County of Albemarle, Virginia

Investment Policy

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COUNTY OF ALBEMARLE, VIRGINIA
INVESTMENT POLICY

1.0 POLICY

It is the policy of the County of Albemarle, Virginia (County) to invest public funds in a manner which will safely preserve principal, provide adequate liquidity to meet the County's cash flow needs, and optimize returns while conforming to all federal, state and local statutes governing the investment of public funds.

2.0 SCOPE

This policy applies to the investment of all the financial assets and funds held by the County. Specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds are located in Section 12 of this Policy.

3.0 OBJECTIVES

All of the County's funds, regardless of investment term shall be invested with the following objectives listed in the order of priority:

a. **Safety-** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.
b. **Liquidity** – The investment portfolio will remain sufficiently liquid to enable it to meet all operational requirements which might be reasonably anticipated.
c. **Yield** – The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account its investment risk constraints and the cash flow characteristics of the portfolio.

Funds of the County will be invested in accordance with this policy and all applicable local, state and federal codes and regulations including but not limited to the Virginia Public Deposit Act, Virginia Code Section 2.2 and the Virginia Public Procurement Act.

4.0 DELEGATION OF AUTHORITY

The County's Chief Financial Officer (Director of Finance) is the official charged with receiving, collecting, safeguarding, and disbursing County funds. The Chief Financial Officer is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management for the operation of the County's investment program.

The Chief Financial Officer may designate the authority to manage the day-to-day operations of the investment program to the Chief of the Treasury Division as the Investment Officer. The Chief of the Treasury Division may delegate authority to, yet has the responsibility to oversee, members of his/her staff in the solicitation of offerings, the placing of purchase and sell orders, confirmation of trades, the preparation and distribution of reports, and other activities as required for the daily operations of the investment area.

The Chief of the Treasury Division is also charged with developing written standard investment procedures and an asset allocation plan consistent with this Policy. Such procedures shall be reviewed by the Chief Financial Officer and brought before the Investment Committee for approval.

The Chief Financial Officer may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to provide guidance in investment matters, and to monitor the effectiveness and continued compliance with such policies and procedures, subject to the County's purchasing rules and regulations

5.0 INVESTMENT COMMITTEE

Management of the County's investment portfolio, and changes to this Policy, shall be the responsibility of the Investment Committee. The Investment Committee shall consist of the following employees:

A representative of the County Executive's Office
Chief Financial Officer
Chief of Treasury
Deputy CFO or Controller
A Member of the Economic Development Office
A Member of the Budget Division
Other employees as proposed by the Investment Committee

In order to optimize total return through daily portfolio management, resources shall be allocated to the cash management program. This commitment of resources shall include financial and staffing considerations. The Committee shall meet not less than quarterly for the purpose of reviewing investment results, future investment plans and changes to this Policy.

6.0 STANDARDS OF PRUDENCE

At a minimum, the "prudent person" standard shall be used by investment personnel and shall be applied in the context of managing the overall portfolio. The "prudent person" standard states:

> "Investments shall be made with judgement 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 Chief Financial Officer, and those with delegated investment authority under this Policy, when acting in accordance with the Code of Virginia §2.2 and exercising due diligence shall not be held personally responsible for a specific security's credit risk or market price change provided these deviations are reported by the Chief Financial Officer, or those with delegated investment authority, to the Investment Committee in a timely manner and that reasonable and prudent action is taken to control adverse developments.

7.0 ETHICS AND CONFLICTS OF INTEREST

The Chief Financial Officer and his/her designees involved in the investment process shall comply with the County's Guidelines for Ethical Behavior and the Code of Virginia §2.2-3100 et seq., the State and Local Government Conflict of Interests Act. Specifically, no officer or employee shall:

1. Accept any money, loan, gift, favor, services or business or professional opportunity that reasonably tends to influence her/him in the performance of his/her official duties.
2. Disclose any material interests in financial institutions with which they conduct business and any personal investment positions that could be related to the performance of the investment portfolio.
3. Refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

8.0 SAFEKEEPING

All investment securities purchased by the County will be held by a third-party custodian, whenever applicable, designated by the Chief Financial Officer, or designee, and evidenced by safekeeping receipt. As required by Virginia Code, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. The Code refers to counterparty as the issuer or seller of the security and any repurchase agreement provider.

All investments shall be safekept so as to be classified within category one (includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name) of Statement Three of the Governmental Accounting Standards Board (GASB).

9.0 COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

It is desirable to select investments on a competitive basis when possible to ensure that the County receives the best price available on a particular investment and avoids paying excessive fees, mark-ups or other compensation to the provider.

The Chief of the Treasury Division and any delegated staff ("Investment Staff") shall adhere to the following procedures when funds become available for investment to the extent practical:

1. Determine the class of investment and maturity range most appropriate for investment of the funds available, based upon the anticipated expenditure schedule of the County, the desired asset allocation of the County's portfolio and the County's Investment Plan.

2. Offers will be solicited for the selected investment from a group of pre-approved providers. It will be the responsibility of the Chief Financial Officer, or designee, to maintain a list of approved dealers/providers for various types of investments suitable for the County's portfolio.

3. The Chief Financial Officer, or designee, will accept the offer (or bid, if the County is selling an investment) which provides the highest rate of return or which is otherwise deemed most suitable while complying with this Policy and any other criteria specified in the solicitation of offers.

The County shall retain a record of the offers received, the instruments chosen, and the rationale for making the decision.

From time to time, the County may be presented with offers that are attractive for investment. Although the County should endeavor to verify and document that the price is "fair", it may occasionally purchase such a security without a competitive process. All investments that bypass the competitive process must be authorized and approved by the Chief Financial Officer.

