

AGENDA

CVTA FINANCE COMMITTEE

Wednesday, August 11, 2021
8:30 a.m.

PlanRVA James River Board Room

Members

Members of the public may observe the meeting via YouTube Live Streaming at www.youtube.com/c/PlanRVA. Opportunities for sharing comments are described in the [Public Participation](#) guide on the www.PlanRVA.org website.

WELCOME AND INTRODUCTIONS

(Stoney)

CERTIFICATION OF A QUORUM

(Heeter)

ADMINISTRATION

1. Consideration of Amendments to the Action Meeting Agenda

(Stoney)

2. Approval of July 16, 2021 CVTA Finance Committee Action Meeting Minutes

(Stoney) page 1

Action Requested

3. Open Public Comment Period

(Stoney/5 minutes)

4. CVTA Finance Committee Chairman's Report

(Stoney/10 minutes)

5. CVTA Activities Report

(Parsons/Eure/10 minutes) page 4

a. Financial Activities Report

b. Staff Activities Report: Local MOA Status & FY21 Audit

c. TAC Update

Town of Ashland

Charles City
County

Chesterfield
County

Goochland
County

Hanover County

Henrico County

New Kent
County

Powhatan
County

City of
Richmond

VA House of
Delegates

Senate of VA

Commonwealth
Transportation
Board

VDRPT

VDOT

VA Port Authority

GRTC

RMTA

OLD BUSINESS

6. Investment Policy

(Longnaker/10 minutes)..... page 5

Discussion Item: Members will be asked to review a draft Investment Policy prepared by Chesterfield County Treasurer, Rebecca Longnaker.

7. Disposition of Balance: FY2021 Administrative and Operating Fund

(Harris/10 minutes)..... page 51

Discussion Item: Members will have the opportunity to discuss options for disposition of any remaining balance at the end of the fiscal year within the FY2021 Administrative and Operating Fund set aside.

NEW BUSINESS

8. Solicitation of Services: Bond Counsel and Financial Advisory Services

(Heeter & Harris/15 minutes)..... page 52

Action Item: Staff will provide an overview of the recommended process and timeline to fulfill assignment from May 28th Authority meeting.

9. Regional Prioritization and Project Funding

(Eure/15 minutes)

Discussion Item: Mr. Eure will present recommendations from the Technical Advisory Committee regarding project prioritization for FY21-22 and the long-term prioritization of projects for FY23 and beyond.

OTHER BUSINESS

10. Future Meeting Topics

(Stoney/5 minutes)

11. CVTA Finance Committee Member Comments

(Stoney/5 minutes)

12. Next Meeting: September 8, 2021

(Stoney)

13. Adjournment

(Stoney)

**CENTRAL VIRGINIA TRANSPORTATION AUTHORITY
FINANCE COMMITTEE**

**MINUTES OF ACTION MEETING
James River Board Room
July 16, 2021**

Members Present:

Jurisdiction/Agency	Member	Present	Absent
Chesterfield County	Kevin P. Carroll, (CVTA Vice Chair)	x	
Hanover County	W. Canova Peterson Vice Chair	x	
Henrico County	Frank J. Thornton (CVTA Chair)	x	
City of Richmond	Mayor Levar M. Stoney, Chair	x	
Commonwealth Transportation Board	Carlos M. Brown		x

Others Present:

Martha Heeter PlanRVA
 Chet Parsons PlanRVA
 Nicole Mueller PlanRVA
 Eric Gregory Hefty Wiley & Gore

The technology used for this meeting was a web-hosted service created by YouTube Live Streaming and was open and accessible for participation by members of the public. A recording of this meeting is available at on the [PlanRVA YouTube channel](#).

CALL TO ORDER

The Central Virginia Transportation Authority (CVTA) Finance Committee Chair Mayor Levar M. Stoney presided and called the July 16, 2021 CVTA Finance Committee action meeting to order at 9:50 a.m.

ATTENDANCE ROLL CALL & CERTIFICATION OF MEETING QUORUM

Mr. Parsons certified that a quorum was present.

1. Consideration of Amendments to the Action Meeting Agenda

There were no requested changes to the meeting agenda.

On motion of Kevin P. Carroll, seconded by Frank J. Thornton, the CVTA Finance Committee unanimously approved the July 16, 2021 meeting agenda as presented (voice vote).

2. Approval of May 12, 2021 CVTA Finance Committee Action Meeting Minutes

On motion of W. Canova Peterson, seconded by Frank J. Thornton, the CVTA Finance Committee unanimously approved the minutes of the May 12, 2021 meeting as presented (voice vote).

NEW BUSINESS

5. Election of Finance Committee Chair and Vice Chair

Chair Stoney conducted the elections of officers to the CVTA Finance Committee. The nominations for FY22 CVTA Finance Committee Chair and CVTA Finance Committee Vice Chair were Mayor Levar M. Stoney and Mr. W. Canova Peterson, respectively.

On motion of W. Canova Peterson, seconded by Kevin P. Carroll, the Central Virginia Transportation Authority (CVTA) Finance Committee unanimously approved the following resolution:

RESOLVED, that the Central Virginia Transportation Authority (CVTA) Finance Committee elects Mayor Levar M. Stoney as Chair of the Finance Committee for FY 2022.

Jurisdiction/Agency	Member	Aye	Nay	Abstain	Absent
Chesterfield County	Kevin P. Carroll	x			
Hanover County	Vice Chair W. Canova Peterson	x			
Henrico County	Frank J. Thornton	x			
City of Richmond	Chair Levar M. Stoney	x			
Commonwealth Transportation Board	Carlos M. Brown				x
TOTAL		4			1

Quorum and Voting: A quorum shall consist of a majority (3) of the Committee members. Approval of recommendations shall require an affirmative vote of a majority of the members present.

On motion of Levar M. Stoney, seconded by Frank J. Thornton, the Central Virginia Transportation Authority (CVTA) Finance Committee unanimously approved the following resolution:

RESOLVED, that the Central Virginia Transportation Authority (CVTA) Finance Committee elects W. Canova Peterson as Vice Chair of the Finance Committee for FY 2022.

Jurisdiction/Agency	Member	Aye	Nay	Abstain	Absent
Chesterfield County	Kevin P. Carroll	x			
Hanover County	Vice Chair W. Canova Peterson	x			

Henrico County	Frank J. Thornton	x			
City of Richmond	Chair Levar M. Stoney	x			
Commonwealth Transportation Board	Carlos M. Brown				x
TOTAL		4			1

Quorum and Voting: A quorum shall consist of a majority (3) of the Committee members. Approval of recommendations shall require an affirmative vote of a majority of the members present.

OTHER BUSINESS

8. Next Meeting

The next action meeting will be held in PlanRVA's James River Board Room on August 11, 2021, beginning at 8:30 a.m. in Richmond, Virginia.

9. Adjournment

Chairman Stoney adjourned the meeting at 10:06 a.m. on July 16, 2021.

NM

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

Tax Collections and Allocations For the Fiscal Year Ended June 30, 2021

	October	November	December	January	February	March	April	May Accruals	YTD
Local Distribution Fund									
Receipt of Taxes:									
Sales and Use Tax	\$ 10,162,806	\$ 10,562,127	\$ 12,814,259	\$ 9,605,223	\$ 9,032,365	\$ 12,415,960	\$ 11,796,041	\$ 11,593,468	\$ 87,982,248
Local Fuels Tax	11,503,190	4,035,346	3,586,187	3,755,649	3,558,066	3,111,091	4,053,535	4,383,404	37,986,468
Total Receipt of Taxes	21,665,996	14,597,473	16,400,445	13,360,872	12,590,431	15,527,051	15,849,576	15,976,872	125,968,716
Cash Outflows & Transfers:									
Transfers:									
Operating Fund	500,000	-	-	-	-	-	-	-	500,000
Regional Fund	7,408,099	5,109,116	5,740,156	4,676,305	4,406,651	5,434,468	5,547,352	5,591,905	43,914,051
GRTC Fund / Payments to GRTC	3,174,899	2,189,621	2,460,067	2,004,131	1,888,565	2,329,058	2,377,436	2,396,531	18,820,307
Total transfers	11,082,998	7,298,736	8,200,223	6,680,436	6,295,215	7,763,525	7,924,788	7,988,436	63,234,358
Local Distributions:									
Ashland	38,160	24,617	27,167	22,190	20,580	25,467	26,866	28,511	213,558
Charles City	52,989	38,817	42,382	35,287	38,624	45,189	53,460	54,824	361,571
Chesterfield	3,257,491	2,197,053	2,451,795	1,960,019	1,823,513	2,242,807	2,298,448	2,341,790	18,572,917
Goochland	361,047	190,159	202,893	175,430	150,008	179,304	200,778	210,269	1,669,888
Hanover	1,545,245	996,836	1,100,089	898,552	833,343	1,031,268	1,087,926	1,154,499	8,647,758
Henrico	3,090,675	2,235,305	2,671,725	2,061,947	2,015,399	2,522,424	2,491,209	2,464,810	19,553,496
New Kent	426,457	233,814	153,254	180,061	165,329	161,364	186,111	198,352	1,704,741
Powhatan	263,880	171,114	182,367	161,457	138,734	164,704	180,362	186,220	1,448,837
Richmond	1,547,055	1,211,020	1,368,550	1,185,494	1,109,686	1,390,997	1,399,629	1,349,162	10,561,593
Total local distributions	10,582,998	7,298,736	8,200,223	6,680,436	6,295,215	7,763,525	7,924,788	7,988,436	62,734,358
Local Distribution Fund ending balance	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ -	\$ -	\$ (0)
Operating Fund									
Transfer from Local Distribution Fund	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000
Payment of operating costs	-	-	-	(120,686)	-	(61,238)	-	(119,245)	(301,169)
Operating Fund ending balance	\$ 500,000	\$ -	\$ -	\$ (120,686)	\$ -	\$ (61,238)	\$ -	\$ (119,245)	\$ 198,831
Regional Fund									
Transfer from Local Distribution Fund	\$ 7,408,099	\$ 5,109,116	\$ 5,740,156	\$ 4,676,305	\$ 4,406,651	\$ 5,434,468	\$ 5,547,352	\$ 5,591,905	\$ 43,914,051
Interest income	-	-	-	222	1,340	1,918	1,283	-	4,763
Regional Fund ending balance	\$ 7,408,099	\$ 5,109,116	\$ 5,740,156	\$ 4,676,527	\$ 4,407,991	\$ 5,436,385	\$ 5,548,635	\$ 5,591,905	\$ 43,918,813
GRTC Fund									
Transfer from Local Distribution Fund	\$ 3,174,899	\$ 2,189,621	\$ 2,460,067	\$ 2,004,131	\$ -	\$ -	\$ -	\$ -	\$ 9,828,718
Payments to GRTC	-	-	-	(9,828,718)	-	-	-	-	(9,828,718)
GRTC Fund ending balance	\$ 3,174,899	\$ 2,189,621	\$ 2,460,067	\$ (7,824,587)	\$ -	\$ -	\$ -	\$ -	\$ (0)

Notes:

- * Local fuels tax effective July 1, 2020 / S&U tax effective October 1, 2020
- * Activity month is reported. CVTA receives funds two months after the activity month (i.e. January tax is remitted to VDOT in February then remitted to CVTA in March)
- * October includes July through October tax collections.



