

**FINANCE COMMITTEE  
WEDNESDAY, JULY 15, 2015  
SECOND FLOOR CONFERENCE ROOM  
CITY HALL - MANASSAS, VIRGINIA  
AGENDA**

**5:30 P.M. CALL TO ORDER**

- |  |                   |
|--|-------------------|
| 1. Approve Minutes of the June 10, 2015 Finance Committee Meeting  | <b>1 Minute</b>   |
|  | <b>Page 1</b>     |
| <hr/>  |                   |
| 2. Resolution 2016-01-R Amending the FY 2016 Budget by Budgeting and Appropriating \$640,000 of State Grant Funds for Street Paving Along Route 234 (Sudley Road, Grant Avenue/Dumfries Road) (Goudarzi) | <b>2 Minutes</b>  |
|  | <b>Page 5</b>     |
| <hr/>  |                   |
| 3. City of Manassas VARF Series 2004 Loan Interest Rate Reset (York)   | <b>5 Minutes</b>  |
|  | <b>Page 15</b>    |
| <hr/>  |                   |
| 4. Consideration of Policy Statement #P-2016-01 Establishing Finance Policies for the City of Manassas (York)  | <b>10 Minutes</b> |
|  | <b>Page 31</b>    |
| <hr/>  |                   |
| 5. City of Manassas Treasurer Statement of Investment Policy (Perkins)   | <b>10 Minutes</b> |
|  | <b>Page 61</b>    |

---

City Manager's Time

---

**ADJOURNMENT**

cc: Mayor  
Council Members  
W. Patrick Pate

Paul York  
Diane Bergeron  
Tamara Sturm



**MINUTES OF THE CITY COUNCIL FINANCE COMMITTEE  
WEDNESDAY, JUNE 10, 2015  
SECOND FLOOR CONFERENCE ROOM  
CITY HALL - MANASSAS, VA**

**COMMITTEE MEMBERS PRESENT:** Council Member Marc Aveni, Chairman  
Vice Mayor Jonathan L. Way  
Council Member Mark Wolfe

**COMMITTEE MEMBERS ABSENT:** Council Member Sheryl Bass (Alternate)

**OTHERS PRESENT:** Finance and Administration Director Paul York, Budget Manager Diane Bergeron, Treasurer Robin Perkins, Family Services Director Ron King, Family Services Fiscal Manager LaTanya Bell-Buckhalter, Crime Prevention Specialist Adrienne Helms, Police Fiscal Specialist Nancy Hurley

**GUESTS PRESENT:** None

The meeting was called to order at 5:29 p.m. by Chairman Marc Aveni.

**AGENDA ITEM #1 Approve Minutes of the May 6, 2015, Finance Committee Meeting**

A motion was made and seconded to approve the minutes of the May 6, 2015, Finance Committee Meeting. The Committee approved (3/0).

**AGENDA ITEM #2 Resolution 2015-16-R Amending the FY 2015 Budget by Budgeting and Appropriating \$2,906 of State Reimbursement Revenue for Extradition Expenditures**

Nancy Hurley presented Staff's recommendation to amend the FY 2015 Budget by budgeting and appropriating \$2,906 of State Reimbursement Revenue for extradition expenditures. The Committee approved (3/0). This item will be forwarded to the June 22, 2015, City Council meeting for consideration.

**AGENDA ITEM #3 Resolution 2015-16-R Amending the FY 2015 Budget by Budgeting and Appropriating \$14,000 Reimbursement from the Gang Task Force for Overtime Worked by the Gang Task Force Detective**

Nancy Hurley presented Staff's recommendation to amend the FY 2015 Budget by budgeting and appropriating \$14,000 reimbursement from the Gang Task Force for overtime worked by the Gang Task Force detective. The Committee approved (3/0). This item will be forwarded to the June 22, 2015, City Council meeting for consideration.

**AGENDA ITEM #4 Resolution 2015-16-R to Budget and Appropriate \$1,420 of Donations to Support the Police Department's Rape Aggression Defense (RAD) Training Program**

Adrienne Helms presented Staff's recommendation to budget and appropriate \$1,420 of donations to support the Police Department's Rape Aggression Defense (RAD) training program. The Committee approved (3/0). This item will be forwarded to the June 22, 2015, City Council meeting for consideration.

**AGENDA ITEM #5 Resolution 2015-16-R Amending the FY 2015 Budget by Budgeting and Appropriating \$197,200 in Additional State Revenue and \$142,800 from the General Fund Contingency for Comprehensive Services Act for At Risk Youth and Families (CSA)**

Ron King presented Staff's recommendation to amend the FY 2015 Budget by budgeting and appropriating \$197,200 in additional State Revenue and \$142,800 from the General Fund Contingency for Comprehensive Services Act for at risk youth and families (CSA). The Committee approved (3/0). This item will be forwarded to the June 22, 2015, City Council meeting for consideration.

**AGENDA ITEM # 6 Treasurer's Investment Reports as of January 2015 and April 2015**

Robin Perkins presented the Treasurer's Investment Reports as of January 2015 and April 2015. Ms. Perkins discussed PFM as investment manager.

Councilmember Aveni suggested that a presentation be given to Council at a work session.

Also mentioned was a new investment policy

**AGENDA ITEM #7 Consideration of Resolution R-2015-48 Authorizing the Transfer of Funds from the Northern Virginia Transportation Authority Special Fund to the Sewer, Water, and Electric Capital Projects Funds for the Fiscal Year Ending June 30, 2015, and the Reversal of these Transfers for the Fiscal Year Ending June 30, 2016**

Paul York presented Staff's recommendation to authorize the transfer of funds from the Northern Virginia Transportation Authority Special Fund to the Sewer, Water, and Electric Capital Projects Funds for the Fiscal Year ending June 30, 2015, and the reversal of these transfers for the Fiscal Year ending June 30, 2016. The Committee approved (3/0). This item will be forwarded to the June 22, 2015, City Council meeting for consideration.

**AGENDA ITEM #8 Resolution 2015-16-R Amending the FY 2015 Budget by Unbudgeting and Unappropriating Gas Tax Revenue for Capital Projects**

Diane Bergeron presented Staff's recommendation to amend the FY 2015 Budget by unbudgeting and unappropriating Gas Tax Revenue for Capital Projects. The Committee approved (3/0). This item will be forwarded to the June 22, 2015, City Council meeting for consideration.

**AGENDA ITEM #9 General Fund Status Report**

Diane Bergeron presented a General Fund Status Report. This item was for information only.

**City Manager's Time**

No items.

The meeting was adjourned at 6:25 p.m. by Chairman Aveni.



**AGENDA STATEMENT**

PAGE NO. 5

ITEM NO. 2

**MEETING DATE:** July 15, 2015 – Finance Committee

**TIME ESTIMATE:** 2 Minutes

**AGENDA ITEM TITLE:** Resolution 2016-01-R Amending the FY 2016 Budget by Budgeting and Appropriating \$640,000 of State Grant Funds for Street Paving Along Route 234 (Sudley Road, Grant Avenue/Dumfries Road)

**DATE THIS ITEM WAS  
LAST CONSIDERED  
BY COUNCIL:** N/A

**SUMMARY OF  
ISSUE/TOPIC:** City staff has obtained an agreement from the Virginia Department of Transportation (VDOT) allowing for additional asphalt, milling, overlay, and pavement at various locations along Route 234 (Sudley Road, Grant Ave/Dumfries Rd). The State will fund 100% of the project, \$640,000.

This resolution will budget and appropriate \$640,000 of State Revenue in the Transportation Capital Projects Fund.

**STAFF  
RECOMMENDATION:** Approve Resolution 2016-01-R

**BOARD/COMMISSION/  
COMMITTEE:**

**RECOMMENDATION:** ☐ Approve ☐ Disapprove ☐ Reviewed ☐ See Comments

**CITY MANAGER:** ☐ Approve ☐ Disapprove ☐ Reviewed ☐ See Comments

**COMMENTS:**

**DISCUSSION  
(IF NECESSARY):**

**BUDGET/FISCAL  
IMPACT:** \$640,000 – State

**STAFF:** Bruce Goudarzi, Acting Director of Public Works





**STANDARD PROJECT ADMINISTRATION AGREEMENT**  
**State-aid Projects**

Project Number	UPC	Local Government
0234-155-305	107743	City of Manassas

THIS AGREEMENT, made and executed in triplicate this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between the City of Manassas, Virginia, hereinafter referred to as the LOCALITY and the Commonwealth of Virginia, Department of Transportation, hereinafter referred to as the DEPARTMENT.

WHEREAS, the LOCALITY has expressed its desire to administer the work described in Appendix A, and such work for each improvement shown is hereinafter referred to as the Project; and

WHEREAS, the funds shown in Appendix A have been allocated to finance the Project(s) and the funding currently allocated or proposed for the project(s) does not include Federal-aid Highway funds; and

WHEREAS, both parties have concurred in the LOCALITY's administration of the phase(s) of work for the respective Project(s) listed in Appendix A in accordance with applicable federal, state and local laws and regulations.

NOW THEREFORE, in consideration of the mutual premises contained herein, the parties hereto agree as follows:

1. The LOCALITY shall:
  - a. Be responsible for all activities necessary to complete the noted phase(s) of each Project shown in Appendix A, except for activities, decisions, and approvals which are the responsibility of the DEPARTMENT, as required by federal or state laws and regulations or as otherwise agreed to, in writing, between the parties.
  - b. Receive prior written authorization from the DEPARTMENT to proceed with the project.
  - c. Administer the project(s) in accordance with guidelines applicable to Locally Administered Projects as published by the DEPARTMENT.
  - d. Provide certification by a LOCALITY official of compliance with applicable laws and regulations on the **State Certification Form for State Funded Projects** or in another manner as prescribed by the DEPARTMENT.
  - e. Maintain accurate and complete records of each Project's development of all expenditures and make such information available for inspection or auditing by the DEPARTMENT. Records and documentation for items for which reimbursement will be requested shall be maintained for not less than three (3) years following acceptance of the final voucher on each Project.

will be requested shall be maintained for not less than three (3) years following acceptance of the final voucher on each Project.

- d. Audit the LOCALITY's Project records and documentation as may be required to verify LOCALITY compliance with applicable laws and regulations.
  - e. Make available to the LOCALITY guidelines to assist the parties in carrying out responsibilities under this Agreement.
3. Appendix A identifies the funding sources for the project, phases of work to be administered by the LOCALITY, and additional project-specific requirements agreed to by the parties. There may be additional elements that, once identified, shall be addressed by the parties hereto in writing, which may require an amendment to this Agreement.
  4. If designated by the DEPARTMENT, the LOCALITY is authorized to act as the DEPARTMENT's agent for the purpose of conducting survey work pursuant to Section 33.2-1011 of the Code of Virginia, 1950, as amended.
  5. Nothing in this Agreement shall obligate the parties hereto to expend or provide any funds in excess of funds agreed upon in this Agreement or as shall have been included in an annual or other lawful appropriation. In the event the cost of a Project is anticipated to exceed the allocation shown for such respective Project on Appendix A, both parties agree to cooperate in providing additional funding for the Project or to terminate the Project before its cost exceeds the allocated amount, however the DEPARTMENT and the LOCALITY shall not be obligated to provide additional funds beyond those appropriated pursuant to an annual or other lawful appropriation.
  6. Nothing in this agreement shall be construed as a waiver of the LOCALITY's or the Commonwealth of Virginia's sovereign immunity.
  7. The Parties mutually agree and acknowledge, in entering this Agreement, that the individuals acting on behalf of the Parties are acting within the scope of their official authority and the Parties agree that neither Party will bring a suit or assert a claim against any official, officer, or employee of either party, in their individual or personal capacity for a breach or violation of the terms of this Agreement or to otherwise enforce the terms and conditions of this Agreement. The foregoing notwithstanding, nothing in this subparagraph shall prevent the enforcement of the terms and conditions of this Agreement by or against either Party in a competent court of law.
  8. The Parties mutually agree that no provision of this Agreement shall create in the public, or in any person or entity other than parties, rights as a third party beneficiary hereunder, or authorize any person or entity, not a party hereto, to maintain any action for, without limitation, personal injury, property damage, breach of contract, or return of money, or property, deposit(s), cancellation or forfeiture of bonds, financial instruments, pursuant to the terms of this of this Agreement or otherwise. Notwithstanding any other provision of this Agreement to the contrary, unless otherwise provided, the Parties agree that the LOCALITY or the DEPARTMENT shall not be bound by any agreements between the either party and other persons or entities concerning any matter which is the subject of this Agreement, unless and until the LOCALITY or the DEPARTMENT has, in writing,

- d. Audit the LOCALITY's Project records and documentation as may be required to verify LOCALITY compliance with applicable laws and regulations.
  - e. Make available to the LOCALITY guidelines to assist the parties in carrying out responsibilities under this Agreement.
3. Appendix A identifies the funding sources for the project, phases of work to be administered by the LOCALITY, and additional project-specific requirements agreed to by the parties. There may be additional elements that, once identified, shall be addressed by the parties hereto in writing, which may require an amendment to this Agreement.
  4. If designated by the DEPARTMENT, the LOCALITY is authorized to act as the DEPARTMENT's agent for the purpose of conducting survey work pursuant to Section 33.2-1011 of the Code of Virginia, 1950, as amended.
  5. Nothing in this Agreement shall obligate the parties hereto to expend or provide any funds in excess of funds agreed upon in this Agreement or as shall have been included in an annual or other lawful appropriation. In the event the cost of a Project is anticipated to exceed the allocation shown for such respective Project on Appendix A, both parties agree to cooperate in providing additional funding for the Project or to terminate the Project before its cost exceeds the allocated amount, however the DEPARTMENT and the LOCALITY shall not be obligated to provide additional funds beyond those appropriated pursuant to an annual or other lawful appropriation.
  6. Nothing in this agreement shall be construed as a waiver of the LOCALITY's or the Commonwealth of Virginia's sovereign immunity.
  7. The Parties mutually agree and acknowledge, in entering this Agreement, that the individuals acting on behalf of the Parties are acting within the scope of their official authority and the Parties agree that neither Party will bring a suit or assert a claim against any official, officer, or employee of either party, in their individual or personal capacity for a breach or violation of the terms of this Agreement or to otherwise enforce the terms and conditions of this Agreement. The foregoing notwithstanding, nothing in this subparagraph shall prevent the enforcement of the terms and conditions of this Agreement by or against either Party in a competent court of law.
  8. The Parties mutually agree that no provision of this Agreement shall create in the public, or in any person or entity other than parties, rights as a third party beneficiary hereunder, or authorize any person or entity, not a party hereto, to maintain any action for, without limitation, personal injury, property damage, breach of contract, or return of money, or property, deposit(s), cancellation or forfeiture of bonds, financial instruments, pursuant to the terms of this of this Agreement or otherwise. Notwithstanding any other provision of this Agreement to the contrary, unless otherwise provided, the Parties agree that the LOCALITY or the DEPARTMENT shall not be bound by any agreements between the either party and other persons or entities concerning any matter which is the subject of this Agreement, unless and until the LOCALITY or the DEPARTMENT has, in writing,

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed as of the day, month, and year first herein written.

