



**Investment Policy
of
Arlington County, Virginia**

Revised July 2023



ARLINGTON COUNTY, VIRGINIA
OFFICE OF THE COUNTY TREASURER

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Carla de la Pava
Treasurer

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

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

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

Carla de la Pava, Treasurer

JULY 2023

Date

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History

- Revised July 2023
- Revised April 2017
- Revised May 2015
- Revised July 2014
- Revised March 2014
- Revised May 2012
- Revised June 2009
- Revised September 2007
- Revised October 2004
- Revised April 2004
- Originally adopted January 1987

INVESTMENT POLICY

PURPOSE AND SCOPE

The purpose of this statement of investment policy is to establish guidelines for the safeguarding and efficient management of County funds and for the purchase, sale and custody of investment instruments. The goal is to minimize risk and to ensure the availability of cash to meet the County's expenditures, while generating revenue from the use of funds, which might otherwise remain idle. This investment policy applies to all financial assets under the authority of the Treasurer.

Unless otherwise noted, all citations in this policy refer to the Code of Virginia (1950), as amended.

OBJECTIVES

The primary objectives of the Treasurer's investment activities, in priority order, are: safety, liquidity, and yield (SLY).

Safety of principal is the foremost objective in the investment of public funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The investment portfolio will remain sufficiently liquid to enable the Treasurer to meet all operating requirements of the County and Public Schools, which might be reasonably anticipated.

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles. This objective shall take into account constraints as to acceptable risk and the characteristics of the government's cash flows.

ROLE OF THE TREASURER

The County Treasurer is an elected official (a "Constitutional Officer") charged with collecting, safeguarding and disbursing County funds. The Treasurer serves as the investment officer for the County with sole authority for investment decisions. The Treasurer designates the Deputy Treasurer for Accounting and Treasury Management and/or the Investment Portfolio Manager to manage the day-to-day operations of the portfolio, place purchase orders and sell orders with dealers and financial institutions, procure banking and financial services and prepare reports as required (their "designee").

The Treasurer shall invest all available cash into a common investment portfolio. Except as noted below, the Treasurer shall refrain from specific fund investments. The Treasurer is required to file a statement of economic interest annually with the Virginia Conflict of Interest and Ethics Advisory Council by no later than February 1 (§ 2.2-3116). The Treasurer may require any employee of the Treasurer's office entrusted with the investment of County funds to file a similar statement with the Treasurer. In no event shall any employee involved in the investment process also be involved in personal business activity that could conflict with proper execution

of the investment program.

The Treasurer and their designee(s) shall continue to monitor the statutes and regulations and modify investment procedures accordingly to ensure compliance.

The Treasurer, Deputy Treasurer and Assistant Deputy Treasurer as well as staff assigned to investment and accounting functions; shall individually and as a group stay current on new regulations and market trends in investments, technology enhancements and new banking as well as financial services. Individual readings, research, subscriptions to news services, attending training and informational symposiums on these topics is encouraged and supported.

ROLE OF THE INVESTMENT MONITOR

The Investment Monitor is designated by the Treasurer to review the balances and activity in the County's investment portfolio. The Investment Monitor shall be thoroughly familiar with this Investment Policy and the Code of Virginia regarding allowable investments. The Investment Monitor will not be actively involved in investment activity other than to monitor transactions for compliance with this policy and the Code of Virginia. The Investment Monitor shall have access to the portfolio tracking system with which to confirm all investment balances, purchases, maturities, sales and trades.

ROLE OF THE FINANCE BOARD

The Finance Board has been established by the County Board in accordance with state law to review the Treasurer's actions regarding the disposition of County funds. The Finance Board meets at regular intervals with the Treasurer to review the Treasurer's Statement of Accountability. The make-up of the Finance Board is specified in § 58.1-3151 et seq. of the Code of Virginia:

1. "Each County of the Commonwealth may establish a county finance board...in any county adjoining any county having a population of more than 500 per square mile the finance board shall consist of the chairman of the governing body, the treasurer, the "Commonwealth's Attorney" and a citizen of the county of proven integrity and business ability." (§ 58.1-3151).
2. "The chairman of the governing body of the county shall be the chairman of the county finance board and the clerk of the governing body shall be the ex officio clerk thereof. The board shall meet at such times and at such places as the chairman or a majority of the members of the board may decide." (§ 58.1-3152).
3. Other Code sections provide for compensation for the citizen member of the county finance board (§ 58.1-3153), permit the board to authorize the Treasurer to deposit funds in time deposits if they might not otherwise be earning interest (§ 58.1-3156) and direct the Treasurer to report to the board the amount of money held in each depository (§ 58.1-3160).