CHESTERFIELD COUNTY ADMINISTRATIVE POLICIES AND PROCEDURES

Department:	Treasurer	Policy Number:	4-1
Subject:	Fiscal Agency Investment Policy – CVTA	Date Issued:	04/05/2021
		Supersedes:	
		Authorization:	R. Longnaker

Chesterfield County Treasurer's Office Fiscal Agency Investment Policy for Central Virginia Transportation Authority

Policy

This Investment Policy has been established by the Treasurer of Chesterfield County to ensure effective management of the day-to-day investment activity for the Central Virginia Transportation Authority (CVTA) and is designed to increase revenues by investing funds when not needed for current obligations. The objective is to obtain the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds.

Purpose

This investment policy shall establish guidelines for the efficient management of CVTA funds in the Regional bank account.

Objective

Funds of the CVTA will be invested in accordance with Code of Virginia, Title 2. Sec.2.2-4501 through 2.2-4516 and these written investment policies and administrative procedures. The CVTA's investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio.

Delegation of Authority

The Treasurer who is an elected Constitutional Officer serves as the investment officer for Chesterfield County with sole authority for investment decisions. She may designate a deputy or other staff to manage the day-to-day operation of the investment portfolio and place actual buy/sell orders with brokers consistent with this written investment policy and administrative procedures.

Statement of Prudence

The standard of prudence to be applied by the Treasurer shall be the “**prudent investor**” rule, which states “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercised 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 prudent investor rule shall be applied in the context of managing the overall portfolio.



CHESTERFIELD COUNTY ADMINISTRATIVE POLICIES AND PROCEDURES

Department:	Treasurer	Policy Number:	4-1
Subject:	Fiscal Agency Investment Policy – CVTA	Date Issued:	04/05/2021
		Supersedes:	
		Authorization:	R. Longnaker

The Treasurer, acting in accordance with written procedures of the Code of Virginia, Sec. 2.2-4501 and Sec. 58.1-3123 et seq. 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 immediately by the Treasurer and that reasonable and prudent action is taken to control adverse developments. Furthermore, in accordance with Sec. 58.1-3163 of the Code of Virginia, the Treasurer shall not be liable for loss of public money due to the default, failure or insolvency of a depository.

Ethics and Conflict of Interest

Employees 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. Employees 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. Employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the CVTA.

Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the CVTA are protected from loss, theft or misuse. The internal control structure shall 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.

Authorized Investments, Maturities and Diversification

When investing funds of the CVTA, the Treasurer of Chesterfield County shall adhere to the investment policy of Chesterfield County with regards to the authorized investments, use of authorized brokers, use of authorized investment pools, maturities and diversification.

Safekeeping and Collateralization

Deposit-type securities (i.e. certificates of deposit) shall be collateralized through the state collateral pool as required by the Virginia Security for Public Deposits Act Regulation for any amount exceeding FDIC or FSLIC coverage.

Collateral for repurchase agreements shall be short-term U. S. Treasury bills and should have a market value of at least 100% of the cost of the repurchase agreement.



CHESTERFIELD COUNTY ADMINISTRATIVE POLICIES AND PROCEDURES

Department:	Treasurer	Policy Number:	4-1
Subject:	Fiscal Agency Investment Policy – CVTA	Date Issued:	04/05/2021
		Supersedes:	
		Authorization:	R. Longnaker

Other investments shall be collateralized by the actual security held in a safekeeping account by a third-party custodial agent (who may not otherwise be a counterparty to the investment transaction) governed by a written agreement which shall provide for delivery of the security by the custodial agent in the event of default by a counterparty in the investment transaction. Payment for all securities shall be delivery vs. payment (DVP) for all investments placed with a third-party custodial agent.

The custodian shall issue a safekeeping receipt to the Treasurer of Chesterfield County in the name of CVTA listing the specific instrument, rate, maturity and other pertinent information. Investments with a maturity of less than thirty-one calendar days shall not be held by a third-party custodial agent.

INVESTMENT POLICY



CHESTERFIELD COUNTY, VIRGINIA

Rebecca R. Longnaker

Treasurer

Revised January 2021

This Investment Policy has been established by the Treasurer of Chesterfield County to ensure effective management of the day-to-day investment activity for the County and is designed to increase non-tax revenues by investing funds when not needed for current obligations. The objective is to obtain the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds.

The Treasurer of Chesterfield County is an elected official (“Constitutional Officer”) charged with receiving, collecting, safeguarding and disbursing county funds with general custody of county funds from all sources. The general custody of all funds requires the investment of those funds within the confines of the Code of Virginia and a comprehensive Investment Policy developed and maintained by the Treasurer.

Questions or recommendations regarding these policies should be directed to the Treasurer who will consider the recommendation and implement any which she deems to be in the best interest of the County.

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COUNTY OF CHESTERFIELD VIRGINIA

INVESTMENT POLICY

Purpose and Scope

This investment policy shall establish guidelines for the efficient management of County funds. These funds are accounted for in the County's comprehensive annual financial report and include the following:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and related liabilities (except those accounted for in the Proprietary Funds and similar trust funds) are accounted for through Governmental Funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the County's governmental funds types:

General Fund – The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for the County's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income. The following are the County's proprietary fund types:

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of

revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the County's fiduciary fund types:

Trust and Agency Funds – Trust and Agency Funds include Pension Trust, Non-expendable Trust and Agency Funds. Pension Trust and Non-Expendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is important. Agency Funds are custodial in nature and do not involve measurement of results of operations.

Objectives

Funds of the County will be invested in accordance with Code of Virginia, Title 2. Sec.2.2-4501 through 2.2-4516 and these written investment policies and administrative procedures. The County's investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio.

Funds held for future capital projects (i.e. bond proceeds) shall be invested in accordance with IRS arbitrage compliance requirements and to produce sufficient income to help offset increases in construction costs due to inflation. However, such funds shall not be exposed to market price risks or default risks that would jeopardize the assets available to accomplish their stated objective.

Delegation of Authority

The Treasurer who is an elected Constitutional Officer serves as the investment officer for the County with sole authority for investment decisions. She may designate a deputy or other staff to manage the day-to-day operation of the investment portfolio and place actual buy/sell orders with brokers consistent with this written investment policy and administrative procedures.

Statement of Prudence

The standard of prudence to be applied by the Treasurer shall be the “**prudent investor**” rule, which states “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercised 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 prudent investor rule shall be applied in the context of managing the overall portfolio.

The Treasurer, acting in accordance with written procedures of the Code of Virginia, Sec. 2.2-4501 and Sec. 58.1-3123 et seq. 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 immediately by the Treasurer and that reasonable and prudent action is taken to control adverse developments. Furthermore, in accordance with Sec. 58.1-3163 of the Code of Virginia, the Treasurer shall not be liable for loss of public money due to the default, failure or insolvency of a depository.

Ethics and Conflict of Interest

Employees 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. Employees 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. Employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse. The internal control structure shall 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.

Accordingly, the internal control structure shall address the following points:

- Control of collusion

- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery 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.

Authorized Investments

As a unit of local government in the Commonwealth of Virginia, the County of Chesterfield is restricted by the Code of Virginia, Title 2.2, to the types of securities as described in Sec. 2.2-4501 through 2.2-4516 below.

- a. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth
- b. Bonds, notes and other direct 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
- c. Stocks, bonds, notes and other evidences of indebtedness of any state of the United States upon which there is no default for more than ninety days; provided, that within the twenty fiscal years next preceding the making of such investment, such state has not been in default for more than ninety days in the payment of any part of principal or interest of any debt authorized by the legislature of such state to be contracted
- d. Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth of Virginia upon which there is no default
- e. Bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development by the Asian Development Bank and the African Development Bank
- f. "Prime Quality" commercial paper, with a maturity of 270 days or less, 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" shall be as rated by at least two of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of prime 1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1, or by their corporate successors
- g. Bankers' Acceptances

- h. Certificates representing ownership of either treasury bond principal at maturity or its coupons for accrued periods. The underlying United States Treasury bonds or coupons shall be held by a third-party independent of the seller of such certificates
- i. Securities lending from the portfolio of investments of which they have custody and control
- j. Overnight, term and open repurchase agreements that are collateralized with securities that are approved for direct investment
- k. One or more open-end investment funds, provided that the funds are registered under the Securities Act (§ [13.1-501](#) et seq.) of the Commonwealth or the Federal Investment Co. Act of 1940, and that the investments by such funds are restricted to investments otherwise permitted by law for political subdivisions as set forth in this chapter, or investments in other such funds whose portfolios are so restricted
- l. Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investor Service, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over one year and not exceeding five years
- m. High quality corporate notes with a rating of at least Aa by Moody's Investors Service, Inc., and a rating of at least AA by Standard and Poors, Inc., and a maturity of no more than five years
- n. Qualified investment pools that are jointly administered and organized as a trust fund pursuant to Article 1 of Chapter 13 of Title 15.2 that has a professional investment manager

Authorized Financial Institutions, Brokerage Firms and Investment Pools

The Treasurer's Office shall maintain a listing of financial institutions, brokerage firms and investment pools which are approved for investment purposes. Banks shall meet the qualifications of the Virginia Security for Public Deposits Act Regulation and provide their most recent Consolidated Report of Condition ("Call Report") at the request of the County. At a minimum, the County shall conduct an annual evaluation of each bank's and pool's creditworthiness. In addition, approved broker/dealers must be authorized to provide investment services in the Commonwealth of Virginia and may include "primary" dealers or regional dealers that qualify under the Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).

Maturities

Maturity scheduling shall be timed according to anticipated need. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenues. Investment of capital project funds shall be timed to meet contractor payments.

All funds shall be considered short-term except those reserved for capital projects, special assessments and debt service funds and shall be limited to maturities of five or less.

Diversification

The County will diversify use of the investment instruments to avoid incurring unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities while attaining market average rates of return. The following table represents maximum allowable percentages of instruments comprising the County's portfolio.

<u>Diversification by Instrument</u>	<u>Percent of Portfolio</u>
U. S. Treasury Obligations (Bills, notes and bonds).....	100%
U. S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations	100%
Municipal Bonds	100%
Commercial Paper.....	35%
Repurchase Agreements (Repo's).....	100%
Money Market Funds (Open end investment funds)	75%
Negotiable Certificates of Deposit (CD's)	100%
Corporate bonds (notes).....	100%
Local Government Investment Pool	100%
Virginia Investment Pool.....	100%

Diversification by Institution:

Commercial Paper.....No more than 25% of the total portfolio with any one institution.

Repurchase Agreements (Repo's).....No more than 15% of the total portfolio with any one institution.

Money Market Funds (Open end investment funds)No more than 10% of the total portfolio with any one institution.

Certificates of Deposit (CD's) Commercial BanksNo more than 45% of the total portfolio with any one institution.

Corporate bonds (notes).....No more than 15% of the total portfolio with any one institution.

Diversification of Funds to be invested in any one issue:

No limit – FDIC, FSLIC, Collateralized Certificates of Deposit

No limit – U. S. Treasuries and Agencies

Maximum 5% of total portfolio for any Commercial Paper issue

Competitive Selection of Investment Instruments

Before the Treasurer invests excess funds, an evaluation process is performed on available offerings. Offerings from authorized brokers are received on a frequent basis, and will usually vary, with no two of the same security being offered by different brokers on the same day. Pricing on investment instruments depends on several factors:

- Is it a New Issue?
- Is it being purchased through a Secondary Market?
- Timing of the Purchase

Purchases of new issue U.S. Treasuries and Agencies do not require an evaluation process as the settlement date has not yet occurred and all prices are at “par”. However, once the settlement date passes, any pricing is based on the needs of the broker who owns the instrument and their motivation to sell. This is the point at which the evaluation process will become required and purchases will be made based on the objectives of the investment policy (to obtain the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds.) Records will be maintained to document the evaluation process for each investment purchase.