**CITY OF MANASSAS, VIRGINIA:**

\_\_\_\_\_

\_\_\_\_\_  
Typed or printed name of signatory

City Manager

Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Date

NOTE: The official signing for the LOCALITY must attach a certified copy of his or her authority to execute this agreement.

**COMMONWEALTH OF VIRGINIA, DEPARTMENT OF TRANSPORTATION:**

\_\_\_\_\_  
Chief of Policy

\_\_\_\_\_  
Date

Commonwealth of Virginia

Department of Transportation

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Date

**Attachment**

Appendix A UPC 107743

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed as of the day, month, and year first herein written.

\_\_\_\_\_ OF \_\_\_\_\_, VIRGINIA:

\_\_\_\_\_

\_\_\_\_\_  
Typed or printed name of signatory

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Date

NOTE: The official signing for the LOCALITY must attach a certified copy of his or her authority to execute this agreement.

**COMMONWEALTH OF VIRGINIA, DEPARTMENT OF TRANSPORTATION:**

\_\_\_\_\_  
Chief of Policy

\_\_\_\_\_  
Date

Commonwealth of Virginia

Department of Transportation

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Date

**Attachment**

**Appendix A UPC 107743**

## Appendix A

Project Number: 0234-155-305 UPC: 107743 CFDA # N/A Locality: City of Manassas

Project Location ZIP+4: 20110-4418

Locality DUNS# 30342448

Locality Address (incl ZIP+4): 9027 Center Street; Manassas, VA 20110-5445

## Project Narrative

Scope: Mill and Overlay existing pavement on Route 234 (Sudley Road, Grant Ave/Dumfries Road)

From: Godwin Drive

To: Winterset Drive

Locality Project Manager Contact Info: Bruce Goudarzi

bgoudarzi@manassasva.gov

Department Project Coordinator Contact Info:

John Flemming, (703) 259-2387

John.Flemming@VDOT.Virginia.gov

## Project Estimates

	Preliminary Engineering	Right of Way and Utilities	Construction	Total Estimated Cost
Estimated Locally Project Expenses	\$0	\$0	\$633,600	\$633,600
Estimated VDOT Project Expenses	\$0		\$6,400	\$6,400
Estimated Total Project Costs	\$0	\$0	\$640,000	\$640,000

## Project Cost and Reimbursement

Phase	Estimated Project Costs	Funds type (Choose from drop down box)	Local % Participation for Funds Type	Local Share Amount	Maximum Reimbursement (Estimated Cost - Local Share)	Estimated Reimbursement to Locality (Max. Reimbursement - Est. VDOT Expenses)
Preliminary Engineering						
Total PE						\$0
Right of Way & Utilities						
Total RW						\$0
Construction	\$640,000	State Funds	0%	\$0	\$640,000	
				\$0	\$0	
				\$0	\$0	
				\$0	\$0	
				\$0	\$0	
Total CN	\$640,000			\$0	\$640,000	\$633,600
Total Estimated Cost	\$640,000			\$0	\$640,000	\$633,600

Total Maximum Reimbursement by VDOT to Locality (Less Local Share)

\$640,000

Estimated Total Reimbursement by VDOT to Locality (Less Local Share and VDOT Expenses)

\$633,600

## Project Financing

State Funds						Aggregate Allocations
\$640,000						\$640,000

## Program and project Specific Funding Requirements

Urban Manual

Locally Administered Projects Manual

- This project shall be administered in accordance with VDOT's
- This project shall be administered in accordance with VDOT's
- This project shall meet all applicable ADA requirements
- The Locality will continue to operate and maintain the facility as constructed. Should the design features of the project be altered by the Locality subsequent to project completion without approval of the Department, the locality inherently agrees, by execution of this agreement, to make restitution, either physically or monetarily, as required by the Department.

- Funds for this project are not available until July 1, 2015

- This project must be advertised within six months of award funding or be subject to deallocation

- This is a limited funds project. The Locality shall be responsible for any additional funding in excess of

\$640,000

- Total project allocations: \$640,000

Authorized Locality Official and date

Typed or printed name of person signing

Authorized VDOT Official  
Recommendation and Date

Claudia Llana

Typed or printed name of person signing

## RESOLUTION 2016-01-R

Adopted:

BE IT RESOLVED by the Council of the City of Manassas meeting in regular session this 27<sup>th</sup> day of July, 2015, that the following funds be budgeted and appropriated as shown.

<u>ACCOUNT NO.</u>				<u>AMOUNT</u>
<b>TRANSPORTATION CAPITAL PROJECTS FUND</b>				
<u>Revenue:</u>				
340-0000-324-25-00	CP5156	State Grant	\$	640,000
<u>Expenditure:</u>				
340-5156-505-39-00	CP5156	Street Paving	\$	640,000

For: State Grant for Route 234 (Sudley Road, Grant Avenue/Dumfries Road) Street Paving

\_\_\_\_\_  
Harry J. Parrish II                      MAYOR  
On Behalf of the City Council  
of Manassas, Virginia

ATTEST:

\_\_\_\_\_  
Andrea P. Madden                      City Clerk



## FINANCE COMMITTEE AGENDA STATEMENT

PAGE NO. 15

ITEM NO. 3

MEETING DATE: July 15, 2015

TIME ESTIMATE: 5 Minutes

AGENDA ITEM TITLE: City of Manassas VARF Series 2004 Loan Interest Rate Reset

DATE THIS ITEM WAS  
LAST CONSIDERED  
BY COUNCIL: N/A

**SUMMARY OF  
ISSUE/TOPIC:**

As a result of recent actions taken by Virginia Resources Authority (VRA) and the Virginia Aviation Board (VAB) with respect to deleveraging the Virginia Airports Revolving Fund Loans (VARF), VRA is able to offer the City an interest rate reduction on the City of Manassas VARF Series 2004 Airport Loan. The interest rate on the Loan can be reset (reduced) from 5.00% to 2.80% for the remaining life of the Loan. This interest rate reduction will result in interest expense savings to the Airport of approximately \$85,000. The Loan is scheduled to be paid off in 2024.

In order to proceed with this rate reset the City would need to adopt an authorizing resolution to amend the existing financing agreement between VRA and the City. The only costs to accomplish this interest rate reduction are related to legal fees.

**STAFF**

**RECOMMENDATION:** Approve the resolution to amend the existing financing agreement between the VRA and the City to reset the interest rate on the City of Manassas VARF Series 2004 Airport Loan from 5% to 2.8%.

**BOARD/COMMISSION/  
COMMITTEE:**

**RECOMMENDATION:**  X  Approve     Disapprove     Reviewed     See Comments

**CITY MANAGER:**     Approve     Disapprove     Reviewed     See Comments

**COMMENTS:**

**DISCUSSION  
(IF NECESSARY):**

**BUDGET/FISCAL  
IMPACT:**

Annual debt service savings of approximately \$9,800 for a total savings in excess of \$85,000 for the Airport Fund.

**STAFF:** Paul E. York, Finance and Administration Director, (703) 257-8234



**RESOLUTION PROVIDING FOR THE REDUCTION OF THE  
INTEREST RATE OF THE CITY OF MANASSAS, VIRGINIA,  
TAXABLE GENERAL OBLIGATION AIRPORT BOND, SERIES  
OF 2004, AND OTHER ACTIONS RELATED THERETO**

**WHEREAS**, on April 14, 2004, the City of Manassas, Virginia (the "Borrower"), issued its \$1,401,714.45 Taxable General Obligation Airport Bond, Series of 2004 (the "Original Local Bond") and sold the Original Local Bond to the Virginia Resources Authority ("VRA") pursuant to a Financing Agreement (the "Original Financing Agreement") dated as of April 1, 2004, between the Borrower and VRA;

**WHEREAS**, VRA purchased the Original Local Bond with a portion of the proceeds of one of the series of VRA's Airports Revolving Fund Revenue Bonds (the "VRA VARF Bonds");

**WHEREAS**, VRA and the Virginia Aviation Board ("VAB") have advised the Borrower that as of May 6, 2015, certain VRA VARF Bonds have been defeased or redeemed (the "Redemption Transaction"), which will allow VRA to reduce the interest rate on the Original Local Bond ("Local Bond Rate Reset") and will result in the realization of debt service savings by the Borrower;

**WHEREAS**, VRA effected the Redemption Transaction through a deposit of Virginia Airports Revolving Fund ("VARF") equity to defease or redeem certain of the VRA VARF Bonds;

**WHEREAS**, VRA has indicated that if the Borrower participates in the Local Bond Rate Reset (i) the periodic debt service payments under the Original Local Bond will be reduced to reflect a decreased interest rate on the Original Local Bond, and (ii) the most significant modifications required to the terms of the Original Local Bond and the Original Financing Agreement will be to amend the payment schedule of the Original Local Bond based on the Local Bond Rate Reset;

**WHEREAS**, the Borrower's participation in the Refunding Transaction will be evidenced by an Amendment to Financing Agreement dated as of a date determined by VRA and between the Borrower and VRA (the "Amendment," and, together with the Original Financing Agreement, the "Financing Agreement") and an Allonge to the Original Local Bond (the "Allonge," and, together with the Original Local Bond, the "Local Bond"), forms of which have been presented to this meeting; and

**WHEREAS**, unless otherwise defined each capitalized term used in this Resolution shall have the meaning given it in the Financing Agreement.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MANASSAS, VIRGINIA:**

**1. Agreement to Participate; Authorization of Amendment and Allonge.** In consideration for the benefits of an interest rate reduction and debt service savings, the Borrower's participation in the Local Bond Rate Reset is hereby approved. The forms of the

Amendment and the Allonge are also hereby approved. The Mayor, the Vice Mayor and the City Manager, any of whom may act, are hereby authorized to execute and deliver the Amendment and the Allonge in substantially such form, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by any officer executing the Amendment. The approval of the Amendment and the Allonge shall be evidenced conclusively by the execution and delivery thereof. The City Clerk or Deputy City Clerk is hereby authorized to affix the Borrower's seal on any such documents and attest the same.

**2. Other Actions.** All other actions of officers of the Borrower in conformity with the purposes and intent of this resolution and in furtherance of the execution and delivery of the Amendment and Allonge are hereby ratified, approved and confirmed. The officers and agents of the Borrower are each authorized and directed to execute and deliver all certificates, documents, agreements and instruments and to take all such further action as they may consider necessary and desirable in connection with the Local Bond Rate Reset, including the execution and delivery of such documents and the making of such elections as may be reasonably requested by VRA.

**3. Effective Date.** This Resolution shall take effect immediately.

**ALLONGE DATED JULY \_\_, 2015, ATTACHED TO  
CITY OF MANASSAS, VIRGINIA  
TAXABLE GENERAL OBLIGATION AIRPORT BOND, SERIES OF 2004  
DATED APRIL 14, 2004  
PAYABLE TO VIRGINIA RESOURCES AUTHORITY**

The Virginia Resources Authority ("VRA") acquired the above-referenced bond (the "Original Local Bond") of the City of Manassas, Virginia (the "Borrower"), with the proceeds of VRA's \$10,820,000 Airports Revolving Fund Revenue Bonds, Series 2004 (Taxable) (the "VRA Bonds").

On May 6, 2015, VRA defeased the VRA Bonds with available funds from the Virginia Airports Revolving Fund, and in connection therewith VRA and the Borrower desire to amend the Original Local Bond as follows:

(a) The interest on the Original Local Bond (R-1) is reduced from 5.0% per annum to 2.8% per annum beginning on \_\_\_\_\_ 1, 2015.

(b) Schedule I to the Original Local Bond is hereby deleted and replaced with Schedule I-2.

The Borrower ratifies and confirms the Original Local Bond as modified hereby and, except as specifically modified hereby, the terms and provisions of the Original Local Bond remain in full force and effect. The Original Local Bond as modified hereby shall be interpreted and construed in accordance with Virginia law.