These Code sections are meant to apply only to current funds received by the County in the form of taxes, general revenues, or debt proceeds. Specifically

excluded from coverage are funds, which by statute or ordinance require specific investments. Such funds include, but are not limited to, the County retirement funds.

It is the policy of the Finance Board to meet, at least, quarterly. Acceptance of the reports for a particular month shall be by voice vote and must be unanimous. Should the reports for a month not be accepted by the Board, they shall be revised accordingly by the Treasurer and resubmitted to the Board at its next regularly scheduled meeting or earlier if requested.

ETHICS AND CONFLICT OF INTEREST

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

INTERNAL CONTROLS

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

- Prevention of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping using a delivery versus payment basis
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian.

EXTERNAL PORTFOLIO MANAGEMENT

(excludes SNAP, VIP and LGIP)

In order to better manage yield in changing interest rate environments, the Treasurer may decide to contract for external portfolio management. This portion of the investment portfolio may be invested for periods greater than two years but not more than five years. These funds may not exceed 25% of the net balance of the County's pooled cash and investments. A portion of the interest earnings of this fund and the general portfolio earnings can be used to pay for banking, financial and investment management services. The external portfolio manager must comply with all the requirements of the Code of Virginia with respect to the investment of local funds.

VIRGINIA STATE NON-ARBITRAGE PROGRAM (SNAP)

Unexpended proceeds from County bonds are held in SNAP which is managed by PFM Asset Management LLC. Project expenditures are made from the County's general operating account and reimbursed regularly from SNAP. The Snap portfolio balance fluctuates based on both County bond issuance levels and project expenditure levels.

VIRGINIA INVESTMENT POOL (VIP) INTERMEDIATE TERM FUND

The Virginia Municipal League (VML) and the Virginia Association of Counties (VaCo) has established the Virginia Investment Pool to be managed through VML/VaCo Finance. The VIP intermediate-term bond fund, with a fluctuating net asset value, is designed for the investment of operating funds that do not require immediate liquidity. The management of VIP is governed by a Board of Trustees made up of local treasurers and investment officers as well as ex officio officers of VML/VaCo. The Arlington County Board adopted the enabling ordinance, required by Section 15.2-1300 of the Code of Virginia, on January 25, 2014. Participation in the program is at the sole discretion of the Treasurer. At no time shall the amount invested in the VIP intermediate-term fund exceed 25% of the County's cash and investments.

LOCAL GOVERNMENT INVESTMENT POOLS (LGIP)

The State of Virginia and VIP both manage short-term liquidity funds with an LGIP structure. These funds offer public entities of the Commonwealth of Virginia the opportunity to invest in a 'AAA' rated, professionally managed, diversified portfolios which adhere to the Code of Virginia regarding allowable investments.

COMMUNITY BANK PROGRAM

In order to enable community based financial institutions to compete against regional and national institutions for County funds the Treasurer may set aside a portion of County funds upon which local community based institutions may bid. In order to qualify for the Community Bank Program, an institution must be headquartered locally or maintain a significant portion of its branches in the County. Any banks which show significant community reinvestment activities beyond the minimums required in the Community Reinvestment Act will receive consideration.

The aggregate investments held for any qualifying institution is not to exceed five percent of the institution's total assets as reported on their most recent audited financial statements or Quarterly Call Report.

The investments under the Community Bank Program are subject to the same restrictions and the same collateralization requirements as all other investments. The Treasurer, or their designee, reserves the right to reject bids that are not suitable or otherwise not in the best interest of the County.

INVESTMENT OF BOND PROCEEDS

The Tax Reform Act of 1986 restricts the interest which may be earned on the unexpended proceeds of tax-exempt bonds issued after 1986. The average yield of investments purchased with bond proceeds may not exceed the yield on the bonds. Any excess earnings are considered arbitrage earnings and must be remitted to the U.S. Treasury. In order to avoid the difficulties associated with arbitrage, all unexpended bond proceeds shall be invested separately in the State Non-Arbitrage Pool, or its equivalent.

