

Statement of Purpose

The purpose of the Investment Policy is to establish the framework for investing Albemarle County's public funds in a manner that ensures safety, liquidity, and yield, in accordance with applicable laws and prudent financial practices. The policy functions as a complementary component of the County's overall Financial Management Policies by ensuring that funds are invested lawfully, transparently, and efficiently, and provides standards for internal controls, performance measurement, reporting, authorized investments, and oversight.

Key Themes

1. Modifying Procedures to Policy

- Shift from procedures to policy-level guidance while elevating the policy's emphasis on governance, accountability, and standards.
- Clearer delegation of authority with updated organizational roles.
- Recognition of the Investment Committee as an Advisory Investment Committee, with diversified membership (Risk Management and County Attorney added).

2. Best-Practice and Virginia Code Alignment

- Consolidation of all governing laws into a single section for clarity.
- Stronger alignment with the Investment of Public Funds Act, Governmental Accounting Standards Board (GASB) standards, and Government Finance Officers Association (GFOA) best practices.
- New requirements such as Delivery versus Payment (DVP) settlement, System and Organization Controls (SOC) 1 Type II custodian reports, and explicit collateralization standards.
- New or reorganized sections (Policy Organization, Policy Overview, Governing Authority, DVP, Collateralization, Broker/Dealers).
- Introduction of portfolio structuring (Liquidity, Core, Long-Term) to align maturity risk with cash-flow needs.

3. Improved Clarity and Organization

- Consolidated authorized investments section with a new comparative table outlining statutory vs. County conditions.
- More detailed treatment of prudence, conflict of interest, and handling downgraded securities.
- Increased specificity in maturity limits, weighted average maturity guidance, and risk-based decision criteria.
- Strengthened transparency and reporting, including monthly reporting to the Advisory Investment Committee, expanded quarterly reporting to the Board (benchmarks, gains/losses, mark-to-market), and annual cash-flow analysis.
- Clearer hierarchy of sections and improved readability.
- Expanded definitions and roles to support consistent interpretation.

4. Investment Instruments

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- Updated percentage limits for several investment types (e.g., Corporate Notes increased from 5% to 10%).
- Expanded guidance for restricted funds (debt service, reserves, sinking funds) and use of Virginia State Non-Arbitrage Program (SNAP.)
- Diversified portfolio: Added Virginia Municipal Investment Trust

Changes by Section

Purpose

Summary: This section describes the purpose of the Investment Policy, establishing the framework for investing County funds safely, legally, and efficiently, and outlining standards for controls, reporting, authorized investments, and oversight.

Changes:

- New section
- Aligns with County’s current format for County Policy

Scope

Summary: This section describes the scope of the Investment Policy, identifying which County funds are covered and listing specific categories that are excluded from the policy’s requirements.

Changes:

- Formerly 2021 Policy Section “2.0 Scope”
- Adds detailed inclusions/exclusions

Definitions

Summary: This section defines key terms used throughout the Investment Policy, including safety, liquidity, yield, the prudent person standard, delivery-versus-payment, and authorized investments. This aids in interpretation and administration.

Changes:

- New section
- Aligns with County’s current format for County Policy

Roles and Responsibilities

Summary: This section outlines the roles and responsibilities of all parties involved in the County’s investment program, including the Chief Financial Officer, Investment Officer, investment staff, the Advisory Investment Committee, and external financial institutions, detailing their oversight, operational duties, and qualification requirements.

Changes:

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- New section of existing information (distributed across various former sections “4.0 Delegation of Authority” and “5.0 Investment Committee”)
- Aligns with County’s current format for County Policy

Policy Overview

Summary: This section presents the organizational structure of the Investment Policy and outlines its major components, providing a clear framework that guides readers through subsequent policy provisions.

Changes:

- Formerly 2021 Policy Section “Table of Contents”
- New order of updated contents is to improve navigation and ensuring alignment between policy content and best practices.

1.0 Policy Overview

Summary: This section explains the overall framework of the Investment Policy, how it aligns with the County’s broader financial management policies, and outlines the County’s investment priorities, legal and oversight requirements, cash-flow planning expectations, and performance reporting standards for managing public funds.

Changes:

- Conceptually former 2021 “1.0 Policy Statement”
- Companion to Board of Supervisor’s Adopted Financial Management Policies Investment Section

2.0 Governing Authority

Summary: This section states that all County funds must be invested in compliance with this policy and all relevant local, state, and federal laws, including Virginia statutes governing public fund investments, public deposits, and procurement.

Changes:

- New section; former 2021 referenced Virginia statutes across multiple sections and consolidated here for clarity.
- Adds explicit inclusion of GFOA best practices

3.0 Investment Coverage

Summary: This section expands on the policy’s scope by specifying exactly which County funds are covered or excluded. It establishes the legal and operational foundation for the Investment Policy, ensuring clarity for staff, protection for the County, and compliance expectations that satisfy auditors and rating agencies.