This Allonge shall be physically attached to the Original Local Bond, simultaneously with the entry into this Allonge by the parties hereto, to evidence the modification of the provisions of the Original Local Bond which are affected hereby.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the CITY OF MANASSAS, VIRGINIA, has caused this Allonge to be signed by the manual signature of its Mayor, Vice Mayor or City Manager and the seal of the Borrower to be affixed hereon and attested by the manual signature of its City Clerk or Deputy City Clerk, as of the date set forth above.

**CITY OF MANASSAS, VIRGINIA**

By: \_\_\_\_\_  
[NAME AND TITLE]

[SEAL]

ATTEST:

\_\_\_\_\_  
[Deputy] City Clerk

Virginia Resources Authority hereby agrees to the aforementioned amendments set forth in this Allonge.

**APPROVED:**

**VIRGINIA RESOURCES AUTHORITY**

By \_\_\_\_\_

Title \_\_\_\_\_

U.S. Bank National Association, as Trustee, hereby acknowledges the aforementioned amendments set forth in this Allonge.

**ACKNOWLEDGED:**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

By \_\_\_\_\_

Title \_\_\_\_\_





**SCHEDULE I-2**  
**DEBT SERVICE SCHEDULE**  
**(Proposed Attached)**

Allonge Date 7/29/2015 Old Rate 5.000%  
Days 360 from 7/1/15 - 7/29/15 28 New Rate 2.800%  
Days 360 from 7/29/15 - 8/1/15 2

2004 City of Manassas Rate Reset DS Schedule				
Date	Principal	Rate	Interest	Balance
Total	\$ 805,255.49		\$107,627.41	\$ 912,882.90

Prior Total Debt Service
\$ 997,779.94

Savings
\$ 84,897.04

Fiscal Year Savings
\$ 84,897.04

	7/1/2015	\$ 6,057.79	5.000%	\$ 3,355.23	\$ 9,413.02	\$ 799,197.70	\$ 9,413.02	\$	
	8/1/2015	6,083.03	4.853%	3,232.31	9,315.34	793,114.67	9,413.02		97.68
1	9/1/2015	6,747.04	2.800%	1,850.60	8,597.64	786,367.63	9,413.01		815.37
2	10/1/2015	6,762.78	2.800%	1,834.86	8,597.64	779,604.85	9,413.02		815.38
3	11/1/2015	6,778.56	2.800%	1,819.08	8,597.64	772,826.29	9,413.02		815.38
4	12/1/2015	6,794.38	2.800%	1,803.26	8,597.64	766,031.91	9,413.02		815.38
5	1/1/2016	6,810.23	2.800%	1,787.41	8,597.64	759,221.68	9,413.02		815.38
6	2/1/2016	6,826.12	2.800%	1,771.52	8,597.64	752,395.55	9,413.02		815.38
7	3/1/2016	6,842.05	2.800%	1,755.59	8,597.64	745,553.50	9,413.02		815.38
8	4/1/2016	6,858.01	2.800%	1,739.62	8,597.64	738,695.49	9,413.02		815.38
9	5/1/2016	6,874.02	2.800%	1,723.62	8,597.64	731,821.47	9,413.02		815.38
10	6/1/2016	6,890.06	2.800%	1,707.58	8,597.64	724,931.42	9,413.02		815.38
11	7/1/2016	6,906.13	2.800%	1,691.51	8,597.64	718,025.28	9,413.02		8,251.47
12	8/1/2016	6,922.25	2.800%	1,675.39	8,597.64	711,103.03	9,413.02		815.38
13	9/1/2016	6,938.40	2.800%	1,659.24	8,597.64	704,164.64	9,413.02		815.38
14	10/1/2016	6,954.59	2.800%	1,643.05	8,597.64	697,210.05	9,413.01		815.37
15	11/1/2016	6,970.82	2.800%	1,626.82	8,597.64	690,239.23	9,413.02		815.38
16	12/1/2016	6,987.08	2.800%	1,610.56	8,597.64	683,252.15	9,413.02		815.38
17	1/1/2017	7,003.38	2.800%	1,594.26	8,597.64	676,248.76	9,413.02		815.38
18	2/1/2017	7,019.73	2.800%	1,577.91	8,597.64	669,229.04	9,413.02		815.38
19	3/1/2017	7,036.11	2.800%	1,561.53	8,597.64	662,192.93	9,413.01		815.37
20	4/1/2017	7,052.52	2.800%	1,545.12	8,597.64	655,140.41	9,413.02		815.38
21	5/1/2017	7,068.98	2.800%	1,528.66	8,597.64	648,071.43	9,413.02		815.38
22	6/1/2017	7,085.47	2.800%	1,512.17	8,597.64	640,985.96	9,413.02		815.38
23	7/1/2017	7,102.01	2.800%	1,495.63	8,597.64	633,883.95	9,413.02		9,784.54
24	8/1/2017	7,118.58	2.800%	1,479.06	8,597.64	626,765.37	9,413.02		815.38
25	9/1/2017	7,135.19	2.800%	1,462.45	8,597.64	619,630.19	9,413.02		815.38
26	10/1/2017	7,151.84	2.800%	1,445.80	8,597.64	612,478.35	9,413.02		815.38
27	11/1/2017	7,168.52	2.800%	1,429.12	8,597.64	605,309.83	9,413.02		815.38
28	12/1/2017	7,185.25	2.800%	1,412.39	8,597.64	598,124.58	9,413.01		815.37
29	1/1/2018	7,202.02	2.800%	1,395.62	8,597.64	590,922.56	9,413.02		815.38
30	2/1/2018	7,218.82	2.800%	1,378.82	8,597.64	583,703.74	9,413.01		815.37
31	3/1/2018	7,235.66	2.800%	1,361.98	8,597.64	576,468.08	9,413.02		815.38
32	4/1/2018	7,252.55	2.800%	1,345.09	8,597.64	569,215.53	9,413.02		815.38
33	5/1/2018	7,269.47	2.800%	1,328.17	8,597.64	561,946.06	9,413.02		815.38
34	6/1/2018	7,286.43	2.800%	1,311.21	8,597.64	554,659.63	9,413.02		815.38
35	7/1/2018	7,303.43	2.800%	1,294.21	8,597.64	547,356.19	9,413.02		9,784.54
36	8/1/2018	7,320.48	2.800%	1,277.16	8,597.64	540,035.72	9,413.02		815.38
37	9/1/2018	7,337.56	2.800%	1,260.08	8,597.64	532,698.16	9,413.02		815.38
38	10/1/2018	7,354.68	2.800%	1,242.96	8,597.64	525,343.48	9,413.02		815.38
39	11/1/2018	7,371.84	2.800%	1,225.80	8,597.64	517,971.64	9,413.02		815.38
40	12/1/2018	7,389.04	2.800%	1,208.60	8,597.64	510,582.60	9,413.02		815.38
41	1/1/2019	7,406.28	2.800%	1,191.36	8,597.64	503,176.32	9,413.02		815.38
42	2/1/2019	7,423.56	2.800%	1,174.08	8,597.64	495,752.76	9,413.02		815.38
43	3/1/2019	7,440.88	2.800%	1,156.76	8,597.64	488,311.88	9,413.02		815.38
44	4/1/2019	7,458.25	2.800%	1,139.39	8,597.64	480,853.63	9,413.02		815.38
45	5/1/2019	7,475.65	2.800%	1,121.99	8,597.64	473,377.99	9,413.01		815.37
46	6/1/2019	7,493.09	2.800%	1,104.55	8,597.64	465,884.89	9,413.02		815.38
47	7/1/2019	7,510.58	2.800%	1,087.06	8,597.64	458,374.32	9,413.01		9,784.55
48	8/1/2019	7,528.10	2.800%	1,069.54	8,597.64	450,846.22	9,413.02		815.38
49	9/1/2019	7,545.67	2.800%	1,051.97	8,597.64	443,300.55	9,413.02		815.38
50	10/1/2019	7,563.27	2.800%	1,034.37	8,597.64	435,737.28	9,413.02		815.38
51	11/1/2019	7,580.92	2.800%	1,016.72	8,597.64	428,156.36	9,413.02		815.38
52	12/1/2019	7,598.61	2.800%	999.03	8,597.64	420,557.75	9,413.02		815.38
53	1/1/2020	7,616.34	2.800%	981.30	8,597.64	412,941.42	9,413.02		815.38
54	2/1/2020	7,634.11	2.800%	963.53	8,597.64	405,307.31	9,413.01		815.37
55	3/1/2020	7,651.92	2.800%	945.72	8,597.64	397,655.38	9,413.02		815.38
56	4/1/2020	7,669.78	2.800%	927.86	8,597.64	389,985.61	9,413.02		815.38

Allonge Date 7/29/2015 Old Rate 5.000%  
Days 360 from 7/1/15 - 7/29/15 28 New Rate 2.800%  
Days 360 from 7/29/15 - 8/1/15 2

2004 City of Manassas Rate Reset DS Schedule						Prior Total	Savings	Fiscal Year
Date	Principal	Rate	Interest	Total	Balance	Debt Service		Savings
Total	\$ 805,255.49		\$107,627.41	\$ 912,882.90		\$ 997,779.94	\$ 84,897.04	\$ 84,897.04
57	5/1/2020	7,687.67	2.800%	909.97	8,597.64	382,297.93	9,413.02	815.38
58	6/1/2020	7,705.61	2.800%	892.03	8,597.64	374,592.32	9,413.02	815.38
59	7/1/2020	7,723.59	2.800%	874.05	8,597.64	366,868.73	9,413.01	815.37
60	8/1/2020	7,741.61	2.800%	856.03	8,597.64	359,127.12	9,413.02	815.38
61	9/1/2020	7,759.68	2.800%	837.96	8,597.64	351,367.44	9,413.01	815.37
62	10/1/2020	7,777.78	2.800%	819.86	8,597.64	343,589.66	9,413.02	815.38
63	11/1/2020	7,795.93	2.800%	801.71	8,597.64	335,793.73	9,413.02	815.38
64	12/1/2020	7,814.12	2.800%	783.52	8,597.64	327,979.61	9,413.01	815.37
65	1/1/2021	7,832.35	2.800%	765.29	8,597.64	320,147.25	9,413.02	815.38
66	2/1/2021	7,850.63	2.800%	747.01	8,597.64	312,296.62	9,413.02	815.38
67	3/1/2021	7,868.95	2.800%	728.69	8,597.64	304,427.68	9,413.02	815.38
68	4/1/2021	7,887.31	2.800%	710.33	8,597.64	296,540.37	9,413.02	815.38
69	5/1/2021	7,905.71	2.800%	691.93	8,597.64	288,634.65	9,413.02	815.38
70	6/1/2021	7,924.16	2.800%	673.48	8,597.64	280,710.50	9,413.01	815.37
71	7/1/2021	7,942.65	2.800%	654.99	8,597.64	272,767.85	9,413.02	815.38
72	8/1/2021	7,961.18	2.800%	636.46	8,597.64	264,806.67	9,413.02	815.38
73	9/1/2021	7,979.76	2.800%	617.88	8,597.64	256,826.91	9,413.02	815.38
74	10/1/2021	7,998.38	2.800%	599.26	8,597.64	248,828.53	9,413.02	815.38
75	11/1/2021	8,017.04	2.800%	580.60	8,597.64	240,811.49	9,413.02	815.38
76	12/1/2021	8,035.75	2.800%	561.89	8,597.64	232,775.74	9,413.02	815.38
77	1/1/2022	8,054.50	2.800%	543.14	8,597.64	224,721.25	9,413.01	815.37
78	2/1/2022	8,073.29	2.800%	524.35	8,597.64	216,647.96	9,413.01	815.37
79	3/1/2022	8,092.13	2.800%	505.51	8,597.64	208,555.83	9,413.02	815.38
80	4/1/2022	8,111.01	2.800%	486.63	8,597.64	200,444.82	9,413.02	815.38
81	5/1/2022	8,129.94	2.800%	467.70	8,597.64	192,314.89	9,413.02	815.38
82	6/1/2022	8,148.91	2.800%	448.73	8,597.64	184,165.98	9,413.02	815.38
83	7/1/2022	8,167.92	2.800%	429.72	8,597.64	175,998.06	9,413.02	815.38
84	8/1/2022	8,186.98	2.800%	410.66	8,597.64	167,811.08	9,413.02	815.38
85	9/1/2022	8,206.08	2.800%	391.56	8,597.64	159,605.00	9,413.01	815.37
86	10/1/2022	8,225.23	2.800%	372.41	8,597.64	151,379.77	9,413.02	815.38
87	11/1/2022	8,244.42	2.800%	353.22	8,597.64	143,135.35	9,413.02	815.38
88	12/1/2022	8,263.66	2.800%	333.98	8,597.64	134,871.70	9,413.02	815.38
89	1/1/2023	8,282.94	2.800%	314.70	8,597.64	126,588.76	9,413.01	815.37
90	2/1/2023	8,302.27	2.800%	295.37	8,597.64	118,286.49	9,413.02	815.38
91	3/1/2023	8,321.64	2.800%	276.00	8,597.64	109,964.85	9,413.02	815.38
92	4/1/2023	8,341.06	2.800%	256.58	8,597.64	101,623.80	9,413.02	815.38
93	5/1/2023	8,360.52	2.800%	237.12	8,597.64	93,263.28	9,413.02	815.38
94	6/1/2023	8,380.03	2.800%	217.61	8,597.64	84,883.25	9,413.02	815.38
95	7/1/2023	8,399.58	2.800%	198.06	8,597.64	76,483.68	9,413.02	815.38
96	8/1/2023	8,419.18	2.800%	178.46	8,597.64	68,064.50	9,413.02	815.38
97	9/1/2023	8,438.82	2.800%	158.82	8,597.64	59,625.68	9,413.01	815.37
98	10/1/2023	8,458.51	2.800%	139.13	8,597.64	51,167.16	9,413.02	815.38
99	11/1/2023	8,478.25	2.800%	119.39	8,597.64	42,688.91	9,413.02	815.38
100	12/1/2023	8,498.03	2.800%	99.61	8,597.64	34,190.88	9,413.02	815.38
101	1/1/2024	8,517.86	2.800%	79.78	8,597.64	25,673.02	9,413.02	815.38
102	2/1/2024	8,537.74	2.800%	59.90	8,597.64	17,135.28	9,413.02	815.38
103	3/1/2024	8,557.66	2.800%	39.98	8,597.64	8,577.63	9,413.01	815.37
104	4/1/2024	8,577.63	2.800%	20.01	8,597.64		9,413.02	815.38



**AMENDMENT TO FINANCING AGREEMENT**

**Between**

**VIRGINIA RESOURCES AUTHORITY**

**AND**

**CITY OF MANASSAS, VIRGINIA**

**Virginia Resources Authority  
Airports Revolving Fund Revenue Bonds**

## AMENDMENT TO FINANCING AGREEMENT

**THIS AMENDMENT TO FINANCING AGREEMENT** (this "Amendment") is made as of July 1, 2015, between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia ("VRA"), and the **CITY OF MANASSAS, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "Borrower").