ARBITRAGE MANAGEMENT PROGRAM

The arbitrage management program seeks to promptly reimburse pooled cash for expenses related to bond projects and to manage the Treasurer's Office relationship with the State Non-Arbitrage Program (SNAP). Through the prompt replenishment of eligible capital expenses the Arbitrage Management Program seeks to maximize the county's liquidity and investment earnings. The main points of the program are:

1. Make cash draws from the appropriate SNAP account based on County and School general ledger activity.
2. Establish and manage arbitrage rebate accounts to cover projected IRS rebate liability.
3. Provide the most accurate information to the Arbitrage Rebate Calculation Agent based on County and School general ledger activity.
4. Rely on the appropriate County and School officials to maintain the detailed documents to support their general ledger transactions related to expenses eligible for cash draws.

PAYMENT OF BANKING SERVICE AND INVESTMENT FEES

The Treasurer determines whether paying for banking, financial services and financial products directly or through compensating balances is in the best interest of the County. The method of payment chosen will, for the most part, be based on the current rate of return on the portfolio versus the compensating balance rate offered by individual institutions.

Payment methods may change on a month to month and institution by institution

basis depending upon which arrangement produces the best overall return, cost constraint and operational efficiency. Investment proceeds and/or compensating balance arrangements can be used for banking and financial services when the resulting service or product has a benefit for legally mandated or government wide services and transaction processing.

Compensating balance and/or investment proceeds shall not be used on a regular basis for department or agency program specific routine operational costs, non-general fund revenue and/or non-mandated transactions. Compensating balance and/or investment proceeds may be used for operational expenses during a limited startup phase when implementing banking or financial services where the long term savings is greater than the short term costs.

AUTHORIZED DEPOSITORY AND FEE SERVICE BANKS

The Treasurer shall only utilize financial institutions authorized under the Code of Virginia to provide depository and/or investment services. In order to ensure orderly and fair competition, the Treasurer will routinely bid new fee services on an individual basis, when such service is not functionally linked to an existing banking process. Priority will be given to making certain that opportunities are presented to participants in a fair and orderly process.

1. Banks must be "qualified public depositories" as defined in the Code of Virginia Security for Public Deposits Act (§ 2.2-4401).
2. The Treasurer will conduct a quarterly review of the condition of each authorized financial institution and will take appropriate and prudent action as needed based on deteriorating bank financial indicators. The Treasurer will undertake interim reviews as conditions dictate.

AUTHORIZED INVESTMENT BROKER/DEALERS

The Treasurer shall maintain a list of financial institutions authorized to provide investment broker services.

In order to ensure orderly and fair competition, the Treasurer shall limit the number of broker/dealers on the authorized list. For the broker/dealers on the list priority will be given to making certain that opportunities are presented to participants in a fair and orderly process.

Further, authorized financial institutions will:

1. Maintain compliance with FINRA Net Capital Requirements for Brokers or Dealers - SEA Rule 15c3-1.
2. Any broker must maintain an active registration in good standing with FINRA.
3. All Broker/Dealers are required to sign an acknowledgement as to receiving, understanding and agreeing to abide by this investment policy prior to the start of any activity. Broker/Dealers which repeatedly propose non allowable or noncompetitive investments will be removed from the approved list.

BENCHMARKS

The portfolio performance benchmarks will be both the Fed Funds Rate and the three-month Treasury bill rate. Comparisons to the Virginia State Non-Arbitrage Program (SNAP) and the Virginia Local Government Investment Pool (LGIP) will be maintained for informational purposes as they are both highly liquid investment pools operated in compliance with the Code of Virginia.

PURCHASE OF INVESTMENTS

GENERAL

Generally, investment offers must be considered in a competitive environment. Investments in excess of ten million dollars must be selected on a competitive basis. Offers must be solicited/received from a minimum of two dealers or financial institutions. The Treasurer, or their designee, may use discretion in selecting the bidders, taking into consideration an institution's reputation, past success rate, timeliness in providing bids and any other factors which their designee believe have bearing. The Treasurer, or their designee, may purchase or sell investments at their discretion without competition.