Changes:

- New section expanded from former 2021 “Scope”
- Adds detailed exclusions

- Expands list of covered funds
- Structured like Annual Comprehensive Financial Report

4.0 Objectives

Summary: This section establishes the County’s three core investment objectives—safety, liquidity, and yield—prioritizing the preservation of principal, ensuring funds are available when needed, and achieving a reasonable market return within those constraints.

Changes:

- Formerly 2021 “3.0 Objectives”
- Modernizes terminology
- Clarifies conformance with statutory and regulatory frameworks
- Adds budgetary and economic cycle framing

5.0 Prudence

Summary: This section establishes the prudent person standard as the basis for all investment decisions and clarifies that investment officials are not personally liable for market or credit fluctuations when they exercise due diligence, report emerging risks, and take reasonable steps to address adverse developments.

Changes:

- Formerly 2021 “6.0 Standards of Prudence”
- Clarifies non liability when due diligence is exercised.
- Clarifies expectations regarding prompt reporting of emerging risks.
- Adds citation of Harvard College v. Amory

6.0 Ethics and Conflict of Interest

Summary: This section sets ethical standards for everyone involved in the County’s investment process, requiring compliance with state and County ethics laws, disclosure of financial interests, and avoidance of gifts, conflicts, and personal investment activities that could compromise impartial decision-making.

Changes:

- Formerly 2021 “7.0 Ethics and Conflicts of Interest”
- Broadens disclosure obligations.
- Adds new language restricting personal business activity that could impair impartial decision-making.

7.0 Delegation of Authority

Summary: This section outlines how investment authority is delegated within the County, establishing the Chief Financial Officer (CFO) as the program’s ultimate decision-maker, allowing day-to-day responsibilities to be assigned to the

Investment Officer and staff, and permitting the use of external consultants. It defines who may conduct investment transactions and requires written procedures and controls to guide all delegated activities.

Changes:

- Formerly 2021 4.0 Delegation of Authority
- Replaces the former reference to Chief of Treasury Division with Chief of OIDM.
- Formalizes Chief of OIDM as Investment Officer role.
- Adds statutory reference to Code of Virginia §15.2-519 for Chief Financial Officer authority.
- Delegates staff transaction rules.
- References consultant engagement subject to County purchasing rules.
- Expands requirements for written procedures and internal controls.

8.0 Advisory Investment Committee

Summary: This section describes the Advisory Investment Committee’s advisory role in overseeing the County’s investment program, including monitoring performance, reviewing compliance, and providing strategic, legal, and risk guidance. It outlines the Committee’s cross-functional membership, rules for alternates and advisors, and its requirement to meet at least quarterly.

Changes:

- Formerly 2021 “5.0 Investment Committee”
- Clarifies advisory nature.
- Defines membership composition by roles.
- Adds the role of Chair to the Chief Financial Officer.
- Adds membership for Risk Management and County Attorney’s Office.
- Removes Office of Management (OMB) and Budget and Controller’s Office membership and updates the role of Chief of OIDM to coordinate with OMB and Controller’s office.
- Adds alternates and non-voting experts.

9.0 Safekeeping

Summary: This section describes how investment securities must be held to safeguard County assets, requiring third-party custody for applicable securities and prohibiting counterparty custody for instruments with maturities of 31 days or more.

Changes:

- Formerly 2021 “8.0 Safekeeping”
- Updates disclosure alignment to GASB 40 emphasizing custodial credit risk mitigation.
- Adds annual SOC 1 Type II report requirement from custodian.

10.0 Internal Controls

Summary: This section describes the requirement for the Investment Officer to maintain a written system of internal controls to safeguard public funds, subject to annual review, and designed to mitigate key risks in alignment with COSO and GFOA best-practice frameworks.

Changes:

- Formerly 2021 “14.0 Internal Control
- Moves to an explicit written system available to be reviewed annually by the committee and auditors.
- Replaces a list-based control format with a formal framework-based approach.
- Aligns with COSO framework and GFOA best practices.

11.0 Delivery vs. Payment (DVP)

Summary: This section requires all trades to be made on a delivery-versus-payment basis. This ensures that the securities are received by the County’s custodian before the County authorizes payment. This industry best practice minimizes settlement risk and strengthens financial safeguards.

Changes:

- New section
- GFOA best practice
- Mandates DVP settlement to ensure custody prior to cash release.
- Reduces associated risks: principal, counterparty, and settlement

12.1 Requirements for Suitable and Authorized Investments

Summary: This section outlines permissible investment instruments with conditions set forth by Virginia code as well as additional County-specific restrictions. This section clarifies allowable maturities, credit ratings, and issuer limitations to ensure prudent selection.