**A.** On April 14, 2004 (the "Closing Date"), the Borrower issued its Taxable General Obligation Airport Bond, Series of 2004, in the maximum principal amount of \$1,401,714.45 (the "Local Bond"), and sold the Local Bond to VRA, pursuant to a Financing Agreement dated as of April 1, 2004 (the "Original Financing Agreement"), between VRA and the Borrower.

**B.** VRA and the Borrower desire to amend the Original Financing Agreement, as set forth herein.

**NOW, THEREFORE**, VRA and the Borrower hereby agree as follows:

### ARTICLE I DEFINITIONS

**Section 1.1 Definitions.** The capitalized terms contained in this Amendment have the meanings set forth in the Original Financing Agreement except as defined in the recitals above or unless the context otherwise requires.

## AMENDMENTS TO FINANCING AGREEMENT

### **Section 2.1 Amendments to Section 1.1 of the Original Financing Agreement.**

(a) Section 1.1 of the Original Financing Agreement is amended by inserting the following after the definition of "Airport Consultant":

"Allonge" means that certain Allonge to the Local Obligation made by the Borrower in favor of VRA, and dated July \_\_, 2015."

(b) Section 1.1 of the Original Financing Agreement is amended by deleting the definition of "Local Obligation" and inserting the following therefor:

"Local Obligation" means, collectively, the Taxable General Obligation Airport Bond, Series of 2004, in the maximum principal amount of \$1,401,714.45, issued by the Borrower, as amended by the Allonge, attached to the Local Obligation and made a part thereof."

### ARTICLE III MISCELLANEOUS

**Section 3.1 Successors and Assigns.** This Amendment shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

**Section 3.2 Applicable Law.** This Amendment shall be governed by the laws of the Commonwealth of Virginia.

**Section 3.3 Ratification of Original Financing Agreement.** All of the representations and warranties of VRA and the Borrower contained in Article II of the Original Financing Agreement are true and correct as of the date hereof. All terms of the Original Financing Agreement except as amended or modified by the terms of this Amendment are hereby reaffirmed, ratified and confirmed. This Amendment shall not be construed as and is not intended as a novation of the Local Bond.

**Section 3.4 Severability.** If any clause, provision or section of this Amendment shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect the remainder of this Amendment which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Amendment. If any agreement or obligation contained in this Amendment is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of VRA and the Borrower, as the case may be, only to the extent permitted by law.

**Section 3.5 Headings.** The headings of the several articles and sections of this Amendment are inserted for convenience only and do not comprise a part of this Amendment.

**Section 3.6 Term of Amendment.** This Amendment shall be effective upon its execution and delivery. Except as otherwise specified, the Borrower's obligations under the Local Bond and this Amendment shall expire upon payment in full of the Local Bond and all other amounts payable by the Borrower under the Financing Agreement.

**Section 3.7 Counterparts.** This Amendment may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

[Signature Page Follows]

**WITNESS** the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY**

By: \_\_\_\_\_  
Stephanie L. Hamlett, Executive Director

**CITY OF MANASSAS, VIRGINIA**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

The Trustee hereby acknowledges the aforementioned amendments to the Financing Agreement.

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

By: \_\_\_\_\_  
Title: \_\_\_\_\_



**AGENDA STATEMENT**

PAGE NO. 31

ITEM NO. 4

**MEETING DATE:** July 15, 2015 – Finance Committee

**TIME ESTIMATE:** 10 Minutes

**AGENDA ITEM TITLE:** Consideration of Policy Statement #P-2016-01 Establishing Financial Policies for the City of Manassas

**DATE THIS ITEM WAS  
LAST CONSIDERED  
BY COUNCIL:** N/A

**SUMMARY OF  
ISSUE/TOPIC:**

The City and the Council has a fiduciary responsibility to the City's residents to establish policies that prudently manage, safeguard and properly account for all its public funds and assets. To ensure this is accomplished, best practices as recommended by the Government Finance Officers Association (GFOA), includes the adoption of financial policies by the jurisdiction's governing board to include: Financial Planning Policies, Revenue Policies and Expenditure Policies. Staff believes the attached City of Manassas Financial Policies fulfills the recommendations of the GFOA. The attached policies consolidate some existing City policies such as Fund Balance and Budget Control with proposed new policies related to Debt, Capital Improvement Planning, Accounting and Financial Reporting. The City Treasurer is updating the City's Investment Policy which will also be incorporated into the Financial Policies.

**STAFF  
RECOMMENDATION:** Adopt Policy Statement #P-2016-01

**BOARD/COMMISSION/  
COMMITTEE:**

**RECOMMENDATION:** ☐ Approve ☐ Disapprove ☐ Reviewed ☐ See Comments

**CITY MANAGER:** ☐ Approve ☐ Disapprove ☐ Reviewed ☐ See Comments

**COMMENTS:**

---

**DISCUSSION  
(IF NECESSARY):**

**BUDGET/FISCAL  
IMPACT:** N/A

**STAFF:** Paul York, Finance & Administration Director, (703) 257-8234



# POLICY STATEMENT #P-2016-01

REGULAR COUNCIL MEETING

July 27, 2015

## RE: City of Manassas Financial Policies

The City of Manassas (the "City") and its governing body, the City Council (the "Council"), has a fiduciary responsibility to the City's citizens to prudently safeguard and properly account for all public funds, to manage City finances wisely and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. The Government Finance Officers Association (GFOA) recommends as a best practice, that governments establish formal financial policies for fiscal planning purposes.

The City Council recognizes that one of the keys to sound financial management is the development of financial policies. Bond credit rating agencies carefully monitor whether local governments have such policies in place as a part of their evaluation of the City's credit rating. They also closely monitor levels of unrestricted (committed, assigned and unassigned) fund balance in a government's general fund to evaluate a government's continued creditworthiness. The maintenance of an unassigned fund balance is an important element of sound fiscal management.

The City Council is ensuring the long-term economic stability of the City by adopting financial policies that maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unanticipated one-time expenditures.

The attached financial policies and guidelines establish the framework for the City's overall fiscal planning and management.

\_\_\_\_\_  
Harry J. Parrish II                      MAYOR  
On Behalf of the City Council  
of Manassas, Virginia

ATTEST:

\_\_\_\_\_  
Andrea Madden                      City Clerk



---

# CITY OF MANASSAS



## Financial Policies

---

**Adopted:**  
**Finance Committee Review: July 15, 2015**

## **Table of Contents**

	<b><u>Page</u></b>
<b>1. Policy Background and Purpose</b>	<b>2</b>
<b>2. Revenues</b>	<b>3</b>
<b>3. Budget</b>	<b>4</b>
<b>4. Capital Improvements Planning</b>	<b>6</b>
<b>5. Debt</b>	<b>7</b>
<b>6. Reserve, Cash Management and Investment Policies</b>	<b>15</b>
<b>7. Accounting and Financial Reporting Policies</b>	<b>18</b>
<b>8. Glossary</b>	<b>22</b>

## **Background and Purpose**

The City of Manassas (the “City”) and its governing body, the City Council (the “Council”), has a fiduciary responsibility to the City's citizens to prudently safeguard and properly account for all public funds, to manage City finances wisely and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities.

The City Council recognizes that one of the keys to sound financial management is the development of financial policies. Bond credit rating agencies carefully monitor levels of unrestricted (committed, assigned and unassigned) fund balance in a government's general fund to evaluate a government's continued creditworthiness. The Government Finance Officers Association (GFOA) recommends as a best practice, that governments establish formal financial policies for financial planning purposes.

The City Council is ensuring the long-term economic stability of the City by adopting financial policies that maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unanticipated one-time expenditures. The unassigned fund balance will provide resources to allow for unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from reductions or loss of revenues. The maintenance of an unassigned fund balance is not to be construed as a surplus or over-taxation by the City. Rather, it is an element of prudent and sound fiscal management.

The following financial policies and guidelines establish the framework for the City's overall fiscal planning and management.

### **1.01 Policy Goals**

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practices of the City. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

Contributes significantly to the City's ability to insulate itself from fiscal crisis;

Enhances short term and long term financial credit ability by helping to achieve the highest credit and bond ratings possible;

Promotes long term financial stability by establishing clear and consistent guidelines;

Directs attention to the total financial picture of the City rather than single issue areas;

Promotes the view of linking long term financial planning with day to day operations, and;

Provides the Council and the citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

### **1.02 Policy Implementation and Coordination**

The City has established a Finance Committee that meets monthly to collectively review financial matters of the City, including the monitoring of financial activity involving cash and investment management, budget administration, debt issuance and compliance with certain policies outlined herein. Members of the Finance Committee include those members of the City Council appointed to serve by the Mayor at the Council organizational meeting following the election.

### **1.03 Review and Revision**

These policies will be reviewed for appropriateness and comparability with AAA rated jurisdictions every three years or more frequently if a need for review is identified.

## **REVENUES**

### **2.01 Revenue Diversification**

The City will strive to maintain diversified and stable revenue streams to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services.

Current revenues will fund current expenditures and a diversified and stable revenue system will be maintained to protect programs.

### **2.02 Fees and Charges**

All fees established by the City for licenses, permits, fines, services, applications and other miscellaneous charges shall be set to recover all or a portion of the City's expense in providing the attendant service. These fees shall be reviewed annually with the development of the annual operating budget.

### **2.03 Revenue Collections**

The City will strive to achieve an overall property tax collection rate of 100%.

### **2.04 Use of Fund Balance**

The City's General Fund balance will be utilized to provide sufficient working capital in anticipation of current budgeted revenues and to finance unforeseen emergencies without borrowing. The General Fund balance of the City (Unassigned Fund Balance) will not be used to finance current operations.

### **2.05 Restricted Revenue**

Restricted revenues (such as proceeds from borrowing, donations or asset forfeiture funds) shall only be used for the purpose(s) intended and in a fiscally responsible manner.



## **BUDGET**

### **3.01 Balanced Budget**

The provisions of the Code of Virginia and the City Code of Ordinances shall control the preparation, consideration, adoption and execution of the budget of the City. The budget shall be adopted and appropriated by resolution with the concurrence of at least four members of City Council.

The City will annually adopt and execute a budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budget shall control the levy of taxes and the expenditure of money for all City purposes during the ensuing fiscal year. The City budget shall be balanced within all available operating revenues, including the fund balance, and adopted by the City Council.

### **3.02 Legal Level of Control**

The budget and appropriations of the City of Manassas shall be legally controlled at the fund level except for Manassas City Public School (MCPS). The budget and appropriation for MCPS shall be legally controlled at the total appropriation level.

### **3.03 Amendment of Budget**

From time to time it may be necessary to amend the budget for unforeseen circumstances that arise during the year. The budget may be amended by resolution with the concurrence of at least four members of City Council.

A public hearing shall be held prior to any amendment of the budget which is greater than 1% of the adopted budget. The public hearing and notice of such hearing shall be in accordance with the Code of Virginia Section 15.2-2507.

The City Manager may approve transfers of budget and appropriations between departments within a fund and Department Directors may approve transfers of budget and appropriations within a department within a fund.

All transfers of budget and appropriations to and from contingencies and reserves shall require a resolution with the concurrence of at least four members of City Council even when these transfers may be within the legal level of budgetary control.

The City Council delegates to the City Manager the authority to transfer existing budget and appropriations of fifty thousand dollars (\$50,000) or less between funds even though this is outside the legal level of control.

Contributions/donations to the City of Manassas of ten thousand dollars (\$10,000) or less shall be placed directly on the consent agenda of the City Council.

### **3.04 Use of Current Revenues to Support Current Expenditures**

Ongoing and stable revenues will be used to support ongoing operating costs.