Safekeeping and Collateralization

Deposit-type securities (i.e. certificates of deposit) shall be collateralized through the state collateral pool as required by the Virginia Security for Public Deposits Act Regulation for any amount exceeding FDIC or FSLIC coverage.

Collateral for repurchase agreements shall be short-term U. S. Treasury bills and should have a market value of at least 100% of the cost of the repurchase agreement.

Other investments shall be collateralized by the actual security held in a safekeeping account by a third-party custodial agent (who may not otherwise be a counterparty to the investment transaction) governed by a written agreement which shall provide for delivery of the security by the custodial agent in the event of default by a counterparty in the investment transaction. Payment for all securities shall be delivery vs. payment (DVP) for all investments placed with a third-party custodial agent.

The custodian shall issue a safekeeping receipt to the County listing the specific instrument, rate, maturity and other pertinent information. Investments with a maturity of less than thirty-one calendar days shall not be held by a third-party custodial agent.

Investment of Bond Proceeds – SNAP

The Commonwealth of Virginia State Non-Arbitrage Program (“SNAP”) was established pursuant to the Local Government Non-Arbitrage Investment Act to make available to Virginia counties, cities and towns assistance with the investment of and accounting for bond proceeds and related funds in compliance with rebate requirements of the Internal Revenue Code of 1986, as amended. The program consists of a professionally-managed money market investment pool which provides local governments with a convenient method of pooling proceeds of bonds and notes for temporary investment accounts within the program. The program also provides record keeping, depository and arbitrage rebate calculation services.

Reporting Requirements

The Deputy Treasurer shall provide the Treasurer with periodic verbal updates on the performance of the investment portfolio. In addition, the Board of Supervisors and other county officials will be provided monthly reports which will include the amount of money on deposit with each depository and data on investment instruments being held, as well as any narrative necessary for clarification.

Performance Standards

The monthly reports submitted to the Treasurer and Board of Supervisors shall provide certain benchmark comparisons for evaluation of the performance of the investment

portfolio. The reports will contain the County's yield compared to the 3- and 6-month Treasury Constant Maturities and the Treasurer of Virginia's Primary Liquidity Yield.

GENERAL INFORMATION

U. S. Treasury Obligations (Bills, notes and bonds)

Treasury Obligations are non-callable, negotiable debt obligations of the United States government which guarantee that interest and principal payments will be paid on time. Treasury bills are short-term obligations that are non-interest bearing because they are purchased at a discount and can be traded on a discount basis for 91 days. Treasury notes are securities that mature in 1 to 10 years. Treasury bonds are debt instruments with maturities of 10 years or longer. Treasury notes and bonds are coupon bearing and pay interest semi-annually. They are credit risk free, very liquid and backed by the full faith and credit of the US government.

U. S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations

Federal agencies are created by a government to regulate industries or practices that require close oversight or specialized expertise. A typical type of bond issued by government agencies is the government-sponsored enterprise (GSE) bond. These bonds are issued by corporations which are not quite part of the government but are set up by Congress to work for the common good of the country. These enterprises mostly operate on their own and are publicly held with stocks on the major exchanges. GSEs include Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage (Freddie Mac), Federal Farm Credit Banks Funding Corporation, and the Federal Home Loan Bank (FHLB). GSE bonds do have credit risk and default risk, therefore, the yield on these bonds is typically higher than the yield on Treasury bonds.

Federal agency securities issued by Ginnie Mae, Fannie Mae, Freddie Mac or the Federal Home Loan Banks are backed by mortgage loans and hold a very high credit rating. Agency securities are also used as collateral for the supply of money released by the Federal Reserve. Sold by a nationwide group of banks and dealers, these securities raise money to fund public needs such as road construction, low-cost housing, urban renewal, and also to provide low interest rate loans to farmers, small business owners, and veterans.

Prime Quality Commercial Paper

Commercial paper has a history that extends back to colonial times, prior to the existence of a banking system in America. The precursor of commercial paper was the domestic bill of exchange, which was used to finance trade as early as the beginning of the eighteenth century. Bills of exchange allowed the safe and convenient transfer of funds and provided a short-term loan between the time of purchase and payment for goods. As financial intermediation evolved, banks and paper brokers began discounting paper. The supply of negotiable paper was held by commercial banks or by entrepreneurs investing surplus funds.

Commercial paper is a short-term unsecured promissory note that is generally sold by large corporations. In recent years commercial paper has attracted much attention because of its rapid growth and its use as an alternative to short-term bank loans. The principal issuers of commercial paper include finance companies, non-financial companies and bank holding companies. These issuers participate in the market for different reasons and in different ways. Finance companies raise funds on a more-or-less continuous basis in the commercial paper market to support their consumer and business lending. These commercial paper sales in part provide interim financing between issues of long-term debentures. Non-financial companies issue commercial paper at less frequent intervals than do finance companies. These firms issue paper to meet their funding requirements for short-term or seasonal expenditures such as inventories, payrolls and tax liabilities. Bank holding companies use the commercial paper market to finance primarily banking related activities such as leasing, mortgage banking, and consumer finance. The firms issuing paper obtain ratings from at least one of three services, and most obtain two ratings. In most cases, issuers back their paper one hundred percent with lines of credit from commercial banks. Present day investors in commercial paper include money center banks, non-financial firms, investment firms, state and local governments, private pension funds, foundations and individuals.

The County's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, of issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. "Prime quality" shall be as rated by the Moody's Investors Service, Inc. within its rating of prime 1 by Standard and Poor's Inc, within its rating of A-1 by Fitch Investors Service within its rating of F-1. The maximum percentage of funds to be invested in any one issue shall not exceed five (5) percent of the total portfolio. These securities will be held by the County's third-party custodial agent in the County's name.

Repurchase Agreements

Repurchase agreements (Repos) are an integral part of an investment program for state and local governments. Their flexibility is unmatched by other short-term money market instruments. They provide the investor an excellent cash management tool.

The sale by a bank of a government security with a simultaneous agreement to repurchase the security at a later date can insure safety of public funds while securing money market rates of interest.

The Repo is a contractual transaction between an investor and an issuing financial institution. The investor exchanges cash for temporary ownership or control of collateral securities, with an agreement between the parties that on the future date, the financial institution will repurchase the securities.

Customarily, the investor receives interest during the term of the repurchase agreement, as agreed upon at the time of the investment transaction.

An overnight repo is one that is written for one day, as its name implies. These are popular with cash managers seeking to invest funds overnight to meet specific cash needs on the next day to combine assets with other investments and incoming cash in larger denominations for a longer maturity in another instrument. Interest rates tend to be quoted in relationship to the Federal funds rates, which is the interbank lending rate for bank reserves.

Term repos are written for a specific time period of more than one day. They are usually used for maturities of less than 14 days, particularly when bank regulations require jumbo CDs to be written for at least 14 days with some having 30-day requirements. Collateral is adjusted daily to protect the investor.

Open repos are written without a specific maturity. Either party may end the transaction on a future date and the amount invested can be changed on a daily basis. Open repos are based upon a rate that keys off Federal funds or T-bill yields.

The eligibility of repos depends on the manner in which the repo is structured. The Attorney General in an opinion written in July 1982 states “that a repurchase agreement which is secured or collateralized by governmental securities which qualify under Sec. 2.2-4501 is a legally authorized investment.” During the 1985 session of the General Assembly legislation was passed authorizing the investment of public funds in overnight, term and open repurchase agreements which are collateralized with securities that are approved for direct investment.

Effective October 1, 1988, the General Assembly added Sec. 2.2-4515 requiring delivery of the underlying securities pledged as collateral for repurchase agreement transactions with a maturity date of thirty-one or more calendar days to a third-party custodian for safekeeping.

The Treasurer will use a Master Repurchase Agreement as a written contract to establish the County’s rights in all transactions. A written contract will also be used with the independent third-party custodian. The Treasurer will exercise special caution selecting parties to conduct repurchase transactions with and be able to identify the parties acting

as principals to the transaction. It is the policy of the County to concentrate its investment efforts with banks located in the Commonwealth of Virginia which are under the Virginia statutes for public funds and all banks must be approved depositories by the State Treasury Board.

Collateral is the Repo's underlying security. Repos are written against specific government securities as authorized by law. The best collateral from the investor's standpoint is short-term U.S. Treasury bills which are liquid and not subject to severe price changes.

These underlying securities should have a market value of at least 100 percent of the cost of the repurchase agreement. When entering a repurchase agreement where delivery is not required, the County shall obtain a safekeeping receipt for the specific securities purchased.

Risk is significantly reduced by delivery of underlying securities through physical delivery to a third-party custodian. Repos shall not exceed 25% of the total investment in the County's investment portfolio on any one day and no more than 15% with any one institution.

Losses can be limited in doing Repos, if not avoided entirely, by following these four basic rules: (1) operate under the terms of a clearly specified and executed master repurchase agreement with commercial Virginia banks, (2) properly assess counterparties including their corporate structure and capital strength, (3) use appropriate procedures for obtaining control of securities, and (4) evaluate securities appropriately and monitor them regularly, making margin calls when necessary.

Money Market Mutual Funds (Open End Investment Funds)

Money Market Mutual Funds are designed to provide investors a flexible alternative to conventional money market instruments. These short-term investment vehicles operate under federal securities legislation and are not regulated by the Securities and Exchange Commission (SEC). The federal regulations governing their bylaws and portfolio practices are stringent. Portfolio components must consist only of those "money market" instruments which are legal instruments for governmental units under the laws of the Commonwealth of Virginia, meet specified quality standards and mature in one year or less. Most importantly, the Net Asset Value (NAV) of the fund must be held at a constant \$1.

Delivery of money market mutual funds is not possible since you are a participant in a pool of investments. Confirmations and statements will be your proof of ownership in the pool. This makes knowing with whom you deal extremely important.

Certificates of Deposit (CD's) Commercial Banks

A certificate of deposit (CD) is a savings certificate with a fixed maturity date and specified fixed interest rate that can be issued in any denomination aside from minimum investment requirements. CD's can be negotiable or non-negotiable. Negotiable CD's are guaranteed by the issuing bank and can usually be sold in a highly liquid secondary market. They are subject to the requirements of credit rating agencies. Non-negotiable CD's are not available on secondary markets and restrict access to the funds until the maturity date of the investment. They are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-negotiable CD's in excess of \$250,000 should either be fully collateralized or the issuing bank must be included on the State of Virginia's list of qualified depositories.

Corporate Bonds (Notes)

Corporate bonds are debt securities issued by publicly held corporations to raise money for expansion or other business needs. The risk of a corporate bond for a bondholder depends on the creditworthiness of the issuing company. As with all bonds, corporate bonds have a maturity, at which time the principal is repaid to bondholders. They also usually have a stated coupon rate.

Corporate bonds typically pay a higher rate of interest than federal or municipal government bonds, but the interest earned is generally fully taxable.

Corporate bonds may be purchased at issue through a brokerage firm, usually at the offering price of \$1,000 per bond, though you may have to buy several bonds of the same issue rather than just one. Bonds can also be purchased on the secondary market at their current market price, which may be higher or lower than par.