Changes:

- Consolidates and reorganizes 2021 Sections 10.0 and 11.0
- Reframes as detailed table with statutory and County conditions.
- Adds expanded Qualified Investment Pools including VA MINT

VA MINT is a pooled investment trust established for Virginia local governments. The program is authorized under Virginia Code § 15.2-1300 and compliant with the Investment of Public Funds Act. VA MINT complements the County’s current program by providing an additional liquid investment tool with the potential for improved interest earnings. It does not replace long-term strategies such as the laddering program. This option is recommended following staff’s review confirming that it meets the County’s safety, liquidity, and yield requirements. Adding VA MINT to the County’s Investment Policy does not, by itself, activate it as an investment strategy. The additional steps required include the Board of

Supervisor’s adoption of an ordinance to join the Trust pursuant to Virginia Code § 15.2-1300, signing a Trust Joinder, and submitting an account application submitted to US Bank Global Fund Services. Staff will bring a future agenda item to the Board for its consideration and for authorization of the Trust Agreement.

12.2 Investment Maximums by Authorized Security Categories

Summary: This section outlines permissible percentage limits of authorized investment instruments with conditions set forth by Virginia code as well as additional County-specific restrictions. This demonstrates where the County adopts stricter conditions than the state, such as commercial paper and repurchase agreements.

Changes:

- Formerly 2021 “10 Authorized Investments and Deposits”
- Expands table to include both the Virginia Code and the County Policy.
- Increases Corporate Notes limit from 5% (2021) to 10%.
- Increases Collateralized Deposit Account from 30% (2021) to No Max.
- Adds existing categories that weren’t previously represented: Qualified Investment Pools and Virginia Local Government Investment Pool.

12.3 Suitable & Authorized Investments – Restricted Funds

Summary: This section describes how restricted bond-related funds must be invested, outlining allowable investments for bond proceeds, debt service funds, debt service reserves, and sinking funds in accordance with federal tax rules, bond indentures, and the Code of Virginia.

Changes:

- Formerly 2021 “12.0 Suitable and Authorized Investments – Restricted Funds”
- Aligns with GFOA Best Practices for an Investment Policy which provides the treatment of restricted funds in the policy.
- Adds explicit guidance for debt service reserve funds.
- Clarifies federal tax compliance and typical use of SNAP.

12.4 Downgraded Securities (Out of Compliance)

Summary: This section describes the process for handling securities that fall below required credit standards, requiring prompt notification to the CFO and a documented, CFO-approved decision on whether to sell or retain the investment.

Changes:

- Former sub-section of 2021 “11.0 Suitable and Authorized Investments”
- Updates to GFOA’s best practice.
- Requires prompt CFO notification and documented rationale for any retention.

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- Removes strict 30-day rule and replaces with risk-based evaluation and CFO approval.
- Allows retention of downgraded securities with documented justification and CFO approval.

12.5 Collateralization

Summary: This section describes the requirement that all bank deposits exceeding FDIC insurance must be fully backed by collateral, in line with governing laws and GFOA best practices.

Changes:

- New Section
- Aligns with GFOA recommended practices.
- Strengthens safeguard mechanisms for deposit-based investments.

13.0 Authorized Broker/Dealers

Summary: This section describes the requirement to maintain and annually review an approved list of qualified financial institutions and broker/dealers, ensuring they meet the County’s authorization, creditworthiness, and regulatory standards before conducting investment transactions.

Changes:

- New Section
- Adds mandatory pre-authorization and annual review requirements.

14.0 Diversification, Size, & Maturity

Summary: This section describes how the County diversifies and structures its investment portfolios—by investment type, institution, and maturity—and sets maturity limits and allocation guidelines to ensure safety, liquidity, and alignment with cash-flow needs.

Changes:

- Formerly “13.0 Diversification”
- Expands former section
- Introduces existing portfolio segmentation (Liquidity, Core, Long-Term)
- Adds maturity limits and requirements for written procedures with measurable criteria.
- Aligns with GFOA recommended practices on maturity structuring.

15.0 Competitive Selection of Investment Instruments

Summary: This section describes the County’s use of competitive bidding for investment purchases, outlining how offers are evaluated, when exceptions are allowed with CFO approval, and how certain short-term investment vehicles are monitored even though they are exempt from the competitive process.

Changes:

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- Formerly “Section 9.0 Competitive Selection of Investment Instruments”
- Adds expanded selection criteria and documentation requirements.
- Adds documented exception pathway for non-competitive opportunities.
- Clarifies yield monitoring requirements for exempt categories (money markets, pools, overnights).

16.0 Reporting Requirements

Summary: This section describes the County’s quarterly investment reporting requirements, including detailed portfolio disclosures, performance comparisons, and policy compliance statements, prepared for the Advisory Investment Committee and Board of Supervisors in accordance with GASB and GFOA standards.

Changes:

- Formerly “Section 15.0 Reporting Requirements”
- Adds reporting elements and benchmark comparison requirements.
- Introduces reporting cadence and enhanced mark-to-market standards.