A competitive process is not required for the investment of funds in money market funds, investment pools and overnight securities. However, it shall be the responsibility of the Chief Financial Officer to be aware of the yields being offered by various highly liquid investments, and to invest the County's overnight funds in the vehicle(s) which provide a competitive return to the County while complying with this policy and any other criteria established by the Chief Financial Officer.

10.0 AUTHORIZED INVESTMENTS AND DEPOSITS

Authorized investments for public funds are set forth in the "Investment of Public Funds Act" of the Code of Virginia §2.2-4500 through §2.2-4518. Within the permitted statutory framework, the County limits the investment of assets to the following categories of securities:

TYPE	MAXIMUM
U.S. Treasury Securities and Agencies	100%
Bankers Acceptance	40%
Negotiable CD's and Bank Deposit Notes	40%
Non-Negotiable Certificates of Deposits	40%
Insured Certificates of Deposits	40%
Commercial Paper	25%
Repurchase Agreements	30%
Mutual Funds	30%
Collateralized Deposit Account	30%
Corporate Notes	5%

11.0 SUITABLE AND AUTHORIZED INVESTMENTS

1. Commercial Paper-§2.2-4502 of the Code of Virginia
   Commercial Paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody's AND A-1 or higher by Standard and Poor's, provided that the issuing corporation has a net worth of $50 million and its long-term debt is rated Aa3 or better by Moody's and AA- or better by Standard & Poor's. No more than 5 percent of the portfolio can be from one issuer.
2. Bankers Acceptances-§2.2-4504 of the Code of Virginia
   Bankers Acceptances maturing within 180 days rated P-1 or higher by Moody's AND A-1 or higher by Standard and Poor's, provided the issuer is a major domestic bank or the domestic office of an international bank is rated Aa3 or better by Moody's and AA- or better by Standard & Poor's.
3. Treasury Securities -§2.2-4506 of the Code of Virginia
   Bonds, Notes and Bills issued by the United States Treasury maturing within five years of the date of purchase, or certificates representing ownership of treasury bond principal or coupons payable within five years.
4. Repurchase Agreements-§2.2-4507 of the Code of Virginia
   Repurchase Agreements collateralized by securities approved for investment herein, provided that the counterparty is rated Aa3 or better by Moody's and AA- or better by Standard & Poor's and the collateral is held by an independent third party.
5. Agency Securities (FHLB, FNMA, FFCB, FHLMC, GNMA)
   Obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association, maturing within five years of the date of purchase.
6. Mutual Funds-§2.2-4508 of the Code of Virginia
   Mutual Funds must be open-ended, registered under the Securities Act (§13.1-501 et seq.) of the Commonwealth or the Federal Investment Co. Act of 1940, and the investments by such funds are restricted to investments otherwise permitted by law for political subdivision as set forth by the Code of Virginia.
7. Certificates of Deposit-§2.2-4518 of the Code of Virginia
   Certificates of Deposit maturing within one year and issued by domestic banks rated P-1 by Moody's and A-1 by Standard and Poor's
8. Commonwealth of Virginia and Virginia Local Government Obligations

General Obligations, Insured Obligations or Revenue Bonds secured by Debt Service Reserve Funds not subject to annual appropriation is rated Aa3 or better by Moody's and AA- or better by Standard & Poor's.

9. Virginia Local Government Investment Pool
10. Virginia State Non-Arbitrage Program
11. VML/VACO investment pool

Down-graded Securities (Out-of-Compliance) Should a security fail to meet the required credit quality limitations after purchase (i.e. credit downgrades), the external manager shall notify the Treasury Investment Staff in writing within one business day after the security fails to meet the credit quality limitations. Such security must then be sold within 30 calendar days, unless the Investment Manager's written rationale (both quantitative and qualitative) on why the security should be continued for an exception is approved by the Chief Financial Officer.

12.0 SUITABLE & AUTHORIZED INVESTMENTS – RESTRICTED FUNDS

Funds defined as sinking funds under the Virginia Code may be invested in items listed in Section 11.1 and 11.6 above, repurchase agreements collateralized by those investments, and in the Virginia State Non-Arbitrage Program.

13.0 DIVERSIFICATION

The County will diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. Target asset allocation strategies shall be developed by the Chief Financial Officer, or designee, and delivered to the Committee to provide guidance as to appropriate levels of diversification.

14.0 INTERNAL CONTROL

Investment Staff, with approval from the Investment Committee, is responsible for establishing and maintaining an internal control structure that comports with any County internal controls policies and that is designed to ensure that the assets of the County are protected from loss, theft or misuse. The internal control structure should be designed to provide reasonable assurance that these objectives are met. The internal controls shall address the following points:

a. Controls to prevent collusion
b. Separation of transaction authority from accounting and reconciliation activities
c. Custodial safekeeping
d. Avoidance of physical delivery of securities to the County (when possible)
e. Clear delegation of authority to subordinate staff members
f. Written confirmation of transactions for investment and wire transfers
g. Development of wire transfer agreement with the lead bank and third-party custodian.

15.0 REPORTING REQUIREMENTS

The Treasury Management Staff shall generate investment activity reports at least quarterly. Portfolio reports will be presented to the Investment Committee quarterly with the report provided to the Board of Supervisors.
A statement of the market value of the portfolio shall be issued annually. The review is consistent with the GASB 31 (Accounting and Financial Reporting for Certain Investments and for External Investment Pools) and 40 (Deposit and Investment Risk Disclosures-An Amendment of GASB Statement No. 3).