

**AGENDA ITEM 9-B**  
**ACTION ITEM**

**TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD**

**FROM: DALE ZEHNER**

**DATE: JUNE 20, 2008**

**RE: APPROVAL OF REVISION TO INVESTMENT POLICY**

---

**RECOMMENDATION:**

The VRE Operations Board is being asked to approve a revision to the investment policy to increase the allowable percentage of the portfolio that can be invested in money market funds. In June 2007, staff asked for an increase to the percentage of the portfolio that could be invested in money market funds from 20% to 60%. The Board improved an increase of up to 40% and requested that staff come back after a year with any further requests.

**BACKGROUND:**

In September of 2004, the Operations Board approved a formal investment policy which established guidelines for the purchase and sale of investment instruments. The goals of the policy are to minimize risk, ensure the availability of cash to meet VRE's expenditures, and generate income from the investment of funds. VRE's policy was developed in accordance with the Code of Virginia's requirements for the investment of public funds.

The VRE investment policy specifies a list of allowable investments with the maximum term and the percent of the portfolio that can be invested in each type of instrument. These limitations are designed to minimize the risk of loss of principal and to assure sufficient liquidity. Money market funds that restrict their investments to certain securities (generally government issued debt) and have the highest rating for such funds are allowable, but within the percentage limitation indicated above.

The current 40% limitation is unusually restrictive compared to the policies of surrounding jurisdictions and the model policy of the Government Finance Officers Association (GFOA) and it presents some logistical difficulties, particularly in regard to bond principal and

interest payments. For example, Prince William County limits money market funds to 60% of the portfolio; Stafford County and the City of Manassas have no percent limitation for investments; and GFOA does not recommend any percent limitation for government money market funds. Fairfax County limits money market and repurchase agreements combined to 30% of the portfolio, but they rely primarily on their own securities purchases because of the size of their operation.

As of the portfolio report to the Audit and Finance Committee at the end of the March 2008, money market funds were 39% of the portfolio. The bulk of these funds are with the bond trustee and must be held by them until the next payment to the bondholders on July 1; there are no consistently available and desirable alternatives to these funds being invested in a money market account. As restricted grant funds held at the LGIP are used for projects, the percentage of the portfolio in money market accounts could increase above the current policy restrictions, particularly just prior to bond payment dates. Given the current investment climate, VRE is looking at ways to diversify investments, but this will not affect the need to make the requested policy change.

The policy vests the authority for investing VRE funds and recommending investment policy changes with the Director of Finance. The Director of Finance and the CEO recommend that the percent of the portfolio that can be invested in government money market funds be increased from 40% to 60%.

The proposed change to the investment policy was approved by the Audit and Finance Committee at their meeting on June 20, 2008.

**FISCAL IMPACT:**

There is no fiscal impact.

**TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD**  
**FROM: DALE ZEHNER**  
**DATE: JUNE 20, 2008**  
**RE: APPROVAL OF REVISION TO INVESTMENT POLICY**

**RESOLUTION**  
**9B-06-2008**  
**OF THE**  
**VIRGINIA RAILWAY EXPRESS**  
**OPERATIONS BOARD**

**WHEREAS**, in September of 2004, the Operations Board approved a formal investment policy which established guidelines for the purchase and sale of investment instruments; and,

**WHEREAS**, the VRE investment policy specifies a list of allowable investments with the maximum term and the percent of the portfolio that can be invested in each type of instrument; and,

**WHEREAS**, in June 2007, the investment policy was modified to increase the percentage of the portfolio that can be invested in government money market funds from 20% to 40%; and,

**WHEREAS**, the Director of Finance and the CEO recommend that the percent of the portfolio that can be invested in government money market funds be further increased to 60%, and,

**WHEREAS**, the Audit and Finance Committee has recommended that this revision to the investment policy be approved.

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board approves a revision to the investment policy to increase the allowable percentage of the portfolio that can be invested in money market funds from 40% to 60%.