to 9.10) such as money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations;
- Invest in securities with varying maturities; and
- Limit investment in securities that have higher credit risks and also avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).

### **12.2 Credit Risk**

The County will diversify its investments to diminish the credit risk resulting from concentrations in any one non-governmental issuer.

If a security owned by the County is downgraded to a level below the quality required for purchase by this Policy, the Director of Finance/CFO, as authorized by §15.2-519 of the *Code of Virginia*, shall review the credit situation and decide to sell or retain such securities in the portfolio.

### **12.3 Market Risk**

The County will mitigate market risk by limiting the concentration, volume and duration of its longer-term investments. Investment in longer term instruments shall be limited to funds not needed for current year cash flow/operating purposes. While the County recognizes that longer term instruments achieve higher returns, such instruments have higher volatility of market values and total return. The County shall:

- Select portfolio maturities to provide for stability of income and liquidity;
- Manage portfolio maturities to avoid undue concentration in any specific maturity and must follow the guidelines set forth in the "Investment of Public Funds Act" of the *Code of Virginia* §2.2-4500 through §2.2-4519.

The County may sell a security prior to its maturity to diminish the portfolio's exposure to market risk or to adjust the portfolio duration or improve risk structure, liquidity or yield of the portfolio in response to market condition or County needs.

### **13.0 Maximum Maturities**

To the extent possible, the County will attempt to match the maturities of investments and the receipt of interest income with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the County will not directly invest in securities maturing more than ten years from the date of purchase.

To minimize interest rate risk, the weighted average maturity of the portfolio as a whole may not exceed five years. This calculation excludes the maturities of the underlying securities of a repurchase agreement. Variable/floating-rate securities may account for no more than 20% of the portfolio at time of purchase. For purposes of this section, structured step-up bonds and notes are not classified as variable/floating-rate securities.

### **14.0 Internal Control**

The BOCS will periodically review and approve the County's Investment Policy.

The County Executive shall review, approve, and present the Investment Policy for review by the BOCS. The Policy shall address, at a minimum, the issues of investment objectives, instruments selected, maturity, risk and diversification, financial institutions, issuers, and broker/dealers.

The Director of Finance/CFO will establish and monitor a set of detailed, written standard operating procedures designed to protect the County's assets and ensure proper accounting and reporting of the transaction related thereto. Such internal controls include third party custodial agreements, delivery vs. payment procedures, trust receipt documentation and other necessary controls. Procedures and operations shall be reviewed periodically as specified by the County Executive and in accordance with the County's Executive Internal Control Policy.

## **15.0 Performance Standards**

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

### **15.1 Market Yield Benchmark**

The County's portfolio shall be designed with the objective of meeting or exceeding a 1-5 year U.S. Treasury Index and Virginia Local Government Investment Pool (LGIP). These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

A 1-5 year U.S. Treasury Index will be the benchmark for the following asset classes:

- Government Agency Securities
- Treasury Securities
- Corporate Bonds
- Municipal Bonds

The Virginia LGIP will be the benchmark for the following asset classes:

- Money Market Funds
- Investment Pools
- Certificates of Deposit
- Commercial Paper
- Cash, Bank Deposits and NOW Accounts
- Repurchase Agreements

## **16.0 Reporting**

The County shall regularly review its investment management activities through compliance reports and adherence to investment policies.

The Investment Staff shall prepare a Bi-monthly Investment Activity Report and a Quarterly Investment Performance Report.

1. The Bi-monthly Investment Activity Report will be prepared for the Director of Finance/CFO and the Investment Oversight Committee summarizing the investment activity, current portfolio balances and compliance to policy.
2. The Quarterly Investment Performance Report will be prepared to facilitate thorough oversight reviews by the County Executive, the Committee, and BOCS to determine that all investment activities during the reporting period are in compliance with the County's Investment Policy. The report will include the following:
  - Detailed portfolio holdings by asset type;
  - Maturity aging by asset type;
  - Percentage of the portfolio by asset type;

- Separation of realized trading gains or losses from interest received;
  - Comparison of yield/return on investments to approved benchmarks;
  - Mark to market valuation; and
  - Current investment strategy and the assumptions upon which it is based.
3. Effective July 1, 2023, the Virginia Treasury Board amended the Security for Public Deposit Act Regulations. Public depositors are now required to access the Treasury's web-based Public Funds Search portal on a quarterly basis to ensure banks are accurately reporting their public funds accounts to the Treasury Board. Treasury Management will review and include a notation in the quarter ending bi-monthly report acknowledging all accounts are reported in the Treasury's web portal.