In general, the highest yielding instrument offered with an appropriate maturity to match with projected liquidity needs will be the investment selected. The Treasurer, or their designee, may reject an investment, even if it yields the highest rate, if he feels it carries an element of risk which may not be reflected in the published credit rating or if it is not in the County's interest to hold such an investment in its portfolio.

A report of investment activity shall be prepared by the Accounting and Treasury Management division no less than monthly. This report shall be provided to the Treasurer and the Investment Monitor at such times as determined by the Treasurer; but no less than monthly.

In accord with primary objectives, in priority order of safety, liquidity, and yield (SLY), investments shall be made with the judgment and care which persons of discretion, prudence and intelligence exercise in the management of their own affairs, not for speculation, but for the protection of principal. Consideration for the safety of capital shall be paramount over the probable income to be derived. Individuals responsible for investing County funds shall in no way benefit personally as a result of investment decisions.

INVESTMENT POLICIES AND STANDARDS

There are certain standards of "adequacy" and "appropriateness" set by the Treasurer, in addition to the creditworthiness of an institution, against which offers shall be measured when purchasing investments. For example, diversification reduces overall portfolio risks while attaining market average rates of return. The

policies and standards which regulate specific investments and the composition of the investment portfolio shall include, but not be limited to, the following:

1. No investment shall be purchased if the enhanced ratings from nationally recognized rating firms, as specified by the Code of Virginia, are not at or above the minimum required in the Code of Virginia. Credit qualifiers used by rating agencies including negative rating qualifications (such as AA- or A1-) will not exclude the instrument.
2. No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term.
3. At no time, shall more than thirty-five percent of the portfolio be invested in commercial paper.
4. No more than five percent of the portfolio shall be invested in the commercial paper of a single entity.
5. At no time shall the remaining maturity of an investment exceed 60 months. Unless such investment has a PUT option as described in the Diversity & Maturity Section.
6. The Treasurer shall endeavor to maintain an appropriate diversification in the portfolio. The Treasurer will diversify instruments and institutions in order to reduce overall portfolio risk while attaining market rates of return.
7. The Treasurer shall use the three-month Treasury bill and two-year Treasury note rates as benchmarks for the return on the investment portfolio.
8. All investments with the sole exception of bank depository instruments, will be purchased on a delivery versus payment basis through a trust and custody agent under contract with the Arlington County Treasurer's Office.

The Treasurer may add, delete or modify standards of investment at his/her discretion in response to changing economic, national or international conditions. Such additions, deletions or modifications shall be reported to the Finance Board at the next meeting of that body.

All institutions solicited for offers shall be advised of the allowable investments and any restrictions upon investments. Only investments which meet the criteria enumerated above may be considered. The Treasurer may consider barring institutions from consideration should they repeatedly offer disallowed investments.

ALLOWABLE INVESTMENTS

The Treasurer must limit investments to those allowed by the Code of Virginia. The Treasurer, however, may restrict investments beyond the limits imposed by the Code if such restrictions serve the purpose of further safeguarding County funds or are in the best interests of the County.

The allowable types of investments under the Code of Virginia for non-sinking funds are as follows:

1. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia, and other evidences of indebtedness unconditionally guaranteed as to payment of principal and interest by the Commonwealth of Virginia. (§ 2.2-4501(A)(1)).
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. (§ 2.2-4501(A)(2)).
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. (§ 2.2-4501(A)(3)).
4. Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body in the Commonwealth upon which there is no default; provided, that if the principal and interest be payable from revenues or tolls and the project has not been completed, or if completed, has not established an operating record of net earnings available for payment of principal and interest equal to estimated requirements for that purpose according to the terms of the issue, the standards of judgment and care required in Article 9 (§ 64.2-780 et seq.) of Chapter 7 of Title 64.2, without reference to this section, shall apply. (§ 2.2-4501(A)(4)).