### **3.05 Use of One-time Revenue and One-time Expenditure Savings**

The use of one-time revenues and one-time expenditure savings (excess cash balances) will be used for non-recurring expenditures.

### **3.06 Review of Fees and Charges**

Fees established by the City for licenses, permits, fines, services, applications and other miscellaneous charges shall be set to recover all or a portion of the City's expense in providing the attendant service and reviewed annually with the development of the annual operating budget.

### **3.07 Revenue and Expenditure Projections**

The City will prepare and annually update a long range (5-year) financial forecast model utilizing trend indicators and projections of annual operating revenues, expenditures, capital improvements and related debt service and operating costs, and fund balance levels.

### **3.08 Budget Performance Monitoring**

The Budget Department will maintain ongoing contact with the departmental fiscal officers during the process of the budget execution. Expenditure and revenue projections will be developed quarterly and reviewed with the Finance Committee of the City Council, the City Manager, and the Department Directors. The City Manager through the Finance Department will exercise appropriate fiscal management as necessary to live within the limits of the adopted budget.

### **3.09 Maintenance of Capital Assets**

The budget should provide sufficient funds for regular repair and maintenance of capital assets.

### **3.10 Fund Balance Levels**

The City will employ sound financial management principles to include the establishment of an Unassigned General Fund balance with sufficient working capital to mitigate current and future risk of revenue shortfalls and provide a reserve for unanticipated expenditures or emergencies, and other non-recurring uses.

## **CAPITAL IMPROVEMENTS PLANNING**

The City's assets are held primarily in the form of infrastructure, physical assets, or capital plant, such as roads, buildings, and equipment. Sound infrastructure is an important aspect of the quality of life, economic development, and the credit quality of the City.

Dedicating resources to capital investment is appropriate for a growing City such as the City of Manassas. Committing to and implementing the City's capital investment program will protect its capital assets and minimize future maintenance and replacement costs.

### **CAPITAL IMPROVEMENT BUDGET POLICIES**

1. The City will prioritize all capital improvements in accordance with an adopted capital improvement program.
2. The City will develop a five-year plan for capital improvements and review and update the plan annually. The five-year plan will include projects for the City, including the Utility Systems (Electric, Water, Sewer, Drainage, Airport, etc.), and the Manassas City Public Schools.
3. The City will coordinate development of the capital improvement program along with development of the operating budget.
4. The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and City priorities.
5. The City will maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.
6. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
7. The City will attempt to determine the least costly and most flexible financing method for all capital projects.

#### **4.01 Capital Improvement Program**

In order to prepare and plan for upcoming capital needs, comply with debt ratio targets, schedule debt issuance, and systematically improve capital infrastructure, the City will annually prepare and adopt a five-year Capital Improvement Plan.

The Capital Improvement Plan will include major capital improvements and identify estimated revenue sources and annual operational costs for facilities including anticipated debt service requirements.

Capital improvements do not include routine maintenance on existing capital assets.

## **DEBT**

### **OVERVIEW**

The City through its Finance and Administration Director, executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. The City believes that debt is an equitable means of financing projects and represents an important means of meeting its fiscal responsibilities to the community. The debt policy primarily addresses debt instruments or securities issued by the City in public or private bond markets. This is consistent with examples of debt policies of other comparable municipalities, GFOA guidelines, and bond rating agency guidelines.

The City generally follows the guidelines listed below in making financial decisions on debt issuance. Adherence to these guidelines allows the City to plan for the necessary financing of capital projects while maintaining its credit worthiness. In addition, continued adherence to these policies will preserve the City's strong financial position.

### **DEBT POLICIES**

#### **General**

1. The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The City will take a balanced approach to capital funding utilizing debt financing, capital reserves and pay-as-you-go funding that will provide the least financial impact on the taxpayer.
3. When the City finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
4. Where feasible, the City will explore the usage of special assessment, operating revenue, or other self-supporting bonds instead of general obligation bonds.

#### **Tax-Supported Debt Ratios**

5. Net debt as a percentage of estimated market value of taxable real property shall not exceed 3.0%. Net debt is defined as any and all debt that is tax-supported. Should this ratio exceed 3%, staff must request an exception from the City Council stating the justification and expected duration of the policy exemption.

6. Debt Service expenditures as a percent of total governmental fund expenditures shall not exceed 15.0%. Should this ratio exceed 15%, staff must request an exception from the City Council stating the justification and expected duration of the policy exception.
7. Payout of aggregate outstanding tax-supported debt principal shall be no less than 50% repaid in 10 years. Should this ratio fall below 50%, staff must request an exception from the City Council stating the justification and expected duration of the policy exception.

The City shall use an objective analytical approach to determine whether it can afford new or additional general purpose debt. This process shall use the City's standards of affordability. These standards include the measures stated above.

#### **5.01 Revenue Anticipation Notes (RANS)**

The City does not intend to issue tax or revenue anticipation notes (RANS) to fund government operations but rather to manage cash in a fashion that will prevent any borrowing to meet working capital needs.

The City may issue RANS during an extreme emergency beyond the City's control or ability to forecast when the revenue source will be received subsequent to the timing of funds needed. It will be the City's goal to minimize the term of any RANS issuance.

#### **5.02 Bond Anticipation Notes (BANS)**

The City may issue Bond Anticipation Notes (BANS) in expectation of General Obligation or Revenue Bonds issuance when cash is required in order to initiate or continue a capital project or when long-term markets do not appear appropriate but have a clear potential for improvement within the designated BANS time frame.

It will be the City's goal to minimize the term of any BANS taking into account project specifics and market conditions. If the City issues a bond anticipation note for a capital project, the BANS will be converted to a long-term bond or redeemed at its expiration.

#### **5.03 Letters of Credit/Standby Bond Purchase Agreement**

The City may enter into a letter-of-credit (LOC) or Standby Bond Purchase Agreement (SBPA) when such an agreement is deemed prudent and advantageous. The City will prepare and distribute a request for proposals to qualified banks which includes terms and conditions that are acceptable to the City.

#### **5.04 Lease Purchase Obligations**

Lease purchase and master lease obligations, including certificates of participation or lease revenue bonds, shall be considered as an alternative to long-term vendor leases. Such debt shall be subject to annual appropriation.

### **5.05 Public Private Partnerships**

The City recognizes the value of developing public-private partnerships. As such, public-private partnerships financings that require the City to provide capital or credit enhancement to a project will be considered in light of the following:

The project is multi-faceted requiring coordinated and/or accelerated development;

The project is non-traditional with mixed use of public and private components;

The project calls for the bundling of design, construction and operation phases; or

There is an urgent need to construct multiple facilities or other public infrastructure simultaneously to keep pace with a rapidly growing population.

The project has undergone a rigorous cost-benefit analysis by City staff (or agents employed by the City for such purpose). If the project ultimately requires City credit enhancement, such obligations will be treated as debt of the City.

### **5.06 Compliance with Legal Requirements**

Pursuant to the Constitution of Virginia (the Constitution) and the City Charter, the City is authorized to issue bonds secured by a pledge of its full faith and credit and unlimited taxing power. There is no requirement in the Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds be subject to the approval of voters of the City at referendum. The issuance of general obligation bonds is subject to a constitutional limitation of ten percent (10%) of the assessed value of taxable real property.

### **5.10 Variable Rate Debt**

To maintain a predictable debt service burden, the City shall give preference to debt that carries a fixed interest rate. The City, however, may consider variable rate debt if warranted and recommended by its Financial Advisor. The percentage of variable rate debt outstanding (excluding debt which has been converted to synthetic fixed rate debt) shall not exceed 20% of the City's total outstanding debt and will take into consideration the amount and investment strategy of the City's operating cash. The City will consider issuing variable rate debt to:

- a) **Match Assets and Liabilities:** By issuing variable rate debt the City matches variable interest rates to its short-term investment assets.
- b) **Potentially Lower Debt Service Costs:** Historically variable interest rates are less than fixed rate cost of capital.
- c) **Add Flexibility and Diversity to the City's Debt Structure:** Variable rate bonds are traditionally callable every 30 days and can generally be refunded on a fixed rate basis to take advantage of low fixed rates and open up variable rate capacity for higher rate environments.

In determining its use of variable rate debt, the City will utilize an analysis from the City's Financial Advisor evaluating and quantifying the risks and returns involved in the variable rate financing.

### **5.11 Refinanced Outstanding Debt**

The Finance and Administration Director with assistance from the City's Financial Advisor will have the responsibility to analyze outstanding bond issues for refunding opportunities. The City will consider the following issues when analyzing possible refunding opportunities:

- 1. **Refunding Policy.** The City establishes a minimum aggregate present value savings threshold of 3% of the refunding bond principal amount unless otherwise approved by staff and City Council. The present value savings will be net of all costs related to the refinancing. Debt service savings may be taken in equal amounts over time or on an upfront or deferred basis, at the City's discretion.
- 2. **Restructuring.** The City will restructure debt when it is in the best financial interest of the City to do so. Such restructuring will be limited to: meet unanticipated revenue expectations, achieve costs savings, mitigate irregular debt service payments, release reserve funds or remove unduly restrictive bond covenants.
- 3. **Term of Refunding Issues.** The City will refund bonds within the term of the originally issued debt. However, the City may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The City may also

consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

4. **Escrow Structuring.** The City will assess escrow structuring and investment options on a transaction by transaction basis. A certificate will be provided by a third party agent stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the City from its own account.
5. **Arbitrage.** The City shall take all necessary and legal steps to optimize escrows and to avoid negative arbitrage in its refundings. Any resulting positive arbitrage will be rebated as necessary according to Federal guidelines.

#### 5.12 Methods of Issuance

The City will determine the method of issuance on a case-by-case basis.

1. **Competitive Sale.** In a competitive sale, the City's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.
2. **Negotiated Sale.** The City recognizes that some securities are best sold through negotiation. In its consideration of a negotiated sale, the City shall assess the following circumstances among others:
  - a. Bonds issued as variable rate demand obligations;
  - b. A structure which may require a strong pre-marketing effort such as a complex transaction or a "story" bond;
  - c. Size of the issue which may limit the number of potential bidders;
  - d. Market volatility is such that the City would be better served by flexibility in timing a sale in a changing interest rate environment.
3. **Direct Bank Placement.** From time to time the City may elect to enter into a direct bank placement.
4. **Private Placement.** From time to time the City may elect to privately place its debt.



### **5.13 Bond Insurance**

The City may purchase bond insurance when such purchase is deemed prudent and advantageous. Use of bond insurance shall be based on such insurance being less costly than the present value of the difference between the interest on insured bonds versus uninsured bonds.

In the case of a competitive sale, the City may permit bidders for its bonds to purchase bond insurance if such insurance will enhance the market reception and lower the interest rate on the City's bonds. The winning bidder in a competitive sale will bear any associated cost with such enhancement.

In the instance of a negotiated sale, the City will solicit quotes for bond insurance from interested providers. The City will select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the City.

### **5.14 Use of Special Districts**

The City may consider using special districts such as Tax Increment Financing Districts, Community Development Authorities and special taxing districts to finance projects that:

- Strengthen the employment and economic base of the City;
- Increase property values and tax revenues;
- Reduce poverty and blight;
- Create economic stability;
- Facilitate economic self-sufficiency; or
- Assist in implementing the City's economic development strategies.

Before using such districts, the City will consider the fiscal impact, the market feasibility and credit implications of the project or district.

### **5.15 Debt Service Reserves**

If necessary, the City may establish a reserve fund funded from bond proceeds, subject to federal tax regulations and in accordance with the requirements of credit enhancement providers and/or rating agencies. The City may purchase reserve equivalents (i.e., a reserve fund surety or letter of credit) when such purchase is deemed prudent and advantageous. Such equivalents shall be evaluated in comparison to cash funding of reserves on a net present value basis.

### **5.16 Underwriter Selection**

**Senior Manager Selection.** The City shall select a senior manager for any proposed negotiated sales. The selection criteria shall include but not be limited to the following:

- The firm's ability and experience in managing transactions similar to that contemplated by the City;
- Prior knowledge and experience with the City;

The firm's ability and willingness to risk capital and demonstration of such risk and capital availability;  
Quality and experience of personnel assigned to the City's engagement  
Financing plan presented;  
Underwriting fees; and  
Pricing results of recent comparable transactions underwritten by the firm.

**Co-Manager Selection.** Co-managers may be selected on the same basis as the senior manager. In addition to their qualifications, co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the City's bonds.

**Selling Groups.** The City may establish selling groups in certain transactions. To the extent that selling groups are used, the Finance and Administration Director at his or her discretion, may make appointments to selling groups from within the pool of underwriters or from outside the pool, as the transaction dictates.

**Underwriter's Counsel.** In any negotiated sale of City debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager with input from the City.

**Underwriter's Discount.** The Finance and Administration Director with assistance from the City's financial advisor will evaluate the proposed underwriter's discount against comparable issues in the market. If there are multiple underwriters in the transaction, the Director will determine the allocation of underwriting liability and management fees.

The allocation of fees will be determined prior to the sale date; a cap on management fee, expenses and underwriter's counsel will be established and communicated to all parties by the Finance and Administration Director. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

**Evaluation of Underwriter Performance.** The City will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credits.

Following each sale, the Finance and Administration Director shall provide a report to the City Manager and City Council on the results of the sale.

**Syndicate and Designation Policies.** For each negotiated transaction, the Finance and Administration Director will prepare syndicate policies that will describe the designation policies governing the upcoming sale. The Finance and Administration Director shall ensure receipt of each member's acknowledgement of the syndicate policies for the upcoming sale prior to the sale date. Such policies will be established with input from the syndicate members.