Corporate notes are offered in both non-callable (call protected) and callable (not call protected) form. Bonds that are not call protected typically offer the benefit of higher yields in the immediate term but there is the risk that the issuer will call or redeem the bonds if the market interest rates fall.

Local Government Investment Pool

The "Investment of Public Funds and Local Government Pool Act" (LGIP) became effective January 1, 1981 and provides for a local government investment pool which will produce additional revenues for localities on short-term investments.

The pool of funds enables governmental entities to avail themselves of the economics of large-scale investing as well as active professional management of funds by the State Treasurer's investment staff.

As a member of the pool, governmental entities are able to take advantage of the investment facilities of the Commonwealth. Pooled funds are invested in accordance with

Treasury Board investment guidelines for the Commonwealth's general fund monies. This encompasses third-party delivery of Repo collateral and other professional safekeeping arrangements.

Investments will be made in conformity with Section 2.2-4600 through 2.2-4606 of the Act. There is a minimum participation of \$1,000 and minimum period for investment is one day. Rates are subject to change daily. Once the account is established, no minimum balance is required. Additional investments can be made in increments of \$1,000. The pool offers liquidity daily provided instructions are entered online or called in to the Department of the Treasury before 10:00 A.M. on the business day of the actual transfer of funds.

Accumulated income earnings are credited to each participant's account on the first day of the month for the preceding month's balance. Statements are mailed monthly to each locality.

It is not anticipated that a reserve for losses will be necessary due to restrictions on the quality of investments.

Virginia Investment Pool

The Virginia Investment Pool Trust Fund ("VIP") was established in 2013 to provide political subdivisions of the Commonwealth of Virginia an investment vehicle to pool their funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. VIP was developed by local Treasurers and investment officers under the sponsorship of the Virginia Association of Counties and the Virginia Municipal League.

VIP operates as the "VACo/VML Virginia Investment Pool" and currently offers two portfolios:

- The Stable NAV Liquidity Pool ("Liquidity Pool"), rated AAAm by Standard & Poor's (S&P), offers a stable net asset value, daily liquidity and a competitive yield. The Stable NAV Liquidity Pool is ideal for operating funds requiring immediate access. The objective of the Liquidity Pool is to provide for safety, liquidity, and a competitive rate of return.
- The 1-3 Year High Quality Bond Fund, rated AAf/S1 by S&P, is designed for funds that can be invested generally for one year or longer. The 1-3 Year Fund's returns are benchmarked against the Bank of America Merrill Lynch One-to-Three Year Corporate & Government Index. The 1-3 Year Fund aims to preserve capital while exceeding the return of the benchmark over three-year periods. Dividend income is distributed semimonthly on a pro rata basis and shall be reinvested via purchase of additional shares of the Trust. The fund is structured with sufficient liquidity for participants to access funds on a semi-monthly basis.

Both portfolios are governed by investment policies adopted by VIP's Board of Trustees and that incorporate the allowable investments identified in the Code of Virginia.

VML/VACo Finance is the administrator of VIP. Public Trust Advisors, LLC (PTA) serves as Investment Manager. PTA is a Securities and Exchange Commission registered, independent investment advisor with significant local government investment pool experience. PTA manages more than \$19 billion in public funds nationwide. Wells Fargo Bank is VIP's custodian bank.

Primary benefits of participation in the VACo/VML Virginia Investment Pool include professional investment management, diversification, shared costs, and competitive rates of return.

Arbitrage Restrictions Tax-Exempt Bonds

The term arbitrage, as applied in the context of the tax-exempt bond market, refers to the ability of state and local government borrowers to obtain funds at a lower, tax-exempt rate of interest and to invest those funds in higher-yielding, taxable investments, thereby making a profit.

The Tax Reform Act of 1986 restricts the ability of local governments to issue tax-exempt debt, complicates the tax-exempt borrowing process and affects the market for governmental entities debt issuance. An issuer of tax-exempt debt must now calculate the yield on investments and rebate to the federal government any excess amount earned over the yield on the bonds. After several changes to the temporary regulations, the Internal Revenue Service issued final regulations on June 14, 1993 effective as of July 1, 1993.

The final arbitrage regulations provide comprehensive guidelines with respect to numerous arbitrage-related matters, including arbitrage yield restriction and rebate exceptions to arbitrage rebate, valuation of investments, general allocation and accounting rules, rules applicable to refunding issues, reimbursement financing and certain abusive transactions.

The U.S. Treasury has defined an arbitrage yield limit that is the **internal rate of return (IRR)** of the bond cash flows computed to the gross proceeds of the bonds on the delivery of the bonds.

The yield on an issue of bonds is used to apply investment yield restrictions and to compute rebate liability. Once the arbitrage yield limit has been determined, the process of tracking and reporting arbitrage earnings begins. The rebate requirement creates the administrative burden of tracking investment and bond yields, maintaining arbitrage rebate accounts, and rebating the money to the federal government.

The first required rebate payment must be made five (5) years after the issue date. An issuer is entitled to a computation date credit of \$1,000 per bond year in which there are still amounts allocated to gross proceeds of an issue and on the final maturity date.

The final regulations also provide guidelines for transition rules, replacement proceeds, 18-month spending exception, small issue exception and the provisions affecting refunding issues.

Wire Transfers

The need for adequate security provisions in performing wire transfers is of tremendous importance due to the substantial sums of money involved. The following controls have been established and implemented to cover wire transfers of funds for the County of Chesterfield.

Arrangements have been made with the County's primary bank for all employees authorized to conduct wire transfer transactions to be assigned a SecureID Token Key FOB. Once assigned, only authorized individuals involved in wire transfers have access to initiate/approve a wire. SecureID Token Key FOBs are never left in the open for unauthorized people to use and cannot be used to initiate a wire without the user-created passcode. Lastly, secondary approval by an independent, authorized individual is required before the wire can be completed.

All other banks where county funds are on deposit have written instructions that any funds wired from the account may only be wired to the County's concentration account at the primary bank. The primary bank has instructions that all incoming wire transfers are to be credited to the County's concentration account and cannot be routed to another bank or account.

Email confirmations are sent by the bank and promptly verified for accuracy. Bank accounts are reconciled on a timely basis by personnel without any wire transfer responsibilities, thus ensuring that all wire transfer charges and credits are as authorized and any discrepancies are located within a reasonable amount of time.

Personnel have been cautioned against releasing any information concerning county bank accounts and funds to anyone inquiring for such information without proper identification and purpose.

GLOSSARY

Accrual Basis

Basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefits received.

Accrued Interest

On an interest-bearing security, it is interest due from the previous coupon date or issue date to the current day (usually settlement day). An investor purchasing a security would pay the principal based on the current dollar price and accrued interest on the day of settlement. On the next interest payment date, the investor would receive the interest amount for the full interest period (generally 6 months).

Arbitrage

A technique employed to take advantage of price differences in separate markets. This is accomplished by purchasing in one market for immediate sale in another at a better price. Such transactions may be executed in the same type or similar types of securities. Also used by IRS to describe process whereby governmental units borrow at tax exempt rates and reinvest at higher rates. This process is severely restricted by IRS Regulations.

Basis Points

A basis point refers to the measure of the yield to maturity of an investment calculated to four decimal places. A basis point is $1/100^{\text{th}}$ of one percent, or .01%.

Bearer Securities

Securities in which the ownership is not recorded; they are payable to the person who holds them. Title passes by delivery without endorsement. Coupons for interest are attached and are presented for payment when interest is due.

Bid

The price or rate which someone is willing to buy a security.

Bond

A written promise by the issuer to repay a fixed amount of money on a specified date and with a set annual rate of interest.

Book-entry

A security held in computerized records at the Federal Reserve in a member bank's account. Securities are held in the account for the member bank and for the member bank's customers. These securities are usually not in physical form.

Broker

A person or firm acting as an agent for buyers and sellers.

Capital Expenditures

Expenditures that result in the acquisition of or addition to fixed assets.

Cash

Currency, coin, checks, postal and express money orders, and other bankers' drafts on hand or on deposit.

Cash Basis

The basis of accounting under which revenues are recorded when received in cash and expenditures are recorded when paid.

Cash Discount

An allowance received or given if payment is completed within a stated period of time.

Certificate of Deposit

A negotiable or non-negotiable receipt for funds deposited in a bank for a specified period of time.

Commercial Paper

Extremely short-term corporate IOUs, generally due in less than a year.

Cost Accounting

Method of accounting that provides for assembling and recording of all elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

Coupon

A certificate attached to a security showing interest due on the specific interest payment date. Coupon is also the annual rate of interest paid on par value of a security.

Current Yield

The annual interest earned as a percent of the price of the investment.

Dealer

A person or firm acting as a principal in buying and selling securities.

Debenture

A bond that is not secured by a particular asset but instead is backed by the general credit of the issuer.

Debt Service

Payment of interest and repayment of principal to bond holders.

Demand Deposit

A deposit of funds where the funds are payable by the bank upon demand as in checking account.

Discount

The difference between the price of a bond and its value at maturity when the price is lower than the maturity value.

Enterprise Fund

A fund established to finance and account for the acquisition, operating and maintenance of governmental facilities and services that are entirely or predominantly self-supporting by user charges, e.g., utilities, transit systems, parking facilities.

Face Value

The amount of liability stated in the security document.

Federal Funds (Fed Funds)

Deposits held at the Federal Reserve by member banks.

Federal Funds Rates

The rate of which Fed Funds are traded between member banks.

Fiscal Year

A twelve-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of its operation.

Fixed or Permanent Assets

Assets of a long-term character which are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

Float

The amount of money represented by checks outstanding and in the process of collections.

Fund Accounts

All accounts necessary to set forth the financial operations and financial position of the fund.

General Fund

A fund used to account for all transactions of a governmental unit which are not accounted for elsewhere.

Imprest System

A system for handling minor disbursements whereby a fixed amount of money is set aside for this purpose.

Lead Bank (or Primary Bank)

When more than one bank is used, the lead bank would be the one on which the case manager relies for general banking needs and services, rather than merely for investment purposes.

Liquidity

The ability to convert an investment to cash promptly with minimum risk to principal or accrued interest.

Maturities

The dates on which the principal or stated values of investments mature and may be reclaimed.

Negotiable

A security to which the title is transferable to another.

New Issue

A security that has been registered, issued and is being sold on a market to the public for the first time. Also, delivery of the instrument is on or before the settlement date. New issues are sometimes referred to as primary shares or new offerings.

Par

Face or principal value of a security; the amount due at maturity, e.g. a \$1,000 par value bond has a redemption value upon maturity of \$1,000.

Prime Rate

The rate a bank charges its most preferred customers.

Registered Securities

Securities of which the owner is registered with the issuer and that may be transferred only with the endorsement of the registered owner or authorized representative.

Secondary Market

A market where investors purchase securities or assets from other investors/brokers, rather than from issuing companies.

Safekeeping

A bank holding account for a customer's securities. A bank may or may not charge a fee for safekeeping a security. The bank will maintain the security for the customer.

Treasury Constant Maturities

An adjustment for equivalent maturity, used by the Federal Reserve Board to compute an index based on the average yield of various Treasury securities maturing at different periods. Constant maturity yields on Treasuries are obtained by the U.S. Treasury on a

daily basis through interpolation of the Treasury yield curve, which in turn is based on closing bid-yields of actively-traded Treasury securities.