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

5. Legally authorized stocks, bonds, notes and other evidences of indebtedness of any city, county, town or district situated in any one of the states of the United States upon which there is no default and upon which there has been no default

for more than 90 days; provided, that (i) within the 20 fiscal years next preceding the making of such investment, such city, county, town or district has not been in default for more than 90 days in the payment of any part of principal or interest of any stock, bond, note or other evidence of indebtedness issued by it; (ii) such city, county, town or district shall have been in continuous existence for at least 20 years; (iii) such city, county, town or district has a population, as shown by the federal census next preceding the making of such investment, of not less than 25,000 inhabitants; (iv) the stocks, bonds, notes or other evidences of indebtedness in which such investment is made are the direct legal obligations of the city, county, town or district issuing the same; (v) the city, county, town or district has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount; and (vi) the net indebtedness of such city, county, town or district (including the issue in which such investment is made), after deducting the amount of its bonds issued for self-sustaining public utilities, does not exceed 10 percent of the value of the taxable property in such city, county, town or district, to be ascertained by the valuation of such property therein for the assessment of taxes next preceding the making of such investment. (§ 2.2-4501(A)(5)).

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. (§ 2.2-4501(A)(6)).
7. Savings accounts or time deposits in any bank or savings and loan association within the Commonwealth of Virginia, providing such bank or savings and loan association is a "qualified public depository". Such savings accounts or time deposits must meet the collateralization requirements as set forth in the Virginia Security for Public Deposits Act (SPDA) and the regulations of the State Treasury Board. The SPDA provides for two methods, either the pooled or dedicated method, by which financial institutions holding Virginia public deposits that exceed federal deposit insurance must collateralize these excess deposits through the pledging of securities as collateral to be held by a custodian for the benefit of Virginia public depositors.

Under the pooled method, there is a cross guarantee among all banks electing the pooled method. In the event of a default by one pooled depository, an assessment is levied against all pooled depositories to cover any uninsured and uncollateralized public deposits held by the defaulting pooled depository, as outlined in Section 2.2-4403 of the SPDA. There is a tiered collateral requirement using the pooled method that can range from 50% of public deposits not covered by federal deposit insurance to 100% of public deposits not covered by federal deposit insurance based on the dollar value of public deposits held by a depository.

Under the dedicated method of collateralizing public deposits as outlined in Section 2.2-4404, a dedicated depository is only responsible for collateralizing the public deposits it holds through the pledge of increased collateral (105% to 130% of public deposit balances held in excess of federal deposit insurance based on the financial strength of the depository). There is no cross guarantee or shared liability for the loss of public deposits held by another public depository.

To become a qualified public depository, a financial institution agrees to comply with the SPDA, SPDA Regulations, and all associated Guidelines approved by the Treasury Board by executing a Public Deposit Security Agreement and a Joinder to the Master Custodial Agreement with the Treasury Board and an escrow agent (custodian). Escrow agents must be selected from those approved by the Treasury Board. A financial institution is prohibited from holding Virginia public funds if they have not yet been designated a qualified public depository. For a copy of the Public Deposit Security Agreement banks may e-mail to SPDAMail@trs.virginia.gov. (§ 2.2-4400 *et seq.*; § 58.1-3149; § 58.1-3154).

8. Repurchase agreements which are collateralized with securities that are approved for direct investment. (§ 2.2-4507). The Treasurer may require that physical possession of the collateral be taken. Physical possession must be taken when the term of the repurchase agreement exceeds ten days. The Treasurer shall execute a master repurchase agreement with the bank or broker/dealer, which is the counterparty to the repurchase transaction prior to entering into any repurchase transaction.
9. Banker's acceptances from "prime quality" institutions. Prime quality shall be as determined by one or more nationally recognized rating agencies. (§ 2.2-4504)
10. "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 (§ 2.2-4502). "Prime quality" means that the paper has received at least two of the following ratings: (i) at least prime 1 by Moody's Investors Service, Inc.; (ii) at least A1 by Standard & Poor's; or (iii) at least F1 by Fitch Ratings, Inc., provided that at the time of any such investment: 1. the issuing corporation, or its guarantor, has a net worth of at least \$50 million; and 2. the net income of the issuing corporation, or its guarantor, has averaged \$3 million per year for the previous five years; and 3. all existing senior bonded indebtedness of the issuer, or its guarantor, has received at least two of the following ratings: (i) at least A by Moody's Investors Service, Inc.; (ii) at least A by Standard & Poor's; or (iii) at least A by Fitch Ratings, Inc. Not more than 35 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. (§ 2.2-4502(A)).
11. "High quality" corporate notes (§ 2.2-4510). High quality shall be defined as a rating of at least AA/Aa and a maturity of no more than five years. All investments shall have received at least two of the following ratings: (i) at least Aa by Moody's Investors Service, Inc.; (ii) at least AA by Standard and Poor's; or (iii) at least AA by Fitch Ratings, Inc. (§ 2.2-4510).
12. Certificates representing ownership in 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 the certificates. (§ 2.2-4505)
13. The Local Government Investment Pool (LGIP). (§ 2.2-4603). Investments in

this pool are subject to the rules and regulations as set forth by the Virginia Department of the Treasury which manages the pool (§ 2.2-4602). The Treasurer shall, on a continual basis, monitor the management and operations of the LGIP.

