



County of Gloucester Treasurer's Policy

Subject	Investment Policy
Policy Number	12-01
Original Effective Date	April 4, 2000
Revision Date	March 12, 2024
Historical Reference	Original Policy adopted by Board of Supervisors 4/4/2000; replaced by Treasurer's Policy 7/3/2012; revised 1/17/2013; revised 3/12/2024

I. Policy Statement

It is the policy of Gloucester County, Virginia ("the County") that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. It is the intent of the County to be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable.

II. Scope

This policy applies to the investment of all the financial assets and funds held by the County. These Funds are accounted for in Gloucester County's Annual Comprehensive Financial Report (ACFR) and include the General Fund, Debt Service Fund, Capital Projects Fund, School Construction Fund, Enterprise Fund and Other Governmental Funds.

III. Objectives

Funds shall be invested in only those investments permitted by Federal, State and local law as it relates to public funds, as well as any contractual agreements entered into by the County. With respect to banking, preference will be given to financial institutions that have a physical presence in Gloucester County.

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

1. **Safety** - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. Specifically, the County will:
 - a. seek to avoid realizing any loss through the sale or disposal of an investment; and
 - b. seek to mitigate the risk of unrealized losses due to a decline in value of investments held in the portfolio.
2. **Liquidity** - The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio in the following manner:
 - a. The County will purchase investments scheduled to mature in accordance with its anticipated cash needs, in order to minimize the need to sell investments prior to maturity;

- b. A portion of County Funds will be maintained in cash equivalents, including money market funds, investment pools and overnight securities, which may be easily liquidated without a loss of principal should an unexpected need for cash arise; and
 - c. The portfolio will consist largely of investments with active secondary markets.
- 3. *Yield* - The County's investment portfolio shall be designed with the objective of maximizing a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio.

IV. Delegation of Authority

The County Treasurer is the official charged with collecting, safeguarding and disbursing County funds. In this capacity, the Treasurer is responsible for establishing staff roles and responsibilities, considering the quality and capability of staff, selecting investment advisors and consultants involved in investment management, and developing and maintaining appropriate administrative procedures for the operation of the investment program. Examples of key staff roles and responsibilities include, but are not limited to, solicitation of investment offerings, placement of purchase and sell orders, confirmation of trades, and preparation of reports and other activities as required for the daily operations of the investment area. The Treasurer may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to monitor the effectiveness and continued compliance with such policies and procedures, and to provide guidance in investment matters.

V. Standards of Care

The standard of prudence to be used by investment personnel shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard 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 Treasurer, and those delegated investment authority under this Policy, when acting in accordance with this Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

VI. Conflicts of Interest

County officers and employees are required to abide by the provisions of the Virginia Conflict of Interests Act. The Act prohibits County officers and employees from seeking or accepting money or any other thing of value for the performance of their duties, using confidential information for their own benefit and having a personal interest in a company with which the County is doing business. "Officer" means any person appointed or elected to the County's government whether or not he/she receives compensation. "Employee" means all persons employed by the County.

VII. Collateral and Safekeeping Arrangements

The County's investments shall be held in safekeeping by a third party and evidenced by safekeeping receipts. 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 a counterparty as the issuer or seller of the security and any repurchase agreement provider. When possible, all securities purchased or sold will be transferred under "delivery vs. payment method" to

ensure that funds or securities are not released until all criteria relating to the specific transaction are met.

VIII. Competitive Selection of Investment Instruments

When possible, it is desirable to select investments on a competitive basis 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.

All financial institutions and broker/dealers who desire to become qualified for investment transactions will supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the Gloucester County Investment Policy

To the extent practical, the Treasurer shall adhere to the following procedures when funds become available for investment:

1. The Treasurer shall 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 the list of pre-approved providers as noted above.
3. The Treasurer 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 Treasurer shall retain a record of the offers received, the instrument(s) chosen, and the rationale for making the decision.

The competitive process listed above shall not be required for the investment of funds in money market funds, investment pools, non-negotiable Certificates of Deposit, and overnight securities. However, it shall be the responsibility of the Treasurer to be aware of the various yields being offered for these types of investments, and to invest the County's funds in the vehicle(s) which provide a competitive return to the County while complying with this policy.

IX. The following investment types and quality levels are approved for use by the County in the investment of its public funds:

1. U.S. Treasury Bills, Notes, Bonds and other direct obligations of the United States Government. (See Virginia Code §2.2-4501)
2. Obligations of Agencies of the Federal Government, including but not limited to, the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association. (See Virginia Code §2.2-4501)
3. Obligations of the Commonwealth of Virginia and its local government and public bodies, provided such obligations have a debt rating of at least "AA" or its equivalent by Moody's and/or Standard & Poor's. (See Virginia Code §2.2-4501)

4. Repurchase Agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo. (See Virginia Code §2.2-4507)
5. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act. (See Virginia Code §2.2-4509)
6. U.S. dollar denominated Bankers' acceptances issued by a domestic bank or a foreign bank with an agency domiciled in the U.S. and rated by Thomson Bankwatch at least B/C (issuing bank) and (country of origin). Not more than 25% of the total funds available for investment may be invested in bankers' acceptances. (See Virginia Code §2.2-4504)
7. U.S. dollar denominated Commercial Paper issued by an entity incorporated in the U.S. and rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Service. Not more than 25% of the total funds available for investment may be invested in commercial paper, and not more than 5% in the obligations of any one issuer. (See Virginia Code §2.2-4502)
8. U.S. dollar denominated Corporate Notes and Bonds having a rating of at least "AA" or its equivalent by Standard and Poor's and/or Moody's Investors Service. (See Virginia Code §2.2-4510)
9. Money Market Mutual Funds which trade on a constant net asset value and which invest solely in securities otherwise eligible for investment under these guidelines. (e.g. the Virginia Local Government Investment Pool ("LGIP") and the Virginia State Non-Arbitrage Program ("SNAP")). (See Virginia Code §2.2-4508 & §2.2-4603)

X. Internal Controls

The Treasurer will establish and maintain an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control structure will address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

XI. Reporting

The Treasurer will ensure that a cash balances report will be prepared at the close of each month. If investments are held other than money market funds, investment pools, non-negotiable Certificates of Deposit, and overnight securities, this report will include information that provides an analysis of the status of the current investment portfolio and whether investment activities during the reporting period have conformed to the investment policy herein. To the extent practical, the report detail may include such items as the following:

- Listing of securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Average weighted yield to maturity of portfolio on investments compared to benchmarks
- Listing of investment by maturity type
- Percentage of the total portfolio which each type of investment represents

XII. Diversification

The County will endeavor to 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 Treasurer to provide guidance as to appropriate levels of diversification. With the exception of deposits or investments collateralized as provided by the Virginia Security for Public Deposits Act, U. S. Treasury securities, and authorized pools, no more than 25% of the County's total investment will be the obligation of a single financial institution.

XIII. Maximum Maturities

To the extent possible, the County will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the County will not directly invest in securities maturing more than one year from the date of purchase. Investments in U.S. dollar denominated Commercial Paper shall be limited to maturities of less than 270 days. The County may choose to purchase non-negotiable Certificates of Deposit maturing in more than one (1) year as long as the issuing bank allows for one (1) no-penalty withdrawal.

XIV. Policy Amendments

Any modification to this policy shall require the approval of the County Treasurer.