Warrant

A warrant is a promise to pay a sum of money to the payee at some future date upon presentation to the issuer. Warrants are presented to a clearing bank for payment and the clearing bank then presents the warrants to the governmental unit for payment. Warrants are used in place of checks by local governments in order to better control the date of payment of obligations and increase cash availability. Warrants are different from checks in that a check is an order to the bank to pay on demand to the authorized payee from a demand deposit account.

Yield to Maturity

The average annual return on an investment based on the interest rate, price and length of time to maturity. It differs from current yield in that it takes into consideration the increase to par of an investment bought at a discount and the decrease of an investment bought at a premium.

ECONOMIC INDICATORS

Economic news influences the government markets; prices move up or down based on investors' beliefs about the strength of the economy. When an indicator suggests the economy is growing, fear about inflation and higher interest rates generally causes prices to drop. Conversely, economic weakness indicates lower interest rates can be maintained and securities' prices generally increase.

The following examples indicate how economic news generally affects the bond market. Before figures are released, prices often adjust upward or downward based on expectations of the announcement. In many cases, prices will change significantly when the indicator is higher or lower than the estimated figure.

Indicator	Effect on Market	Reason
Business inventories are down.	Market moves down.	Inflationary spending is up and the economy is growing.
Capacity utilization is down.	Market moves up.	Output is down; the economy is slowing.
Construction spending is down.	Market moves up.	The Fed can loosen money and allow interest rates to drop. The economy is slowing.
Consumer Price Index is down.	Market moves up.	Non-inflationary; the value of the consumer dollar increases.
Durable goods are down.	Market moves up.	Spending is down; there is room for growth.
Factory orders are down.	Market moves up.	Spending is down; there is room for growth.
Gross National Product (GNP) is down.	Market moves up.	Total output is down; the economy can expand without rates rising.
Housing starts are down.	Market moves up.	The economy slowing; the Fed can loosen money and allow rates to drop.
Industrial production is down.	Market moves up.	The economy is slowing; the Fed can ease.
Leading indicators are down.	Market moves up.	Indications of a slow economy allow the Fed to be more accommodative to help stimulate the economy.
Money supply (M1) is down.	Market moves up.	Lower monetary growth; non-inflationary conditions.

Indicator	Effect on Market	Reason
Personal income is down.	Market moves up.	Non-inflationary; consumers will spend less with less income.
Producer Price Index (PPI) is down.	Market moves up.	Non-inflationary; the value of the consumer dollar increases.
Retail sales are down.	Market moves up.	A sign of slower economy; rates can fall to stimulate growth.
Unemployment is down.	Market moves down.	A larger workforce indicates economic expansion and the possibility of rising inflation.
Fed buying bills.	Market moves up.	The Fed is adding money to the system to stimulate growth.
Fed selling bills.	Market moves down.	The Fed is draining reserves out of the system to tighten monetary growth and push rates higher.
Fed is tightening.	Market moves down.	The Fed is concerned about excessive monetary growth and allows Fed funds to rise; this drives other short-term rates up.
Fed is easing.	Market moves up.	The Fed actively plans to stimulate monetary growth and allows rates to move down.
Fed doing Reops.	Market moves up.	The Fed is temporarily adding money to the system to stimulate money supply growth; rates come down.
Fed is doing Matched Sales (Reverse Repos.)	Market moves down.	The Fed is temporarily draining reserves from the system to restrain money supply growth; rates go up.
Fed lowers the discount rate.	Market moves up.	A lower rate between the banks and the Fed is passed on to consumers; rates drop and prices go up.

EXHIBITS

Code of Virginia, Investment of Public Funds.....Exhibit A

Security for Public Deposits Act Regulation.....Exhibit B

CODE OF VIRGINIA

INVESTMENT OF PUBLIC FUNDS

Title 2.2-4501 through 2.2-4516

§ 2.2-4501. Legal investments for other public funds.

A. The Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, other than sinking funds, in the following:

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. The evidences of indebtedness enumerated by this subdivision may be held directly, or in the form of repurchase agreements collateralized by such debt securities, or in the form of securities of any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio of such investment company or investment trust is limited to such evidences of indebtedness, or repurchase agreements collateralized by such debt securities, or securities of other such investment companies or investment trusts whose portfolios are so restricted.
3. Stocks, bonds, notes and other evidences of indebtedness of any state of the United States upon which there is no default and upon which there has been no default for more than 90 days, provided that within the 20 fiscal years next preceding the making of such investment, such state has not been in default for more than 90 days in the payment of any part of principal or interest of any debt authorized by the legislature of such state to be contracted.
4. Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body in the Commonwealth upon which there is no default, provided that if the principal and interest be payable from revenues or tolls and the project has not been completed, or if completed, has not established an operating record of net earnings available for payment of principal and interest equal to estimated

requirements for that purpose according to the terms of the issue, the standards of judgment and care required in Article 9 (§ [64.2-780](#) et seq.) of Chapter 7 of Title 64.2, without reference to this section, shall apply.

In any case in which an authority, having an established record of net earnings available for payment of principal and interest equal to estimated requirements for that purpose according to the terms of the issue, issues additional evidences of indebtedness for the purposes of acquiring or constructing additional facilities of the same general character that it is then operating, such additional evidences of indebtedness shall be governed by the provisions of this section without limitation.

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 upon which there is no default and upon which there has been no default for more than 90 days, provided that (i) within the 20 fiscal years next preceding the making of such investment, such city, county, town, or district has not been in default for more than 90 days in the payment of any part of principal or interest of any stock, bond, note or other evidence of indebtedness issued by it; (ii) such city, county, town, or district shall have been in continuous existence for at least 20 years; (iii) such city, county, town, or district has a population, as shown by the federal census next preceding the making of such investment, of not less than 25,000 inhabitants; (iv) the stocks, bonds, notes or other evidences of indebtedness in which such investment is made are the direct legal obligations of the city, county, town, or district issuing the same; (v) the city, county, town, or district has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount; and (vi) the net indebtedness of such city, county, town, or district (including the issue in which such investment is made), after deducting the amount of its bonds issued for self-sustaining public utilities, does not exceed 10 percent of the value of the taxable property in such city, county, town, or district, to be ascertained by the valuation of such property therein for the assessment of taxes next preceding the making of such investment.

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.

B. This section shall not apply to funds authorized by law to be invested by the Virginia Retirement System or to deferred compensation plan funds to be invested pursuant to § [51.1-601](#) or to funds contributed by a locality to a pension program for the benefit of any volunteer fire department or volunteer emergency medical services agency established pursuant to § [15.2-955](#).

C. Investments made prior to July 1, 1991, pursuant to § [51.1-601](#) are ratified and deemed valid to the extent that such investments were made in conformity with the standards set forth in Chapter 6 (§ [51.1-600](#) et seq.) of Title 51.1.

1956, c. 184, § 2-298; 1966, c. 677, § 2.1-328; 1980, c. 596; 1988, c. 834; 1991, c. 379; 1992, c. 810; 1996, c. [508](#); 1999, c. [772](#); 2001, c. [844](#); 2007, c. [67](#); 2008, c. [295](#); 2015, cc. [502](#), [503](#).

§ 2.2-4502. Investment of funds of Commonwealth, political subdivisions, and public bodies in "prime quality" commercial paper.

A. The Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control other than sinking funds in "prime quality" commercial paper, with a maturity of 270 days or less, 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" shall be as rated by at least two of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of prime 1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1, or by their corporate successors, provided that at the time of any such investment:

1. The issuing corporation, or its guarantor, has a net worth of at least fifty million dollars; and
2. The net income of the issuing corporation, or its guarantor, has averaged three million dollars per year for the previous five years; and
3. All existing senior bonded indebtedness of the issuer, or its guarantor, is rated "A" or better or the equivalent rating by at least two of the following: Moody's Investors Service, Inc., Standard & Poor's, Inc., Fitch Investor's Services, Inc., or Duff and Phelps, Inc.

Not more than thirty-five percent of the total funds available for investment may be invested in commercial paper, and not more than five percent of the total funds available for investment may be invested in commercial paper of any one issuing corporation.

B. Notwithstanding subsection A, the Commonwealth, municipal corporations, other political subdivisions and public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, except for sinking funds, in commercial paper other than "prime quality" commercial paper as defined in this section provided that:

1. Prior written approval is obtained from the governing board, committee or other entity that determines investment policy. The Treasury Board shall be the governing body for the Commonwealth; and
2. A written internal credit review justifying the creditworthiness of the issuing corporation is prepared in advance and made part of the purchase file.

(1973, c. 232, § 2.1-328.1; 1974, c. 295; 1976, c. 665; 1986, c. 170; 1987, c. 73; 1988, c. 834; 1992, c. 769; 2001, c. 844.)

§ 2.2-4503.

Not set out.

§ 2.2-4504. Investment of funds by the Commonwealth and political subdivisions in bankers' acceptances.

Notwithstanding any provisions of law to the contrary, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control other than sinking funds in bankers' acceptances.

(1981, c. 18, § 2.1-328.3; 1988, c. 834; 2001, c. 844.)

§ 2.2-4505. Investment in certificates representing ownership of treasury bond principal at maturity or its coupons for accrued periods.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, in certificates representing ownership of either treasury bond principal at maturity or its coupons for accrued periods. The underlying United States Treasury bonds or coupons shall be held by a third-party independent of the seller of such certificates.

(1983, c. 117, § 2.1-328.5; 1985, c. 352; 1988, c. 834; 2001, c. 844.)

§ 2.2-4506. Securities lending.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, political subdivisions and all public bodies of the Commonwealth may engage in securities lending from the portfolio of investments of which they have custody and control, other than sinking funds. The Treasury Board shall develop guidelines with which such securities lending shall fully comply. Such guidelines shall ensure that the state treasury is at all times fully collateralized by the borrowing institution.

(1983, c. 268, § 2.1-328.6; 2001, c. 844.)

§ 2.2-4507. Investment of funds in overnight, term and open repurchase agreements.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth, may invest any and all moneys belonging to them or within their control in overnight, term and open repurchase agreements that are collateralized with securities that are approved for direct investment.

(1985, c. 352, § 2.1-328.8; 1988, c. 834; 2001, c. 844.)

§ 2.2-4508. Investment of certain public moneys in certain mutual funds.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, other than sinking funds that are governed by the provisions of § [2.2-4500](#), in one or more open-end investment funds, provided that the funds are registered under the Securities Act (§ [13.1-501](#) et seq.) of the Commonwealth or the Federal Investment Co. Act of 1940, and that the investments by such funds are restricted to investments otherwise permitted by law for political subdivisions as set forth in this chapter, or investments in other such funds whose portfolios are so restricted.

(1986, c. 170, § 2.1-328.9; 1988, c. 834; 1996, c. 508; 2001, c. 844.)

§ 2.2-4509. Investment of funds in negotiable certificates of deposit and negotiable bank deposit notes.

Notwithstanding any provision of law to the contrary, the Commonwealth and all public officers, municipal corporations, and other political subdivisions and all other public bodies of the Commonwealth may invest any or all of the moneys belonging to them or within their control, other than sinking funds, in negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investor Service, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over one year and not exceeding five years.

(1998, cc. 20, 21, § 2.1-328.15; 2001, c. 844.)

§ 2.2-4510. Investment of funds in corporate notes.

A. Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, other than sinking funds, in high quality corporate notes with a rating of at least Aa by Moody's Investors Service, Inc., and a rating of at least AA by Standard and Poors, Inc., and a maturity of no more than five years.

