

## 03. FINANCE

### 3.8. Investment Program

BOS Adopted - October 15, 2008

**3.8.1. Purpose.** To define the parameters and guidelines for investment of Fluvanna County funds that typically reside in one or more of the primary accounts for Fluvanna County – the General Fund, the Capital Projects Fund, and the Debt Service Fund. The objectives for these three accounts and the manner in which funds in them are invested shall at all times be in compliance with the Code of Virginia, specifically Title 2.2, Chapter 45 – Investment of Public Funds Act.

#### 3.8.2. General Fund Investments

A. Purpose. The funds held in the General Fund are used by the Treasurer’s Office for the regular operations of Fluvanna County. Funds held in the General Fund shall be invested in a manner to provide for the daily liquidity required to manage these operations.

B. Objectives. The investment of funds in the General Fund shall be executed in order to achieve the following objectives:

- Preserve capital.
- Maintain sufficient liquidity to ensure daily cash availability for withdrawals.
- Maximize return on investment while maintaining an acceptable level of investment risk.

C. Investment Guidelines. All investments made in the General Fund shall adhere to the following permissible investments and constraints:

1. All investments must be permissible under the Code of Virginia, Chapter 45, Investment of Public Funds Act.

2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:

a. No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.

b. All securities must have an average life of less than 5 years.

c. The minimum credit rating on any security must be Aa3 by Moody’s or AA. by S&P. Split ratings where either Moody’s or S&P is less than Aa3 or AA. are not permitted.

d. No equity investments of any kind.

### **3.8.3. Capital Projects Fund Investments**

A. Purpose. The purpose of the Capital Projects Fund is to segregate funds that are designated for specific capital projects. This Fund may or may not be utilized by the Treasurer's Office. Funds for capital projects may also be held in the General Fund. Funds held in the Capital Projects Fund may have different liquidity requirements than the funds held in the General Fund, and therefore may be invested in a different manner.

B. Objectives. The investment of funds in the Capital Projects Fund shall be executed in order to achieve the following objectives:

1. Preserve capital.
2. Cash flows of investments shall be optimized to match the cash flow needs of designated capital projects.
3. Maximize return on investment while maintaining an acceptable level of investment risk.

C. Investment Guidelines. All investments made in the Capital Projects Fund shall adhere to the following permissible investments and constraints:

1. All investments must be permissible under the Code of Virginia, Chapter 45 - Investment of Public Funds Act.

2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:

- a. No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.
- b. The minimum credit rating on any security must be Aa3 by Moody's or AA by S&P. Split ratings where either Moody's or S&P is less than Aa3 or AA are not permitted.
- c. No equity investments of any kind.

### **3.8.4. Debt Service Fund Investments**

A. Purpose. The purpose of the Debt Service Fund is to segregate funds that are designated for the payment of interest and principal on long-term debt obligations of Fluvanna County. This Fund may or may not be utilized by the Treasurer's Office. Funds for capital projects may also be held in the General Fund. Funds held in the Debt Service Fund may have different liquidity requirements than the funds held in the General Fund, and therefore may be invested in a different manner.

B. Objectives. The investment of funds in the Debt Service Fund shall be executed in order to achieve the following objectives:

1. Preserve capital.
2. Cash flows of investments shall be optimized to match the cash flows required to provide for payment of interest and principal on debt obligations.
3. Maximize return on investment while maintaining an acceptable level of investment risk.

C. Investment Guidelines. All investments made in the Debt Service Fund shall adhere to the following permissible investments and constraints:

1. Permissible Investments - All investments must be permissible under the Code of Virginia, Chapter 45, Investment of Public Funds Act.

2. To achieve the objectives of this policy the list of investments permissible under the Code of Virginia are further constrained by the following:

- a. No mortgage related assets. This includes asset-backed securities that are collateralized by mortgages.
- b. The minimum credit rating on any security must be Aa3 by Moody's or AA. by S&P. Split ratings where either Moody's or S&P is less than Aa3 or AA. are not permitted.
- c. No equity investments of any kind.

**3.8.5. Reporting.** To monitor the investments and investment managers of Fluvanna County, the following information will be provided to the Treasurer's Office on a monthly basis:

A. Detailed list of holdings, broken down by investment sector, which includes the following pieces of information for each security held:

- Security Description
- Par Amount
- Market Value
- Percent of Total Portfolio Market Value
- Price
- Coupon
- Maturity
- Yield to Maturity (or Average Life if no maturity)
- Effective Duration
- Credit Rating (both Moody's and S&P ratings)

B. Monthly Performance Report. This report is for monitoring the performance of the funds in each account and should include the following:

1. The total return of each investment portfolio and the portfolio's performance benchmark.
2. The benchmark for the General Fund shall be the 3-month Treasury Bill.
3. The benchmarks for the Capital Projects Fund and the Debt Service Fund shall be determined based on the nature of the investments in the fund at any given time.
4. The performance time periods provide the manager of each portfolio are for 1 month, 3 months, fiscal year to date, 1 year, 3 years, and 5 years. Periods greater than 1 year are annualized.

C. Market Analysis. This is a written commentary about the current state of the market, particularly as it pertains to the type of investments made by Fluvanna County.