14. The Virginia Investment Pool (VIP). The underlying investments in this pool are restricted to securities approved for direct investment (§ 2.2-4513.1).
15. The State Non-Arbitrage Pool (SNAP). Investments in this pool are limited to unexpended proceeds from the issuance of bonds, the interest on which is subject to rebate under the provisions of the Tax Reform Act of 1986 (§ 2.2-4700).
16. Open-end mutual funds, provided the funds are registered under the Securities Act of Virginia or the Federal Investment Act of 1940 and that the investments by such Funds are restricted to securities approved for direct investments (§ 2.2-4508).
17. Negotiable certifications of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks 1. with maturities not exceeding one year, that have received at least two of the following ratings: (i) at least A-1 by Standard & Poor's; (ii) at least P-1 by Moody's Investors Service, Inc.; or (iii) at least F1 by Fitch Ratings, Inc.; and 2. with maturities exceeding one year and not exceeding five years, that have received at least two of the following ratings: (i) at least AA by Standard & Poor's; (ii) at least Aa by Moody's Investors Service, Inc.; or (iii) at least AA by Fitch Ratings, Inc. (§ 2.2-4509)
18. Non-negotiable certificates of deposit of banks certified as qualified to hold Virginia Public Deposits.

DIVERSIFICATION AND MATURITIES

The Treasurer will diversify holdings of the investment instruments to avoid incurring unreasonable risk inherent in over-investing in any specific instruments or class of instruments, individual financial institution or maturity schedule; while attaining market average rates of return.

Length and allowable percentage of instruments maturity scheduling shall be timed according to anticipated need. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenues.

If a legally authorized stock, bond, note or other evidence of indebtedness of any city, county, town or district situated in any one of the states of the United States has as a PUT option which requires the issuer of the instrument to return all principal, and accrued interest within 30 days of the exercise of the PUT option, then the maturity of that instrument will be considered the PUT option not the stated maturity of the instrument.

The use of derivative instruments and strategies is forbidden even if their use is more efficient to manage risk like modifying a portfolio's duration, maintaining

exposure to an asset class, or maintaining a portfolio's targeted yield curve exposure.

The following table shows the authorized investments. Any investments not specifically listed below are deemed inappropriate and prohibited:

Authorized Investments	VA Code	Authorized % Limit	Maximum Maturity	Minimum Rating	Other Constraints
U.S. Treasuries	2.2-4501 (A2)	No Limit	5 years	N/A	
U.S. Agencies / GSEs	2.2-4501 (A2)	No Limit	5 years	N/A	
Municipal Obligations	2.2-4501(A3) 2.2-4501(A4) 2.2-4501(A5)	75%	5 years	2 of the following: Moody's Aa S&P AA Fitch AA	
Supranationals	2.2-4501 (A6)	10% of Portfolio 5% Issuer	5 years	AAA	Limited to International Bank for Reconstruction (World Bank), Asian Development Bank and African Development Bank
Commercial Paper	2.2-4502	35% of Portfolio 5% Issuer	270 days	2 of the following: A1, P1, F1	U.S. Domicile Net worth \geq \$50mm, Net Income average of \$3 mm per year for the previous 5 years
Corporate Notes	2.2-4510	25% of Portfolio 5% Issuer	5 years	2 of the following: Moody's Aa S&P AA Fitch AA	
Repurchase Agreement	2.2-4507	20% of Portfolio 5% Issuer	12 months	N/A	Collateral Obligations of U.S., Master Repurchase Agreement