B. Notwithstanding any provision of law to the contrary, any qualified public entity of the Commonwealth may invest any and all moneys belonging to it or within its control, other than sinking funds, in high quality corporate notes with a rating of at least A by two rating agencies, one of which shall be either Moody's Investors Service, Inc., or Standard and Poors, Inc.

As used in this section, "qualified public entity" means any state agency or institution of the Commonwealth, having an internal or external public funds manager with professional investment management capabilities.

C. Notwithstanding any provision of law to the contrary, the Department of the Treasury may invest any and all moneys belonging to it or within its control, other than sinking funds, in high quality corporate notes with a rating of at least BBB or Baa2 by two rating agencies, one of which shall be Moody's Investors Service, Inc., or Standard and Poors, Inc. With regard to investment securities rated below A, the Commonwealth Treasury Board shall establish strict investment guidelines concerning the investment in such securities and monitor the performance of the securities for compliance with the investment guidelines.

(1987, c. 187, § 2.1-328.10; 1988, c. 834; 1994, c. 145; 2001, c. 844; 2002, cc. 18, 438; 2005, c. 30.)

§ 2.2-4511. Investment of funds in asset-backed securities.

Notwithstanding any provision of law to the contrary, any qualified public entity of the Commonwealth may invest any and all moneys belonging to it or within its control, other than sinking funds, in asset-backed securities with a duration of no more than five years and a rating of no less than AAA by two rating agencies, one of which must be either Moody's Investors Service, Inc., or Standard and Poors, Inc.

As used in this section, "qualified public entity" means any state agency, institution of the Commonwealth or statewide authority created under the laws of the Commonwealth having an internal or external public funds manager with professional investment management capabilities.

(1994, c. 145, § 2.1-328.13; 1997, c. 29; 2001, c. 844.)

§ 2.2-4512. Investment of funds by State Treasurer in obligations of foreign sovereign governments.

Notwithstanding any provision of law to the contrary, the State Treasurer may invest unexpended or excess moneys in any fund or account over which she has custody and control, other than sinking funds, in fully hedged debt obligations of sovereign governments and companies that are fully guaranteed by such sovereign governments, with a rating of at least AAA by Moody's Investors Service, Inc., and a rating of at least AAA by Standard and Poors, Inc., and a maturity of no more than five years.

Not more than ten percent of the total funds of the Commonwealth available for investment may be invested in the manner described in this section.

(1988, c. 461, § 2.1-328.11; 2001, c. 844.)

§ 2.2-4513. Investments by transportation commissions.

Transportation commissions that provide rail service may invest in, if required as a condition to obtaining insurance, participate in, or purchase insurance provided by, foreign insurance companies that insure railroad operations.

(1988, c. 834, § 2.1-328.12; 2001, c. 844.)

§ 2.2-4513.1. Investment of funds in qualified investment pools.

A. Notwithstanding the provisions of Article 1 (§ 15.2-1300 et seq.) of Chapter 13 of Title 15.2, in any locality in which the authority to invest moneys belonging to or within the control of the locality has been granted to its elected treasurer, the treasurer may act on behalf of his locality to become a participating political subdivision in qualified investment pools without an ordinance adopted by the locality approving a joint exercise of power agreement. For purposes of this section, "qualified investment pool" means a jointly administered investment pool organized as a trust fund pursuant to Article 1 of Chapter 13 of Title 15.2 that has a professional investment manager.

B. Investments in qualified investment pools described in this section shall comply with the requirements of this chapter applicable to municipal corporations and other political subdivisions.

C. The provisions of this section shall not apply to local trusts established pursuant to Article 8 (§ 15.2-1544 et seq.) of Chapter 15 of Title 15.2 to fund postemployment benefits other than pensions.

2017, cc. 792, 819.

§ 2.2-4514. Commonwealth and its political subdivisions as trustee of public funds; standard of care in investing such funds.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds pursuant to the provisions of this chapter shall be made solely in the interest of the citizens of the Commonwealth and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(1996, c. 437, § 2.1-328.14; 2001, c. 844.)

§ 2.2-4515. Collateral and safekeeping arrangements.

Securities purchased pursuant to the provisions of this chapter shall be held by the public official, municipal corporation or other political subdivision or public body or its custodial agent who may not otherwise be a counterparty to the investment transaction. Securities held on the books of the custodial

agent by a custodial agent shall be held in the name of the municipal corporation, political subdivision or other public body subject to the public body's order of withdrawal. The responsibilities of the public official, municipal corporation, political subdivision or other public body shall be evidenced by a written agreement that shall provide for delivery of the securities by the custodial agent in the event of default by a counterparty to the investment transaction.

As used in this section, "counterparty" means the issuer or seller of a security, an agent purchasing a security on behalf of a public official, municipal corporation, political subdivision or other public body or the party responsible for repurchasing securities underlying a repurchase agreement.

The provisions of this section shall not apply to (i) investments with a maturity of less than 31 calendar days or (ii) the State Treasurer, who shall comply with safekeeping guidelines issued by the Treasury Board or to endowment funds invested in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act, Chapter 11 (§ [64.2-1100](#) et seq.) of Title 64.2. 1988, c. 834, § 2.1-329.01; 2001, c. [844](#); 2008, c. [184](#).

§ 2.2-4516. Liability of treasurers or public depositors.

When investments are made in accordance with this chapter, no treasurer or public depositor shall be liable for any loss therefrom in the absence of negligence, malfeasance, misfeasance, or nonfeasance on his part or on the part of his assistants or employees.

(1979, c. 135, § 2.1-329.1; 2001, c. 844.)

SECURITY FOR PUBLIC DEPOSITS ACT

COMMONWEALTH OF VIRGINIA TREASURY BOARD

GENERAL INFORMATION:

A. Background.

The Virginia Security for Public Deposits Act (the Act) Code of Virginia, §§2.2-4400 through 2.2-4411, creates a single body of law applicable to providing for the pledge of securities as collateral for public funds on deposit in financial institutions. The Act authorizes the Treasury Board to make and enforce regulations necessary and proper to carry out its responsibilities under the Act. Pursuant to this authority, the Treasury Board previously adopted Virginia Security for Public Deposits Act Regulations (1VAC 75-20). Upon its effective date of January 1, 1974, the Security for Public Deposits Act superseded all other existing statutes concerning security for public deposits and established a single body of law to provide a procedure for securing such deposits that is uniform throughout the Commonwealth. The Act does not, of itself, require security for any public deposit, and thus the statutes previously existing continue in effect insofar as they require certain deposits to be secured. All deposits that are required to be secured, whether by statute, by charter provision, or by the custodian of the fund, must be secured pursuant to the Act. No alternate method of securing such deposits may be utilized.

All moneys deposited by the State Treasurer must be secured pursuant to §§2.2-1814 and 2.2-1815 of the Code of Virginia. All county and city moneys deposited by a county or city treasurer or other public depositor must be secured pursuant to §58.1-3158 of the Code of Virginia.

If security is not required by law, but the deposit is within the statutory definition of a public deposit, the treasurer or custodian of the moneys may elect to require security. If the amount of the deposit is less than the maximum amount of deposit insurance applicable, there is no need for the treasurer or custodian to require security because the financial institution will deduct the maximum amount of federal deposit insurance applicable to the account and secure only the excess which is not covered by the insurance. If the deposit exceeds the amount of insurance, the treasurer or custodian may decide that the deposit should be secured. In such event, the treasurer or custodian must communicate their election to the proper officer of the financial institution at the time a deposit is made. The financial institution may require the election to be manifested in writing on a form approved by the Treasury Board. A copy of the form will be retained by the depositor, financial institution, and the State Treasurer.

B. Definition of participants.

The three major participants in the scheme of activities required by the Act are defined as follows:

1. Qualified public depositories. Any national banking association, federal savings and loan association or federal savings bank located in Virginia and any bank, trust company or savings and loan association organized under Virginia law that receives or holds public deposits which are secured pursuant to the Act.
2. Treasurers or public depositors. The State Treasurer, a county, city, or town treasurer or director of finance or similar officer and the custodian of any other public deposits secured pursuant to the Act.
3. Treasury Board. The Treasury Board of the Commonwealth created by §2.2-2415 of the Code of Virginia consisting of the State Treasurer, the State Comptroller, the State Tax Commissioner and four citizen members appointed by the Governor.

C. Treasury Board duties, powers and responsibilities.

The Treasury Board is granted authority to make and enforce regulations necessary and proper to the full and complete performance of its functions under the Act pursuant to §2.2-4405. The Board may require additional collateral of any and all depositories, may determine within the statutory criteria what securities shall be acceptable as collateral, and may fix the percentage of face value or market value of such securities that can be used to secure public deposits. The Board may also require any public depository to furnish information concerning its public deposits and fix the terms and conditions under which public deposits may be received and held. In the event of a default or insolvency of a public depository holding public deposits, the Board may take such action, as it may deem advisable for the protection, collection, compromise or settlement of any claim.

D. Administration.

The Treasury Board has designated the State Treasurer to be the chief administrative officer with respect to the provisions of the Act. Inquiries and correspondence concerning the Act should be directed to:

Treasurer of Virginia-Treasury Board
P.O. Box 1879
Richmond, Virginia 23218-1879
E. Regulation Procedure.

The Treasury Board, pursuant to the authority granted by §2.2-4405(1) and (2) and in compliance with the Administrative Process Act, has promulgated regulations in the exercise of its administrative responsibilities. (See page 20, 1VAC 75-20, Virginia Security for Public Deposits Act Regulations, November 18, 1993.)

CHAPTER 44

VIRGINIA SECURITY FOR PUBLIC DEPOSITS ACT

Section:

- 2.2-4400 Short title; declaration of intent; applicability.
- 2.2-4401 Definitions.
- 2.2-4402 Collateral for public deposits.
- 2.2-4403 Procedure for payment of losses by pooled method.
- 2.2-4404 Procedures for payment of losses by dedicated method.
- 2.2-4405 Powers of Treasury Board relating to the administration of this chapter.
- 2.2-4406 Subrogation of Treasury Board to depositor's rights; payment of sums received from distribution of assets.
- 2.2-4407 Mandatory deposit of public funds in qualified public depositories.
- 2.2-4408 Authority to make public deposits.
- 2.2-4409 Authority to secure public deposits; acceptance of liabilities and duties by public depositories.
- 2.2-4410 Liability of public depositors.
- 2.2-4411 Reports of qualified public depositories.

§2.2-4400 Short title; declaration of intent; applicability.

A. This chapter may be cited as the "Virginia Security for Public Deposits Act."

B. The General Assembly intends by this chapter to establish a single body of law applicable to the pledge of collateral for public deposits in financial institutions so that the procedure for securing public deposits may be uniform throughout the Commonwealth.

C. All public deposits in qualified public depositories that are required to be secured by other provisions of law or by a public depositor shall be secured pursuant to this chapter. Public depositors are required to secure their deposits pursuant to several applicable provisions of law, including but not limited to §§ [2.2-1813](#), [2.2-1815](#), [8.01-582](#), [8.01-600](#), [15.2-1512.1](#), [15.2-1615](#), [15.2-2625](#), [15.2-6611](#), [15.2-6637](#), [58.1-3149](#), [58.1-3150](#), [58.1-3154](#), and [58.1-3158](#).