### **17.0 Policy Exceptions**

While this policy prescribes various maximums, minimums, and other relatively arbitrary numerical limits, it is intended primarily to be a management tool. When the Director of Finance/CFO determines that an exception to one of the Policy's numerical limits is in the best interest of the County, and is otherwise consistent with the Investment Policy, such exception is permitted so long as it is consistent with applicable County, State, and Federal laws.

Whenever an exception to this Policy is made or when Policy guidelines are breached inadvertently, that fact shall be reported in writing to the County Executive. Such report shall be made on a most timely basis, but no later than five business days from the decision or discovery date of the Policy exception.

All exceptions to the policy and the appropriate explanation or justification for the exception shall be reported in writing to the BOCS and the Committee at its next regular meeting and included in the Quarterly Investment Report.

### **18.0 Investment Policy Adoption**

The Investment Policy shall be reviewed by the Investment Oversight Committee on an annual basis and may be reviewed more frequently in the event that a material change is required. Proposed amendments to the Investment Policy shall be endorsed by the Committee and after review and approval by the County Executive, shall be forwarded to the BOCS for its consideration and approval.

The Director of Finance/CFO has been delegated the authority by the BOCS to make administrative adjustments to the policy.



**Attachment 19.1.1  
General Pool Portfolio**

<b>Authorized Investment</b>	<b>VA Code</b>	<b>Maximum %</b>	<b>Maximum Maturity</b>	<b>Minimum Rating</b>	<b>Other Requirements</b>
U.S. Government/ Treasury Obligations	2.2-4501(A2)	100%	10 years	N/A	At least 20% of total portfolio.
Federal Agencies/GSEs	2.2-4501(A2)	100%	10 years	Highest rated US. Government Obligation by one (1) NRSRO.	No more than 40% in any one GSE.
Municipal Bonds - Virginia	2.2-4501(A2)		10 years	Highest rated US. Government Obligation by one (1) NRSRO.	No more than 40% in any one Virginia issuer.
Municipal Bonds Non-Virginia	2.2-4501(A2)	35% 5% issuer	10 years	Highest rated US. Government Obligation by two (2) NRSROs.	
Commercial Paper	2.2-4502	35% 5% issuer	270 days	Two (2) ratings: A1/P1/F1	U.S. issuers, Net worth ≥\$50M, Net income \$3M yearly avg.
Bankers' Acceptances	2.2-4504	40% 5% Issuer	270 days	A1/P1	U.S. banks or domestic offices of foreign banks.
Repurchase Agreements	2.2-4507	30% 10% issuer	30 days	N/A	102% collateral
Mutual Funds	2.2-4508	60% 20% issuer	N/A	AAA by one (1) NRSRO.	Net assets ≥ \$100M
Negotiable Certificate of Deposit	2.2-4509	40% 5% issuer	1 year	Two (2) ratings: A1/P1/F1	U.S banks or domestic offices of foreign banks.
Corporate Notes	2.2-4510	35% 5% issuer	5 years	Two (2) ratings: Aa/AA/AA	
Insured Deposits	2.2-4518	40% 15%	N/A	N/A	FDIC
Insured Non-negotiable Certificates of Deposit	2.2-4518	40% 15%	2 years	N/A	FDIC
Non-negotiable Certificates of Deposit	2.2-4400 2.2-4518	40% 15%	2 years		Virginia Security for Public Deposits Act
Bank Demand Deposits	2.2-4400 2.2-4518	N/A	N/A	N/A	Virginia Security for Public Deposits Act
Investment Pools (LGIP)	2.2-4600	50%	N/A	AAA by one (1) NRSRO.	
Variable Floating Rate Securities	2.2-4400 thru 2.2-4519				No more than 20% of portfolio at time of purchase.

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