### **5.17 Consultants**

**Financial Advisor.** The City shall select a financial advisor (or advisors) to assist in its debt issuance and debt administration processes. Selection of the City's financial advisor(s) shall be based on, but not limited to, the following criteria:

- Experience in providing consulting services to entities similar to the City
- Knowledge and experience in structuring and analyzing bond issues
- Experience and reputation of assigned personnel
- Fees and expenses

**Conflicts of Interest.** The City requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of City financial plans, and be free from any conflicts of interest.

**Bond Counsel.** City debt will include a written opinion by legal counsel affirming that the City is authorized to issue the proposed debt, that the City has met all legal requirements necessary for issuance, and a determination of the proposed debt's federal income tax status. The approving opinion and other documents relating to the issuance of debt will be prepared by counsel with extensive experience in public finance and tax issues. The Bond Counsel will be selected by the City.

**Disclosure by Financing Team Members.** All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements shall be permitted which could compromise the firm's ability to provide independent advice which is solely in the City's best interests or which could reasonably be perceived as a conflict of interest.

### **5.18 City Continuing Financial Disclosure**

The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments, and the general public to share clear, comprehensive, and accurate financial information. The City is committed to meeting secondary market disclosure requirements on a timely and comprehensive basis. The City has established a separate Post Issuance Debt Compliance Policy and Procedures in accordance with Internal Revenue Service requirements to ensure it meets its continuing disclosure responsibilities.

## **RESERVE, CASH MANAGEMENT AND INVESTMENT POLICIES**

### **6.01 Unassigned Fund Balance**

After evaluating the City's operating characteristics, its emergency and disaster risks, its overall financial health, the diversity and flexibility of its tax base, the reliability of non-property tax revenue sources, the City's working capital needs, the impact of the Commonwealth of Virginia policies and budgets, and other contingent issues, the City Council hereby establishes that the unassigned fund balance of the City's general fund will be maintained between thirteen percent (13%) and fifteen percent (15%) of general fund operating revenues of the same fiscal year. For purposes of this policy, operating revenues are all revenues excluding other financing sources.

### **6.02 Assigned or Committed Fund Balance Level**

The City Council may assign or commit fund balance by way of a Resolution. Assigned or committed fund balance may be unassigned or uncommitted by City Council by way of a Resolution.

### **6.03 Maintenance of Unassigned Fund Balance Level**

At the end of each fiscal year, all general fund revenues in excess of budget will first go into the unassigned fund balance, until the council approved unassigned general fund balance reserve for the current fiscal year is met. After the fund balance level is met, the Manassas City School Board will receive a percent of the remaining excess of general tax revenue as identified in the most current Joint Budget Agreement. All other excess revenues over expenditures which have not been assigned or committed by City Council will be committed to the Capital Reserve Fund Balance.

### **6.04 Capital Reserve Fund Balance Level**

The Capital Reserve Fund Balance is to be used for non-reoccurring needs of the City as determined by the City Council. Only the City Council may authorize the use of the Capital Reserve Fund Balance by way of a Resolution budgeting and appropriating the funds.

### **6.05 Use of Unassigned Fund Balance**

It is the policy of the City Council to limit the use of the general fund unassigned fund balance to address unanticipated, non-recurring needs or known and planned future obligations. General fund unassigned fund balance shall not normally be applied to recurring annual operating expenditures. General fund unassigned fund balance may, however, be used to allow time for the City to restructure its operations in a deliberate manner. Such use will only take place in the context of long-term fiscal planning.

#### **6.06 Replenishment of Unassigned Fund Balance**

In the event the City Council authorizes the use of general fund unassigned fund balance, the authorization must be accompanied by a plan to replenish the unassigned fund balance. The City shall restore the unassigned General Fund Balance to the minimum level established by council policy from general fund operating revenues within two (2) fiscal years following the fiscal year in which the event occurred. If necessary, the plan to restore the unassigned General Fund Balance shall be included and highlighted in the City's Adopted Five-Year Forecast.

#### **6.07 Cash Management / Investment Policies**

The City Council recognizes that it is the explicit constitutional responsibility of the City Treasurer to invest City Funds in accordance with Virginia Law. It is the desire of the City Council to provide the Treasurer with the timeliest information in order to best execute the powers of the Treasurer's Office. To that end, the following Investment Policies are intended as a guide for the City Council to facilitate this relationship.

**City of Manassas Treasurer  
Investment Policy**

## **ACCOUNTING AND FINANCIAL REPORTING POLICIES**

### **7.01 Basis of Accounting**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles applicable to state and local governments. The City's accounting and reporting policies conform to these generally accepted accounting principles (GAAP). The following represent the more significant accounting and reporting policies and practices used by the City.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available to be used to pay liabilities of the current period if they are collectible within the current period or soon enough thereafter. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, other local taxes, and intergovernmental revenue are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues from the use of money and property and from intergovernmental grants are recorded as earned regardless of when collected. The legal and contractual requirements of the individual programs are used as guidance in determining revenue recognition. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **7.02 Fund Basis**

#### *Governmental Funds*

The City reports the general fund as the only major governmental fund. The general fund is the City's primary operating fund. It accounts for and reports all financial resources of the City not accounted for and reported in another fund.

The City utilizes special revenue funds to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. In order to be classified as a special revenue fund two criteria must be met.

- Expenditure for Specified Purposes – Special revenue funds are designed to help determine that resources that must be used for a specified purpose are, in fact, used for that purpose. Such limitation on spending may be imposed by external parties, (creditors, grantors, contributors, or other governments), by constitutional provisions, by enabling legislation, or by action taken by the City Council.
- Proceeds of Specific Revenue Sources – A limitation on how resources may be spent is not enough, by itself, to justify the use of a special revenue fund. At the core of each special revenue fund there must be resources derived from one or more specific revenue sources that provide a substantial portion of the fund's total inflows.

The City uses capital projects funds to distinguish its operating activities from its capital activities. In accordance with GAAP, capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The use of capital projects funds can also be required by debt covenants, grant contracts, law or regulation and are also used to account and report on multi-year projects.

The City uses a debt service fund in accordance with GAAP, to account for and report financial resources that are accumulated and used to service general long term debt. These financial resources are restricted, committed, or assigned to expenditures for principal and interest on City issued debt from its governmental operations. The use of a debt service fund would not be appropriate for debt reported as a liability in a proprietary fund.

In accordance with GAAP, permanent funds should be used to account for and report resources that are restricted to the extent that only earnings and, not principal, may be used for purposes that support the City's programs or that are for the benefit of the City citizens. A Cemetery Maintenance Fund is used to account for and report fees from the sale of cemetery plots which are invested in a perpetual care fund established in the City Code of Ordinances. The Code stipulates that \$100,000 of the fees are to remain intact and any amount in excess of \$100,000 is restricted to expenditures for cemetery maintenance.

#### *Proprietary Funds*

The City uses proprietary funds to account for and report on its operations and activities that are similar to those performed by commercial enterprises. Unlike commercial enterprises, the use of proprietary funds is not to maximize its return on invested capital but to provide a service or product to the public or other government entity at a reasonable cost. This objective is achieved by creating either an enterprise fund or internal service fund type.

#### *Enterprise Funds*

Enterprise funds are used in accordance with GAAP to account and to report on the activities of those operations which charge fees for operations and services to external customers. The electric, water, storm water, and sewer utilities funds and the solid waste fund are enterprise funds. The airport fund accounts for the activities of the Manassas Regional Airport and is also an enterprise fund.



Enterprise fund accounting is designed to highlight the extent to which fees and charges for service are sufficient to cover the costs of providing the goods and services. GAAP also requires the use of enterprise funds if any of the following criteria is met.

- There is outstanding debt that is backed solely by fees and charges;
- Laws or regulations require that fees and charges be set to recover costs, including capital costs, and depreciation or debt service;
- There is a pricing policy that fees and charges be set to recover costs, including capital costs, and depreciation or debt service.

#### Internal Service Funds

In accordance with GAAP, internal service funds are used to account and report on any activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or other governments, on a cost reimbursement basis. The City uses internal service funds account for vehicle maintenance, building maintenance, and information technology services provided to other departments.

### 7.03 Internal Control

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal accounting controls. The adequacy of internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of City owned assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability.

The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework.

### 7.04 External Audit

The Code of Virginia requires the City to have all of its accounts and records audited annually as of June 30 of each year by an independent certified public accountant in accordance with the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts (APA), Commonwealth of Virginia and *Government Auditing Standards* issued by the Comptroller General of the United States.

In accordance with the City's Purchasing Policies, as amended, and the Virginia Public Procurement Act, Sections 2.2-4300 et seq. of the Code of Virginia, as amended, the City will select its external auditor through the competitive negotiation process by preparing and releasing a Request for Proposals (RFP). The external auditor will perform those services outlined in the RFP for a period of not less than five (5) years. The auditor will present their report and findings at the end of each fiscal year to the City Council.

### 7.05 Financial Reporting

#### *Reporting Entity*

The City is a municipal corporation of the Commonwealth of Virginia and is governed by an elected mayor and six-member council. The City Council appoints a City Manager who is the

City's chief administrative officer and executes the Council's policies and programs. The City's financial statements include the City and its component unit, the entity for which the City is considered to be financially accountable.

The City's only discretely presented component unit, the Manassas City Public Schools (MCPS), is reported in a separate column in the City's government-wide financial statements to emphasize that it is legally separate from the City. The MCPS is responsible for elementary and secondary education within the City. The MCPS is governed by an elected seven-member School Board. The City is financially accountable for the MCPS because the City Council approves the MCPS's budget, levies taxes to support operations and capital needs and issues debt for MCPS capital improvements. The MCPS has a June 30 year-end and does not issue separate financial statements.

#### *Reporting Frequency*

The City shall annually prepare and submit to the City Council and, make available to the public via the City's website, a comprehensive annual financial report (CAFR) to present the results, financial position, and operations of the City for the prior fiscal year.

Quarterly budget summary reports will be presented to the City Council Finance Committee after the close of each quarter. Such reports will enable the City Council to be informed of the financial status of the City.

## GLOSSARY

**Arbitrage.** The difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of municipal securities.

**Balloon Maturity.** A later maturity within an issue of bonds which contains a disproportionately large percentage of the principal amount of the original issue.

**Bond Anticipation Notes (BANs).** Notes which are paid from the proceeds of the issuance of long-term bonds. Typically issued for capital projects.

**Bullet Maturity.** A maturity for which there are no principal and/or sinking fund payments prior to the state maturity date.

**Call Provisions.** The terms of the bond giving the issuer the right to redeem all or a portion of a bond prior to its stated date of maturity at a specific price, usually at or above par.

**Capitalized Interest.** A portion of the proceeds of a bond issue which is set aside to pay interest on the same bond issue for a specific period of time. Interest is commonly capitalized for the construction period of the project.

**Commercial Paper.** Very short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank.

**Community Development Authority (CDA).** A Community Development Authority (CDA) is a separate authority that may be used to foster growth and development in a special taxing district. A CDA can issue debt for public purpose infrastructure paid for with tax revenues generated within the special taxing district. Public purpose infrastructure includes, but is not limited to: Roads, bridges, sidewalks, traffic signals, Parking facilities; Storm water management systems; Parks and recreational facilities; Fire Stations and equipment; and Schools and related structures. Generally, a CDA can be formed by City Council at the request of 51% or more of the landowners within the proposed district. Under state law, the District's special tax rate cannot exceed \$0.25 per \$100 of assessed value.

**Competitive Sale.** A sale/auction of securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities. Contrast to a negotiated sale.

**Continuing Disclosure.** The principle that accurate and complete information material to the transaction which potential investors would be likely to consider material in making investment decisions with respect to the securities be made available on an ongoing basis.

**Credit Enhancement.** Credit support purchased by the issuer to raise the credit rating of the issue. The most common credit enhancements consist of bond issuance, direct or standby letters of credit, and lines of credit.

**Debt Service Reserve Fund.** The fund in which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.

**Deep Discount Bonds.** Bonds which are priced for sale at a substantial discount from their face or par value.

**Derivatives.** A financial product whose value is derived from some underlying asset value.

**Designation Policies.** Outline how an investor's order is filled when a maturity is oversubscribed when there is an underwriting syndicate. The senior managing underwriter and issuer decide how the bonds will be allocated among the syndicate. There are three primary classifications of order which form the designation policy: Group Net orders; Net Designated orders and Member orders.

**Escrow.** A fund established to hold moneys pledged and to be used to pay debt service on an outstanding issue.

**Expenses.** Compensates senior managers for out-of-pocket expenses including: underwriters counsel, DTC charges, travel, syndicate expenses, dealer fees, overtime expenses, communication expenses, computer time and postage.

**General Obligations.** Bonds issued by the City secured by the City's pledge of its full faith and credit and unlimited taxing power.

**Hedge.** A transaction that reduces the interest rate risk of an underlying security.

**Intergenerational Equity.** Equity or fairness principal that those that benefit from a capital improvement should pay for it.

**Interest Rate Swap.** The exchange of a fixed interest rate and a floating interest rate between counterparties.

**Letters of Credit.** A bank credit facility wherein the bank agrees to lend a specified amount of funds for a limited term.

**Management Fee.** The fixed percentage of the gross spread which is paid to the managing underwriter for the structuring phase of a transaction.