D. This chapter, however, shall not apply to deposits made by the State Treasurer in out-of-state financial institutions related to master custody and tri-party repurchase agreements, provided (i) such deposits do not exceed ten percent of average monthly investment balances and (ii) the out-of-state financial institutions used for this purpose have a short-term deposit rating of not less than A-1 by Standard & Poor's Rating Service or P-1 by Moody's Investors Service, Inc., respectively.

1973, c. 172, §§ 2.1-359, 2.1-361; 1984, c. 135; 2000, cc. [335](#), [352](#); 2001, c. [844](#); 2010, cc. [640](#), [674](#).

§2.2-4401 Definitions.

As used in this chapter, unless the context requires a different meaning:

"Dedicated method" or "opt-out method" means the securing of public deposits without accepting the contingent liability for the losses of public deposits of other qualified public depositories, pursuant to § [2.2-4404](#) and regulations and guidelines promulgated by the Treasury Board.

"Defaulting depository" means any qualified public depository determined to be in default or insolvent.

"Default or insolvency" includes, but shall not be limited to, the failure or refusal of any qualified public depository to return any public deposit upon demand or at maturity and the issuance of an order of supervisory authority restraining such depository from making payments of deposit liabilities or the appointment of a receiver for such depository.

"Eligible collateral" means securities or instruments authorized as legal investments under the laws of the Commonwealth for public sinking funds or other public funds as well as Federal Home Loan Bank letters of credit issued in accordance with guidelines promulgated by the Treasury Board.

"Located in Virginia" means having a main office or branch office in the Commonwealth where deposits are accepted, checks are paid, and money is lent.

"Pooled method" means securing public deposits by accepting the contingent liability for the losses of public deposits of other qualified public depositories choosing this method, pursuant to § [2.2-4403](#) and regulations and guidelines promulgated by the Treasury Board.

"Public deposit" means moneys held by a public depositor who is charged with the duty to receive or administer such moneys and is acting in an official capacity, such moneys being deposited in any of the following types of accounts: nonnegotiable time deposits, demand deposits, savings deposits, or any other transaction accounts.

"Public depositor" means the Commonwealth or any county, city, town or other political subdivision thereof, including any commission, institution, committee, board, or officer of the foregoing and any state court.

"Qualified escrow agent" means the State Treasurer or any bank or trust company approved by the Treasury Board to hold collateral pledged to secure public deposits.

"Qualified public depository" means any national banking association, federal savings and loan association or federal savings bank located in Virginia, any bank, trust company or savings institution organized under Virginia law, or any state bank or savings institution organized under the laws of another state located in Virginia authorized by the Treasury Board to hold public deposits according to this chapter.

"Required collateral" of a qualified public depository means the amount of eligible collateral required to secure public deposits set by regulations or an action of the Treasury Board.

"Treasury Board" means the Treasury Board of the Commonwealth created by § [2.2-2415](#).

1973, c. 172, § 2.1-360; 1984, c. 135; 1987, c. 718; 1996, c. [77](#); 1998, cc. [20](#), [21](#); 2001, c. [844](#); 2008, c. [7](#); 2010, cc. [640](#), [674](#).

§2.2-4402 Collateral for public deposits

Qualified public depositories shall elect to secure deposits by either the pooled method or the dedicated method. Every qualified public depository shall deposit with a qualified escrow agent eligible collateral equal to or in excess of the required collateral. Eligible collateral shall be valued as determined by the Treasury Board. Substitutions and withdrawals of eligible collateral may be made as determined by the Treasury Board.

Notwithstanding any other provisions of law, no qualified public depository shall be required to give bond or pledge securities or instruments in the manner herein provided for the purpose of securing deposits received or held in the trust department of the depository and that are secured as required by § [6.2-1005](#) of the Code of Virginia or that are secured pursuant to Title 12, § 92a of the United States Code by securities of the classes prescribed by § [6.2-1005](#) of the Code of Virginia .

No qualified public depository shall accept or retain any public deposit that is required to be secured unless it has deposited eligible collateral equal to its required collateral with a qualified escrow agent pursuant to this chapter.

1973, c. 172, § 2.1-362; 2001, c. [844](#); 2010, cc. [640](#), [674](#).

§2.2-4403 Procedure for payment of losses by pooled method.

When the Treasury Board determines that a qualified public depository securing public deposits in accordance with this section is a defaulting depository, it shall as promptly as practicable take steps to reimburse public depositors for uninsured public deposits using the following procedures:

1. The Treasury Board shall ascertain the amount of uninsured public deposits held by the defaulting depository, either with the cooperation of the Commissioner of Financial Institutions, the receiver appointed for such depository, or by any other means available.
2. The amount of such uninsured public deposits ascertained as provided in subdivision 1, plus any costs associated with liquidation, shall be assessed by the Treasury Board first against the defaulting depository to the extent of the full realizable market value of the collateral pledged to secure its public deposits.
3. In the event the realized value of the pledged collateral in subdivision 2 is insufficient to satisfy the liability of the defaulting depository to its public depositors and the Treasury Board, the Treasury Board shall assess the remaining liability against all other qualified public depositories securing public deposits according to the following ratio: total average public deposit balance for each qualified public depository held during the immediately preceding twelve months divided by the total average public deposit balance for the same period held by all qualified public depositories under this section other than the defaulting depository.
4. Assessments made by the Treasury Board in accordance with subdivision 3 shall be payable by the close of business on the second business day following demand. Upon the failure of any qualified public depository to pay such assessment when due, the State Treasurer shall promptly take possession of the eligible collateral deposited with the non-paying depository's escrow agent and liquidate the same to the extent necessary to pay the original assessment plus any additional costs necessary to liquidate the collateral.
5. Upon receipt of such assessments and the net proceeds of the eligible collateral liquidated from the State Treasurer, the Treasury Board shall reimburse the public depositors to the extent of the defaulting depository's liability to them, net of any applicable deposit insurance.

1973, c. 172, § 2.1-363; 1978, c. 14; 1984, c. 135; 2001, c. [844](#); 2009, c. [64](#); 2010, cc. [640](#), [674](#).

§2.2-4404 Procedure for payment of losses by dedicated method.

When the Treasury Board determines that a qualified public depository securing public deposits in accordance with this section is a defaulting depository, it shall as promptly as practicable take steps to reimburse public depositors of all uninsured public deposits using the following procedures:

1. The Treasury Board shall ascertain the amount of uninsured public deposits held by the defaulting depository with the cooperation of the Commissioner of Financial Institutions, the receiver appointed for such depository or by any other means available.

2. The amount of such uninsured public deposits ascertained as provided in subdivision 1, plus any costs associated with liquidation of the eligible collateral of the defaulting depository, shall be assessed by the Treasury Board against the defaulting depository. The State Treasurer shall promptly take possession of the eligible collateral deposited by such depository with the depository's escrow agent, as is necessary to satisfy the assessment of the Treasury Board and shall liquidate the same and turn over the net proceeds to the Treasury Board.

3. Upon receipt from the State Treasurer of the eligible collateral liquidated, the Treasury Board shall reimburse the public depositors from the proceeds of the collateral up to the extent of the depository's deposit liability to them, net of any applicable deposit insurance.

1984, c. 135, § 2.1-363.1; 2001, c. [844](#); 2009, c. [64](#); 2010, cc. [640](#), [674](#).

§2.2-4405 Powers of Treasury Board relating to the administration of this chapter.

The Treasury Board shall have power to:

1. Make and enforce regulations and guidelines necessary and proper to the full and complete performance of its functions under this chapter;

2. Prescribe and enforce regulations and guidelines fixing terms and conditions consistent with this chapter under which public deposits must be secured;

3. Require additional collateral, in excess of the required collateral of any or all qualified public depositories as it may determine prudent under the circumstances;

4. Determine what securities or instruments shall be acceptable as eligible collateral, and fix the percentage of face value or market value of such securities or instruments that can be used to secure public deposits;

5. Establish guidelines to permit banks to withdraw from the procedures for the payment of losses under § [2.2-4403](#) and instead be governed by the procedures for the payment of losses under § [2.2-4404](#), consistent with the primary purpose of protecting public deposits;

6. Require any qualified public depository to provide information concerning its public deposits as requested by the Treasury Board; and

7. Determine when a default or insolvency has occurred and to take such action as it may deem advisable for the protection, collection, compromise or settlement of any claim arising in case of default or insolvency.

1973, c. 172, § 2.1-364; 2001, c. [844](#); 2009, c. [64](#); 2010, cc. [640](#), [674](#).

§2.2-4406 Subrogation of Treasury Board to depositor's rights; payment of sums received from distribution of assets.

Upon payment in full to any public depositor on any claim presented pursuant to § [2.2-4403](#) or [2.2-4404](#), the Treasury Board shall be subrogated to all of such depositor's rights, title and interest against the depository in default or insolvent and shall share in any distribution of such defaulting or insolvent depository's assets

ratably with other depositors. Any sums received from any such distribution shall be paid to the other qualified public depositories against which assessments were made, in proportion to such assessments, net of any proper payment or expense of the Treasury Board in enforcing any such claim.

1973, c. 172, § 2.1-365; 2001, c. [844](#); 2010, cc. [640](#), [674](#).

§2.2-4407 Mandatory deposit of public funds in qualified public depositories.

Public deposits required to be secured pursuant to this chapter shall be deposited in a qualified public depository.

1973, c. 172, § 2.1-366; 2001, c. [844](#); 2010, cc. [640](#), [674](#).

§2.2-4408 Authority to make public deposits.

A. All public depositors are hereby authorized to make public deposits under their control in qualified public depositories, securing such public deposits pursuant to this chapter.

B. Local officials handling public deposits in the Commonwealth may not require from a qualified public depository any pledge of collateral for their deposits in excess of the requirements of this chapter.

1973, c. 172, § 2.1-367; 1980, c. 538, § 2.1-234.5; 1998, cc. [20](#), [21](#); 2001, c. [844](#); 2010, cc. [640](#), [674](#).

§2.2-4409 Authority to secure public deposits; acceptance of liabilities and duties by public depositories.

All qualified public depositories are hereby authorized to secure public deposits in accordance with this chapter and shall be deemed to have accepted the liabilities and duties imposed upon it pursuant to this chapter.

1973, c. 172, § 2.1-368; 2001, c. [844](#); 2010, cc. [640](#), [674](#).

§2.2-4410 Liability of public depositors.

When deposits are made in accordance with this chapter no official of a public depositor shall be personally liable for any loss resulting from the default or insolvency of any qualified public depository in the absence of negligence, malfeasance, misfeasance, or nonfeasance on his part or on the part of his agents.

1973, c. 172, § 2.1-370; 2001, c. [844](#); 2010, cc. [640](#), [674](#).

§2.2-4411 Reports of qualified public depositories.

By the tenth day after the end of each calendar reporting month or when requested by the Treasury Board each qualified public depository shall submit to the Treasury Board an electronic report of such data required by the Treasury Board to demonstrate

that the current market value of its pledged collateral was equal to or greater than the amount of required collateral for the previous month, certified as to its accuracy by an authorized official of the qualified public depository.

Upon request by a public depositor, a qualified public depository shall provide a schedule detailing the public deposit accounts reported to the Treasury Board for that depositor, as well as the amount of total public deposits held by that depository at the close of the applicable month and the total market value of the collateral securing such public deposits.

1973, c. 172, § 2.1-369; 1979, c. 154; 2001, c. [844](#); 2010, cc. [640](#), [674](#).