Banker's Acceptance	2.2-4504	10% of Portfolio 5% Issuer	12 Months	2 of the following: A1, P1, F1 if < 1 year	
Negotiable certificates of deposit (CDs) and negotiable bank deposit notes	2.2-4509	25% of Portfolio 5% Issuer	2 years	2 of the following: A1, P1, F1 if < 1 year, 2 of the following: Moody's Aa S&P AA Fitch AA if > 1 year	
LGIP — Daily Liquidity	2.2-4513.1	No Limit	N/A	A1, P1, F1	
LGIP — Bond Fund	2.2-4513.1	25% of Portfolio	N/A	AAA	
Virginia Investment Pool (VIP) – Liquidity Pool	2.2-4513.1	No Limit	N/A	A1, P1, F1	
Virginia Investment Pool (VIP) – 1-3 Year Bond Fund	2.2-4513.1	25% of Portfolio	N/A	AAA	
The State Non-Arbitrage Pool (SNAP)		100% of bond proceeds	N/A	A1, P1, F1	
External Management Contract ¹			5 years		

¹ 25% of net balance of pooled investments, using lowest portfolio amount as target point. Prior 3-year history must exceed internal performance by 25bps, net of management fee.

UNAUTHORIZED INVESTMENTS/INVESTMENT STRATEGIES

Derivatives - It is the policy of the County not to invest in derivatives, a financial contract whose value derives from the value of underlying stocks, bonds, currencies, commodities, etc.

Leveraging - The County may not borrow funds for the express purpose of reinvesting these funds, otherwise known as leveraging

DELIVERY REQUIREMENTS

Collateral for savings and time deposits shall be pledged according to the provisions of the Security for Public Deposits Act and the requirements of the State Treasury Board regulations.

All securities will be purchased on a delivery versus payment basis. Securities shall be held for safekeeping at a custodial agent designated by the Treasurer 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 County subject to the Treasurer's order of withdrawal. The provisions of this section shall not apply to investments with a maturity of less than 10 calendar days. (§ 2.2-4515).

REPORTS OF INVESTMENT ACTIVITY

REPORTS TO THE FINANCE BOARD

The Treasurer shall report to the Finance Board on a regular basis, as determined by the Board, such information as the Board requires in order to fulfill its function. At its discretion the Board may require additional information or clarification from the Treasurer either orally or in writing.

The reports to the Finance Board shall consist of a summary of cash and investments which are the legal responsibility of the Treasurer. This report, known as the Treasurer's Statement of Accountability, will list each depository, investment firm or custodian with balances. A listing of all investments and a detailed report of the investments held and the annual return being realized by each will be provided. A separate report shall be prepared for each calendar month as of the last day of that month.

FINANCIAL STATEMENT BASIS

Financial statement presentation of investments, accrual of interest, amortization of premiums and accretion of discounts shall be according to generally accepted accounting principles as applied to municipalities.

Those principals shall be as determined by the Commonwealth of Virginia Auditor of Public Accounts, the American Institute of Certified Public Accountants and its designated units, the Financial Accounting Standards Board and the Governmental Accounting Standards Board.

Reporting components will include:

- Listing of individual securities held at the end of the reporting period.
- Mark to market valuation on a monthly basis.
- Average weighted yield to maturity of portfolio.
- Listing of investments by maturity date.
- Percentage of the total portfolio which each type of investment represents.

COMPLIANCE WITH THE CODE OF VIRGINIA

This policy seeks to restrict and define investment actions at a more detailed level than presented in the Code of Virginia.

In the absence of any issue or situation not specifically addressed by this policy; any action undertaken by the Treasurer, or his/her staff will at all times be in compliance with the Code of Virginia Investment of Public Funds Act.

<http://law.lis.virginia.gov/vacodepopularnames/investment-of-public-funds-act/>

Broker/Dealer Investment Policy Confirmation
The Investment Policy for Arlington County, Virginia
(Rev. July 2023)

Name of Firm/Bank/Broker/Dealer:

I acknowledge that I have received and reviewed the Investment Policy of Arlington County, Virginia – Dated July 2023. I have read and understand the policy and am aware of the Code of Virginia with respect to municipal investment statutes, as included as an appendix to the Investment Policy. Further, I have insured that other personnel, who may conduct business with the County from time to time, are aware of the Policy and its provisions. In my dealings with the Arlington County Treasurer's Office, I will, at all times, follow the guidelines as presented in the Investment Policy.

I certify that I am authorized to represent and commit my firm to this acknowledgement.

Printed Name: _____

Signature: _____

Title: _____

Date: _____