**Members.** Underwriters in a syndicate other than the senior underwriter.

**Negotiated Sale.** A method of sale in which the issuer chooses one underwriter to negotiate terms pursuant to which such underwriter will purchase and market the bonds.

**Original Issue Discount.** The amount by which the original par amount of an issue exceeds its public offering price at the time it is originally offered to an investor.

**Pay-As-You-Go.** An issuer elects to finance a project with existing cash flow as opposed to issuing debt obligations.

**Present Value.** The current value of a future cash flow.

**Private Placement.** The original placement of an issue with one or more investors as opposed to being publicly offered or sold.

**Rebate.** A requirement imposed by Tax Reform Act of 1986 whereby the issuer of tax-exempt bonds must pay the IRS an amount equal to its profit earned from investment of tax-exempt bond proceeds at rates exceeding the tax-exempt borrowing rate. The tax-exempt borrowing rate (or "bond yield") is calculated pursuant to the IRS code together with all income earned on the accumulated profit pending payment.

**Revenue (Limited Liability) Bonds.** Bonds issued by the City secured by a specific revenue pledge of rates, rents or fees.

**Selling Groups.** The group of securities dealers who participate in an offering not as underwriters but rather who receive securities less the selling concession from the managing underwriter for distribution at the public offering price.

**Syndicate Policies.** The contractual obligations placed on the underwriting group relating to distribution, price limitations and market transactions.

**Tax Increment Financing District (TIF).** A Tax Increment Financing District (TIF) district is a public financing technique primarily used to foster economic development projects. Upon creation of a TIF district, a base year and base assessment is established and over time incremental increases in the TIF district's real estate assessments and associated real estate tax revenues accrue to the TIF district and may be used to pay debt service.

**Underwriter.** A dealer that purchases new issues of municipal securities from the Issuer and resells them to investors.

**Underwriter's Discount.** The difference between the price at which bonds are bought by the Underwriter from the Issuer and the price at which they are reoffered to investors.

**Variable Rate Debt.** An interest rate on a security which changes at intervals according to an index or a formula or other standard of measurement as stated in the bond contract.



**AGENDA STATEMENT**

PAGE NO. 61

ITEM NO. 5

**MEETING DATE:** July 15, 2015 – Finance Committee

**TIME ESTIMATE:** 10 Minutes

**AGENDA ITEM TITLE:** City of Manassas Treasurer Statement of Investment Policy

**DATE THIS ITEM WAS  
LAST CONSIDERED  
BY COUNCIL:**

N/A

**SUMMARY OF  
ISSUE/TOPIC:**

Establishment of a formal Treasurer Statement of Investment Policy for the City of Manassas

**STAFF**

**RECOMMENDATION:** ADOPT POLICY

**BOARD/COMMISSION/  
COMMITTEE:**

**RECOMMENDATION:** ☐ Approve ☐ Disapprove ☐ Reviewed ☐ See Comments

**CITY MANAGER:** ☐ Approve ☐ Disapprove ☐ Reviewed ☐ See Comments

**COMMENTS:**

**DISCUSSION  
(IF NECESSARY):**

**BUDGET/FISCAL  
IMPACT:**

N/A

**STAFF:** Robin R. Perkins, City Treasurer, (703) 257-8246







# City of Manassas, Virginia

## Statement of Investment Policy

Robin Perkins, Treasurer

Adopted on: XX/XX/2015

## Table of Contents

A.	INTRODUCTION .....	2
B.	SCOPE.....	2
C.	OBJECTIVES.....	3
D.	STANDARD OF PRUDENCE .....	4
E.	ETHICS AND CONFLICTS OF INTEREST .....	4
F.	DELEGATION OF AUTHORITY .....	5
G.	AUTHORIZED INVESTMENTS.....	5
H.	PORTFOLIO DIVERSIFICATION .....	8
I.	MAXIMUM MATURITY .....	8
J.	SECURITY DOWNGRADES .....	8
K.	INVESTMENT OF BOND PROCEEDS .....	8
L.	COLLATERALIZATION OF BANK DEPOSITS.....	8
M.	SELECTION OF BROKER/DEALERS .....	9
N.	ENGAGEMENT OF INVESTMENT MANAGERS.....	9
O.	COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS .....	10
P.	SAFEKEEPING AND CUSTODY .....	10
Q.	INTERNAL CONTROLS .....	11
R.	PERFORMANCE STANDARDS.....	11
S.	INVESTMENT POLICY ADOPTION.....	11

### ***GLOSSARY***

### ***INVESTMENT POLICY CHANGES***

**Manassas, Virginia  
Office of the City Treasurer  
Robin Perkins**

**This Investment Policy has been established by the Treasurer of the City of Manassas to ensure effective management of the day-to-day investment activity for the City, and is designed to increase non-tax revenues by investing funds when not needed for current obligations.**

**The Treasurer of the City of Manassas is an elected office (“Constitutional Officer”) charged with receiving, collecting, safeguarding and disbursing city funds with general custody of city 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 recommendations and implement any which she deems to be in the best interest of the City.**

---

**Robin Perkins, Treasurer**

# **CITY OF MANASSAS, VIRGINIA**

## **INVESTMENT POLICY**

### **A. INTRODUCTION**

The City of Manassas (the “City”) is a political sub-division of the Commonwealth of Virginia. The cash and investment functions of the City are administered by the Treasurer, an elected Constitutional Officer.

It is the policy of the City that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this Investment Policy (the “Policy”). The City shall be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds.

The purpose of this Policy is to set general guidelines for the investment of the City’s funds.

### **B. SCOPE**

This Investment Policy applies to the investment activities of the City of Manassas, except for its pension and other post-employment benefits funds. All financial assets of other funds, including the general fund, the enterprise funds, the debt service funds and other funds that may be created from time to time, shall be administered in accordance with the provisions of the Policy. For the purpose of this Policy, these funds are referred to as the “Investment Portfolio”.

The City’s funds are accounted and reported in a series of accounts including the following:

#### **Governmental Fund Types**

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City’s expendable financial resources and the related liabilities (except those accounted for in the Propriety 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 City’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). The City has four Capital Projects Funds.

### **Proprietary Fund Types**

Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income. The following are the City'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 be financed or 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 City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the City'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.

Although all these assets and fund types may be pooled for investment purposes, they may be segregated as necessary for accounting and budgetary reporting purposes.

## **C. OBJECTIVES**

1. All investments shall be in compliance with the Code of Virginia Sections §2.2-4400 et seq. and §2.2-4500 et seq. and Trust Agreements, where applicable.
2. The cash management and investment activities of the City shall be conducted in a manner which is consistent with prevailing prudent business practices which may be applied by other public organizations of similar size and financial resources.
3. All investments and deposits will be managed to accomplish the following fundamental goals:

- **Safety of Principal** - The single most important objective of the investment program is the preservation of principal of those funds within the Investment Portfolio.
- **Maintenance of Liquidity** - The Investment Portfolio will be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as to fund special projects and other operational requirements which are either known or which might reasonably be anticipated.
- **Maximizing Return** - The Investment Portfolio shall be managed so as to maximize the return on investments within the context and parameters set forth by the safety and liquidity objectives above.

## **D. STANDARD OF PRUDENCE**

All investments shall be in compliance with the Code of Virginia Sections §2.2-4400 et seq. and §2.2-4500 et seq. Public funds held and invested by the City shall be held in trust for the citizens of the City and any investment of such funds shall be made solely in the interest of the citizens of the City and with the care, skill, prudence, and diligence under the circumstances then prevailing that a 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.

The Treasurer and the Treasurer's designees, acting in accordance with written procedures of the code of Virginia, Sections §2.2-4400 et seq., §2.2-4500 et seq. 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 by the Treasurer to the City's stakeholders in a timely manner 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.

## **E. ETHICS AND CONFLICTS OF INTEREST**

1. The Treasurer and the Treasurer's designees involved in the investment process shall comply with the Code of Virginia Section §2.2-3100 et seq., the State and Local Government Conflict of Interests Act. Specifically, no officer or employee shall:
  - a. accept any money, loan, gift, favor, service, or business or professional opportunity that reasonably tends to influence him in the performance of his official duties; or
  - b. accept any business or professional opportunity when he knows there is a reasonable likelihood that the opportunity is being afforded to influence him in the performance of his official duties.
2. The Treasurer and the Treasurer's designees 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.

## F. DELEGATION OF AUTHORITY

The Treasurer may designate a deputy, other staff, or employ an outside investment manager to manage the day-to-day investment operations and place actual buy/sell orders with brokers consistent with this Policy and other administrative procedures.

## G. AUTHORIZED INVESTMENTS

The Treasurer may invest in the following securities that are in compliance with the Virginia Code. The Treasurer, however, may impose additional requirements and restrictions in order to ensure that the City's goals are met. Permitted Investments include:

1. **U.S. Treasury Obligations.** Bills, notes and any other obligation or security issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of four (4) years from the time of purchase.
2. **Federal Agency Obligations.** Bonds, notes and other obligations of the United States, and securities issued by any federal government agency or instrumentality or government sponsored enterprise except for Collateralized Mortgage Obligations, with a rating of at least "AA" (or its equivalent) by at least two NRSROs, one of which will be either Moody's Investors Services, Inc., or Standard & Poor's, Inc.. The final maturity shall not exceed a period of four (4) years from the time of purchase.
3. **Municipal Obligations.** Bonds, notes and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, has a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investors Service, matures within four (4) years of the date of purchase, and otherwise meets the requirements of Code of Virginia §2.2-4501.
4. **Commercial Paper.** "Prime quality" commercial paper, with a maturity of 270 days or less, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service.
5. **Bankers Acceptance.** Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the NRSROs.
6. **Corporate Notes.** High quality corporate notes with a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investors Service. The final maturity shall not exceed a period of four (4) years from the time of purchase.
7. **Negotiable Certificates of Deposit and Bank Deposit Notes.** 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, Inc., and "P-1" by Moody's Investors Service, for maturities of one year or less, and a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's

Investors Service, for maturities over one (1) year. The final maturity may not exceed a period of four (4) years from the time of purchase.

8. **Money Market Mutual Funds (Open-Ended Investment Funds).** Shares in open-end, no-load investment funds provided such funds are registered under the Federal Investment Company Act of 1940, provided that the fund is rated at least "AAAm" or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the Code of Virginia for political subdivisions.
9. **Local Government Investment Pool (LGIP).** A specialized money market-like fund created in the 1980 session of the General Assembly designed to offer a convenient and cost-effective investment vehicle for public entities. The Fund is administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAM by Standard & Poors, Inc.
10. **Virginia State Non-Arbitrage Program (Virginia SNAP).** An investment program authorized by the Government Non-Arbitrage Act in 1989 (Code of Virginia §2.2-4700 through 2.2-4705). The program is administered by the Treasury Board of the Commonwealth of Virginia and offers a variety of investment options for bond proceeds.
11. **Repurchase Agreements.** In overnight, term and open repurchase agreements provided that the following conditions are met:
  - a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency obligations as described in paragraph 1 above (with a maximum maturity of 5 years), having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
  - b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
  - c. the securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for the City, provided such third party is not the seller under the repurchase agreement;
  - d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the City;
  - e. for repurchase agreements with terms to maturity of greater than one (1) day, the City will value the collateral securities daily and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
  - f. the counterparty is a:
    - i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
    - ii. a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
  - g. the counterparty meets the following criteria:



- i. a long-term credit rating of at least 'AA' or the equivalent from an NRSRO.
- ii. has been in operation for at least 5 years, and
- iii. is reputable among market participants.

## **H. PORTFOLIO DIVERSIFICATION**

The Investment Portfolio shall be diversified by security type and institution. The maximum percentage of the portfolio permitted in each eligible security is as follows:

<b>Permitted Investment</b>	<b>Sector Limit</b>	<b>Issuer Limit</b>
U.S. Treasury Obligations	100%	100%
Federal Agency Obligations	100%	35%
Municipal Obligations	20%	3%
Commercial Paper	25%	5%
Bankers' Acceptances	25%	5%
Corporate Notes	25%	5%
Negotiable Certificates of Deposit and Bank Deposit Notes	25%	5%
Money Market Mutual Funds	75%	50%
LGIP	100%	100%
Repurchase Agreements	50%	25%

## **I. MAXIMUM MATURITY**

Maintenance of adequate liquidity to meet the cash flow needs of the City is essential. Accordingly, to the extent possible, the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Whenever practical, selection of investment maturities will be consistent with the known cash requirements of the City in order to minimize the forced sale of securities prior to maturity.

To manage the volatility of the Investment Portfolio, the Treasurer shall determine an appropriate duration or weighted average maturity ("WAM") target for the Investment Portfolio or for any separate fund identified in section B. Scope.

Debt service reserve funds with longer term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investment is made to coincide as nearly as practical with the expected use of funds.

## **J. SECURITY DOWNGRADES**

In the event that any security held in the Investment Portfolio is downgraded below "AA" or equivalent rating by any NRSRO, the Treasurer shall be notified immediately and shall make a determination on the security's disposition.

## **K. INVESTMENT OF BOND PROCEEDS**

The City intends to comply with all applicable sections of the Internal Revenue Code as it related to Arbitrage Rebate and the investment of bond proceeds. All investment records will be maintained to ensure compliance with all regulations.

## **L. COLLATERALIZATION OF BANK DEPOSITS**

All bank deposits of the City should be considered Public Deposits as defined by Code of Virginia Security for Public Deposits Act (Section 2.2-4400 et seq.) and all deposits must

be made with Qualified Public Depositories. There shall be no sector or issuer limit for properly insured or collateralized public deposits, or deposits made in accordance with Code of Virginia 2.2-4518.