CVTA Administrative and Operating Budget- Fiscal Year 2022 Draft

Category	FY 2021 Approved	FY 2021 Actual	Remaining Balance	Notes
Personnel				
Administration & Staffing	\$210,000.00	\$188,206.68	\$21,793.32	PlanRVA Invoices
Member Compensation	\$10,500.00	\$5,150.00	\$5,350.00	Qs 1-4 meeting attendance for members who requested stipend
Professional Services				
Audit	\$0.00		\$0.00	
Bank Fees & Investment Services	\$0.00		\$0.00	
General Legal Counsel*	\$36,000.00	\$36,000.00	\$0.00	
Financial Advisors	\$0.00		\$0.00	
Insurance	\$5,000.00	\$1,176.00	\$3,824.00	50% of annual coverage; pricing confirmed from RFP
Recruitment	\$15,000.00		\$15,000.00	not used
Special Bond Counsel	\$0.00		\$0.00	
Contracted Services	\$80,000.00	\$48,954.32	\$31,045.68	AECOM invoices
Technology & Communications				
Technology Services & Support*	\$2,500.00		\$2,500.00	not used
Telecommunications*	\$0.00		\$0.00	
Administrative				
Meetings Expenses	\$20,000.00	\$14,016.98	\$5,983.02	August 27 meeting at GRCC
Memberships/Subscriptions/Licenses	\$3,000.00	\$0.00	\$3,000.00	domain renewals, URL purchases
Office Expenses & Supplies*	\$1,500.00		\$1,500.00	not used
Office Space/Leasing*	\$0.00		\$0.00	
Postage*	\$500.00		\$500.00	not used
Printing, Copying & Production*	\$2,500.00		\$2,500.00	not used
Professional Development & Training	\$5,000.00		\$5,000.00	not used
Public Engagement*	\$20,000.00	\$7,518.03	\$12,481.97	Public Notice Ads- Budget and RFPs
Travel*	\$1,500.00	\$147.14	\$1,352.86	mileage to meetings
			\$0.00	
Reserves for Contingency	\$87,000.00		\$87,000.00	Reserve for other expenses to be determined
Total	\$500,000.00	\$301,169.15	\$198,830.85	

*Expense categories currently covered within PlanRVA MOU

Memorandum

August 6, 2021

To: CVTA Finance Committee Members
 From: Martha Heeter, PlanRVA
 Re: Solicitation of Financial Advisory and Bond Counsel Services

Members

Background:

Town of Ashland

Charles City
County

Chesterfield
County

Goochland
County

Hanover County

Henrico County

New Kent
County

Powhatan
County

City of
Richmond

VA House of
Delegates

Senate of VA

Commonwealth
Transportation
Board

VDRPT
VDOT
GRTC
RMTA

During the May 28, 2021 meeting of the Central Virginia Transportation Authority, the Finance Committee report included a summary of the May 12, 2021 Finance Committee presentation from Davenport Public Finance – the financial advisors for Chesterfield County - regarding: Hypothetical Borrowing Capacity, Comparison of debt load with Other Regional Authorities, Moody's Special Tax Rating Overview, and Borrowing Considerations. Based upon the presentation and guidance from legal counsel, and following discussion among the members, the Authority directed the Finance Committee to "develop and issue an RFP to procure a Financial Advisor and Bond Counsel" for the CVTA.

In preparation for the August Finance Committee and in accordance with the Authority's directive, staff collected sample Requests for Proposals for the identified services, drafted and circulated documents to the members of the Finance Directors Working Group. Staff also researched the existing agreements of the CVTA and its fiscal agent partners and consulted with legal counsel regarding the requirements of public bodies to procure the identified services in accordance with Virginia Code.

Staff consulted with Mr. Harris from Chesterfield County as representative for the Fiscal Agent Agreement between the CVTA and the County as well as Mr. Gregory, legal counsel for the Authority in examining the options for procurement of the identified services.

Enclosed, members will find a draft Scope of Services for both Financial Advisory and Bond Counsel services. These scopes were developed as part of a larger package of draft Requests for Proposals and circulated to the Finance Directors Working Group on July 30, 2021, with a request for review and comment to be provided no later than August 6, 2021.

Findings and Options:

Financial Advisory Services:

1. The Request for Proposals for Financial Advisory Services issued on December 31, 2020 by Chesterfield County included language providing for eligibility of cooperative procurement under the Code of Virginia, Section 2.2-4304, as amended, which states that "other public bodies may utilize this contract, except for 1) contracts for architectural and engineering services; or, 2) construction contracts". The RFP also included in its Scope of Work a request for provision of "direction in debt planning and management for County, Schools and Utility projects, special purpose commissions and multi-jurisdictional authorities".

2. The CVTA Financial Policies and Procedures most recently approved on February 26, 2021 provide for use of support from the Fiscal Agent with regard to Advisory Services as follows: “The designated representative of the CVTA Fiscal Agent, in conjunction with the financial advisory firm as provided via the fiscal agent agreement for advisory services, will make necessary recommendations to the finance committee on a range of topics including but not limited to: investments, reserve levels, and the consideration of any future debt issuances.” Further, the Fiscal Agent Agreement with Chesterfield County provides for additional support through this agreement in provision b of Section 1 of the Services to be provided: “Financial Advisory Services to the Authority on an as needed basis via County’s contract for advisory services.”

The Authority could pursue an open solicitation for Financial Advisory Services through a Request for Proposals or exercise the agreement that was put into place last year to leverage this capacity and the cooperative procurement provisions of the Chesterfield County Contract with Davenport Public Finance.

Should the Authority pursue the latter, the Scope of Services should be submitted to Davenport Public Finance for their response via a formal submission of a proposal. The Proposal would then be evaluated, and an engagement would be negotiated for the Authority’s review and consideration.

Bond Counsel:

1. Virginia Code exempts public bodies from the requirements of open solicitation for legal services, which includes bond counsel.

The Authority could pursue release of a Request for Qualifications for bond counsel or identify a specific firm with whom it would like to contract.

Should the Authority pursue the former, the Request for Qualifications will be released and submittals reviewed at the direction of the Finance Committee.

Conclusion and Requested Action:

Staff is requesting direction regarding the next steps for procurement of financial advisor services and bond counsel services with specific action regarding the following:

1. Exercise the existing Fiscal Agent Agreement with Chesterfield County to leverage the cooperative procurement provisions of the contract with Davenport Public Finance:
 - a. Solicit a proposal from Davenport Public Finance in response to the drafted Scope of Work (provided herein)

Scope of Work: Financial Advisory Services

The Authority is seeking proposals from qualified financial advisors to advise on the development of an investment and project financing strategy for the regional projects fund administered by the Authority. The following are a listing of services required through this RFP.

- A. Provide assistance with the development of a financing plan for regional transportation projects, including development of financial models that evaluate financing alternatives to debt.
 - 1. Proposals should give examples of project financing options that inform the Authority on key factors such as:
 - a. Debt Service Coverage
 - b. Amortization Structure and Term
 - c. Reserve Policy Guidance
 - d. Prioritization of projects in a Pay-Go model
 - 2. In addition, Proposals should advise the Authority on preparatory activities to be undertaken to cultivate and strengthen indicative ratings of the Authority. These activities may include, but not be limited to establishment of a project prioritization list and policies for liquidity, reserves and debt service.
- B. Provide advice and assistance with presentations to credit rating agencies, underwriters, institutional investors and other capital market entities, as needed.
- C. Provide debt management and financial policy planning assistance with an emphasis on achieving high rating status.
- D. Provide assistance with the issuance of General Obligation Public Improvement Bonds or other financing options permitted by the Code of Virginia, including, but not limited to, the timing, evaluation, sizing and structuring of the issues.
 - 1. Assist in determining the most appropriate method of sale, competitive or negotiated.
 - 2. Assist in developing policies and practices that meet the Authority's objective of obtaining the lowest practical interest cost and the widest competition of purchasers for its securities.
- E. Assist with selection of underwriters and the review and evaluation of all underwriting bids submitted. Assist in re-sizing the bond proceeds, as needed, to

meet funding requirements. Also, confirm terms with the successful bidder.

F. Be proactive in providing advice and assistance on refunding of bond issues.

1. Review the Authority's outstanding debt and debt structure over time.
2. Recommend strategies and opportunities to maximize savings and establish low cost financing where appropriate.

G. Assist in the preparation and review of all legal and financing documents in coordination with legal counsel, special Bond Counsel and other relevant parties.

H. Provide investment advice and/or strategies on issues such as, but not limited to:

1. Overall investment policy and philosophy
2. Debt service reserve accounts
3. Escrow fundq
4. Other long-term investments

I. Provide direction in debt planning and management.

J. Perform other financial advisory services as required by the Authority.

Scope of Work- Bond Counsel

The Authority seeks a qualified law firm to serve as bond counsel for issuance of general bonds, and related long term debt instruments and to deliver legal opinions on the issues of debt and/or funding, advising whether bonds are legal, valid and binding, and to advise the Authority on various legal issues and actions taken by the Authority related to bonds and other issues of debt.

The Contractor shall provide legal advice and services to the Authority's public finance matters, including but not limited to:

- A. Preparation of legal documents and oversight of bond proceedings;
- B. Obtaining required government approvals;
- C. Ensuring that the County meets all legal requirements of the bond issuance;
- D. Disclosing and analyzing legal proceedings that may have a bearing on the validity of the offering;
- E. Interpreting laws and regulations and assisting in structuring bond issues;
- F. Drafting required documents; and
- G. Advising on post-issuance compliance to ensure that the County meets all requirements of law which may include, but is not limited to, review of current and draft of new Authority policies and procedures, if needed.

With respect to the issuance of bonds, the Contractor shall undertake the following tasks, as applicable and appropriate:

- A. Meet and confer with Authority officials, including the Authority's general counsel, auditor, financial advisor and staff or agents, as often as necessary for the issuance of the bonds and items related thereto;
- B. Review of draft all legal documents necessary to effectuate a bond issuance. Contractor shall advise the Authority with respect to tax law, securities law, and state and local law related to the financing, and shall review the proposed use of the bond proceeds to ensure compliance with the provisions of the Internal Revenue Code and the regulations promulgated thereunder;
- C. Attend meetings with Authority officials with rating agencies as necessary to assist in obtaining a credit rating for the bonds;
- D. Prepare all applications and filings and appear before state and federal agencies, as needed, in connection with the sale of the bonds.
- E. After the sale of the bonds, the Contractor will prepare and arrange for the preparation of the bonds for execution, shall prepare and oversee the

execution of the necessary closing certifications and will establish a time and place for delivery of the bonds to the purchaser. The Contractor shall participate in the closing with appropriate Authority officials, at which time the bonds will be delivered, payment will be made for the bonds and the Contractor will issue a written legal opinion based on facts and laws existing as of the closing date that:

1. The bonds are legal, valid and binding obligations of the Authority, enforceable in accordance with the terms thereof,
 2. The security for the offering satisfies all requirements of law, and
 3. Whether and to what extent interest on the bonds is exempt from income and other taxation.
- F. In rendering opinions, Contractor shall rely upon the Authority's certified proceedings and other certifications received from Authority officials and furnished to the Authority by other persons, without independently verifying the facts contained in such certified proceedings and certifications.
- G. While the Contractor represents the Authority and its interests, the Contractor is responsible for rendering an objective opinion. The Contractor shall presume that other parties to the transaction will retain such counsel as they deem necessary and appropriate to represent their interests.