#### **M. SELECTION OF BROKER/DEALERS**

The Treasurer will maintain a list of broker/dealers that are approved for investment purposes. All broker/dealers who desire to provide investment services to the City will be provided with current copies of the City's Investment Policy. Before an organization can provide investment services to the City, it must confirm in writing that it has received and reviewed the City's Investment Policy.

At the request of the Treasurer, broker/dealers will supply the City with information sufficient to adequately evaluate their financial capacity and creditworthiness. The following information will be provided:

- 1) Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- 2) Proof of Financial Institution Regulatory Authority ("FINRA") certification
- 3) Proof of state registration
- 4) Certification of having read and understood and agreeing to comply with the City's investment policy
- 5) Evidence of adequate insurance coverage.
- 6) A sworn statement by an authorized representative of the broker/dealer pledging to adhere to "Capital Adequacy Standards" established by the Federal Reserve Bank and acknowledging the broker/dealer understands that the City has relied upon this pledge;
- 7) any additional information requested by the Treasurer in evaluating the creditworthiness of the institution.

Only firms meeting the following requirements will be eligible to serve as broker/dealers for the City:

- 1) "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- 2) Capital of at least \$10,000,000;
- 3) Registered as a dealer under the Securities Exchange Act of 1934;
- 4) Member of the Financial Institution Regulatory Authority ("FINRA");
- 5) Registered to sell securities in the Commonwealth of Virginia; and
- 6) Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.

The City shall designate broker/dealers on an annual basis. If an external third-party Investment Manager is engaged, the Treasurer may designate that Investment Manager to maintain a list of approved broker/dealers.

#### **N. ENGAGEMENT OF INVESTMENT MANAGERS**

The Treasurer may engage one or more qualified firms to provide investment management services for the City. All investment management firms who desire to provide investment services to the City will be provided with current copies of the City's Investment Policy. Before an organization can provide investment services to the City, it must confirm in writing that it has received and reviewed the City's Investment Policy.

Only firms meeting the following requirements will be eligible to serve as investment manager for the City:

- 1) Registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940;
- 2) Must provide to the City an annual updated copy of Form ADV, Part II;
- 3) Must be registered to conduct business in the Commonwealth of Virginia; and
- 4) Must have proven experience in providing investment management services under Code of Virginia §Sections 2.2-4500 et seq.

Any firm engaged by the City to provide investment services shall:

- 1) Maintain a list of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment services in the Commonwealth of Virginia;
- 2) Provide monthly reports of transactions and holdings to the Treasurer;
- 3) Provide quarterly performance reports that display investment performance in comparison to the City's investment benchmarks and which show that the manager has solicited at least three bids for any security purchased or sold on behalf of the City; and
- 4) Not collect any soft dollar fees from any broker/dealer or other financial firm in relation to services provided to the City.

## **O. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS**

All securities purchases and sales will be transacted only with designated broker/dealers through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers, taking into consideration current market conditions. Electronic bids will be accepted. The City will accept the bid which, in the sole judgment of the Treasurer or his/her designee: (a) offers the highest rate of return within the maturity required; (b) optimizes the investment objective of the overall Investment Portfolio, including diversification requirements. When selling a security, the City will select the bid that generates the highest sale price, consistent with the diversification requirements.

## **P. SAFEKEEPING AND CUSTODY**

All investment securities purchased by the City or held as collateral on deposits or investments shall be held by the City or by a third-party custodial agent that may not otherwise be counterparty to the investment transaction. The custodial agent shall annually provide a copy of its most recent reports issued in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16.

All securities in the City's Investment Portfolio will be held in the name of the City and will be free and clear of any lien. Further, all investment transactions will be conducted on a delivery-vs.-payment basis. The custodial agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent information. On a monthly basis, the custodial agent will provide reports that list all securities held for the City, the book value of holdings, and the market value as of month-end.

The City officials and representatives of the custodial agent responsible for, or in any manner involved with, the safekeeping and custody process of the City shall be bonded in such a manner as to protect the City from losses from malfeasance and misfeasance.

Original copies of non-negotiable certificates of deposit and confirming copies of all other investment transactions must be delivered to the City or its custodial agent.

## **Q. INTERNAL CONTROLS**

The Treasurer shall establish a framework of internal controls governing the administration and management of the City's Investment Portfolio. Such controls shall be designed to prevent and control losses of the City monies arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel. 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 require estimates and judgments by management.

## **R. RECORDS AND REPORTS**

The Treasurer will review an investment report on at least a quarterly basis as provided by external and/or internal investment managers.

The Treasurer shall report to the City Council on a regular basis, as determined by the City Council. The City Council may require additional information or clarification from the Treasurer either orally or in writing.

The reports to the City Council shall consist of a summary of cash and investments by depository and a listing of all investments. A report shall be prepared for each calendar month as of the last day of that month.

## **S. PERFORMANCE STANDARDS**

The Investment Portfolio will be designed to obtain at least a market level rate of return, given budgetary and economic cycles, commensurate with the City's investment risk and cash flow needs. The City's portfolio management approach will be active, allowing periodic restructuring of the Investment Portfolio to take advantage of current and anticipated interest rate movements.

The returns on the Investment Portfolio will be compared on a quarterly basis to indices of U.S. Treasury securities having similar maturities or to other appropriate benchmarks. For funds having a weighted average maturity greater than 90 days, performance will be computed on a total return basis.

## **T. INVESTMENT POLICY ADOPTION**

This policy is enacted by the Treasurer of the City of Manassas, Virginia this \_\_\_\_ day of

\_\_\_\_\_, \_\_\_\_\_

---

Treasurer, City of Manassas, Virginia

## Glossary of Terms

**Bankers' Acceptance:** a draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Benchmark:** a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**Broker:** brings buyers and sellers together for a commission.

**Certificate of Deposit (CD):** a time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

**Collateral:** securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Commercial Paper:** An unsecured promissory note with a fixed maturity no longer than 270 days. Public offerings are exempt from SEC regulation.

**Corporate Notes:** Unsecured promissory notes issued by corporations to raise capital.

**Dealer:** acts as a principal in all transactions, buying and selling for his own account.

**Debenture:** a bond secured only by the general credit of the issuer.

**Delivery versus Payment:** delivery of securities with an exchange of money for the securities. (See also "Delivery versus Receipt")

**Delivery versus Receipt:** delivery of securities with an exchange of a signed receipt for the securities. Also known as "free" delivery. (See also "Delivery versus Payment").

**Diversification:** allocation investment funds among a variety of securities offering independent returns.

**Federal Agency:** government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets, also referred to as Government Sponsored Enterprises or GSEs. The largest are Ginnie Mae, Fannie Mae, Freddie Mac, Federal Home Loan Banks, Federal Farm Credit Bank, Tennessee Valley Authority.

**Federal Funds:** funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

**Federal Funds Rate:** the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open – market operations.

**Liquidity:** the ability of ease with which an asset can be converted into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be transacted at those quotes.

**Market Value:** the price at which a security is trading and could presumably be purchased or sold.

**Master Repurchase Agreement:** a written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

**Maturity:** the date upon which the principal or stated value of an investment becomes due and payable.

**Nationally Recognized Statistical Rating Organization (NRSRO):** A credit rating agency which issues credit ratings that the U.S. Securities and Exchange Commission (the "SEC") permits other financial firms to use for certain regulatory purposes. Several examples include Moody's Investor Service, Standard & Poor's and Fitch Ratings.

**Portfolio:** collection of securities held by an investor.

**Primary Dealer:** a group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**Rate of Return:** the yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**Repurchase Agreement (RP or REPO):** a agreement under which the holder of securities sells these securities to an investor with a commitment to repurchase the securities at a fixed price on a fixed date. The security's "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

**Safekeeping:** a service rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank for protection.

**SEC Rule 15C3-1:** see "Uniform Net Capital Rule".

**Securities and Exchange Commission ("SEC"):** agency created by Congress to protect investors in securities transactions by administering securities legislation.

**Treasury Bills:** a non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**Treasury Bonds:** long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**Treasury Notes:** medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

**Uniform Net Capital Rule:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**Yield:** the rate of annual income return on an investment, expressed as a percentage. Income/current yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



# **Investment of Public Funds Act**

## **2010 Code of Virginia**

### **Title 2.2 - ADMINISTRATION OF GOVERNMENT.**

#### **Chapter 45 - Investment of Public Funds Act (2.2-4500 thru 2.2-4518)**

##### **2.2-4500 - Legal investments for public sinking funds.**

§ 2.2-4500. Legal investments for public sinking funds.

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

1. Bonds, notes and other evidences of indebtedness of the Commonwealth, and securities 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. Bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth upon which there is no default; provided, that such bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body are either direct legal obligations of, or those unconditionally guaranteed as to the payment of principal and interest by the county, city, town, district, authority or other public body in question; and revenue bonds issued by agencies or authorities of the Commonwealth or its political subdivisions upon which there is no default.
  4. Bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, bonds and other obligations issued, guaranteed or assumed by the Asian Development Bank and bonds and other obligations issued, guaranteed or assumed by the African Development Bank.
  5. Savings accounts or time deposits in any bank or savings institution within the Commonwealth provided the bank or savings institution is approved for the deposit of other funds of the Commonwealth or other political subdivision of the Commonwealth.
- (1956, c. 184, § 2-297; 1958, c. 102; 1966, c. 677, § 2.1-327; 1970, c. 75; 1974, c. 288; 1986, c. 270; 1988, cc. 526, 834; 1996, cc. 77, 508; 2001, c. 844.)

## **2.2-4501 - Legal investments for other public funds.**

### **§ 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 (§ 64.2780 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 ninety

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.**

§ 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 - Description unavailable**

§ 2.2-4503.

Not set out.

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

§ 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.**

§ 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.**

§ 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.**

§ 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.**

§ 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.**

§ 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.**

§ 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.**

§ 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.**

§ 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 he 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.**

§ 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.)

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

§ 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.**

§ 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, Article 1.2 (§ 55-268.11 et seq.) of Chapter 15 of Title 55.

(1988, c. 834, § 2.1-329.01; 2001, c. 844; 2008, c. 184.)



## **2.2-4516 - Liability of treasurers or public depositors.**

### **§ 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.)

## **2.2-4517 - Contracts on interest rates, currency, cash flow or on other basis.**

### **§ 2.2-4517. Contracts on interest rates, currency, cash flow or on other basis.**

A. Any state entity may enter into any contract or other arrangement that is determined to be necessary or appropriate to place the obligation or investment of the state entity, as represented by bonds or investments, in whole or in part, on the interest rate cash flow or other basis desired by the state entity. Such contract or other arrangement may include contracts providing for payments based on levels of, or changes in, interest rates. These contracts or arrangements may be entered into by the state entity in connection with, or incidental to, entering into, or maintaining any (i) agreement that secures bonds or (ii) investment, or contract providing for investment, otherwise authorized by law. These contracts and arrangements may contain such payment, security, default, remedy, and other terms and conditions as determined by the state entity, after giving due consideration to the creditworthiness of the counterparty or other obligated party, including any rating by a nationally recognized rating agency, and any other criteria as may be appropriate. The determinations referred to in this subsection may be made by the Treasury Board, the governing body of the state entity or any public funds manager with professional investment capabilities duly authorized by the Treasury Board or the governing body of any state entity authorized to issue such obligations to make such determinations.

As used in this section, "state entity" means the Commonwealth and all agencies, authorities, boards and institutions of the Commonwealth.

B. Any money set aside and pledged to secure payments of bonds or any of the contracts entered into pursuant to this section may be invested in accordance with this chapter and may be pledged to and used to service any of the contracts or other arrangements entered into pursuant to this section.

(2002, c. 407.)

## **2.2-4518 - Investment of funds in deposits.**

### **§ 2.2-4518. Investment of funds in deposits.**

A. Notwithstanding any provision of law to the contrary, the Commonwealth and all public officers, municipal corporations, other political subdivisions, and all other public bodies of the Commonwealth, each referred to in this section as a "public entity," may

invest any or all of the moneys belonging to them or within their control in accordance with the following conditions:

1. The moneys are initially invested through any federally insured bank or savings institution selected by the public entity that is qualified by the Virginia Treasury Board to accept public deposits;
  2. The selected bank or savings institution arranges for the deposit of the moneys in one or more federally insured banks or savings institutions wherever located, for the account of the public entity;
  3. The full amount of principal and any accrued interest of each such deposit is covered by federal deposit insurance;
  4. The selected bank or savings institution acts as custodian for the public entity with respect to each deposit issued for the public entity's account; and
  5. At the same time that the public entity's moneys are deposited, the selected bank or savings institution receives an amount of deposits from customers of other financial institutions wherever located equal to or greater than the amount of moneys invested by the public entity through the selected bank or savings institution.
- B. After deposits are made in accordance with the conditions prescribed in subsection A, such deposits shall not be subject to the provisions of Chapter 44 (§ 2.2-4400 et seq.), § 2.2-4515, or any security or collateral requirements that may otherwise be applicable to the investment or deposit of public moneys by government investors.

(2008, c. 103; 2010, c. 33.)

**Disclaimer:** These codes may not be the most recent version. Virginia may have more current or accurate information, no warranties or guarantees about the accuracy, completeness, or adequacy of the information contained on this site or the information linked to on the state site. Please check official sources.