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# THE INVESTMENT POLICY TOWN OF SMITHFIELD, VA

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Revised September 13, 2023

This Investment Policy has been established by the Treasurer of the Town of Smithfield to ensure effective management of the day-to-day investment activity for the Town 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 is charged with receiving, collecting, safeguarding, and disbursing Town funds with general custody of Town 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 Town.

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# **Town of Smithfield**

## ***Statement of Investment Policy and Procedures***

### ***Purpose***

This Investment Policy and Operational Procedures is established to ensure effective management of the day-to day investment activity for the Town of Smithfield and is designed to protect and increase non-tax revenues by investing funds when not needed for current obligations.

These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

It shall be the policy of the Treasurer that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia and the guidelines stated by the State Treasury Boards and Governmental Accounting Standards Board (GASB).

Unless otherwise noted, all citations in this policy refer to the Code of Virginia.

### ***Scope of the Investment Policy***

This investment policy applies to all financial assets of the Town of Smithfield. These funds are accounted for in the Town's annual financial report and include but are not limited to:

- ▶ General Fund
- ▶ Water and Sewer Funds
- ▶ Debt Service Funds
- ▶ Escrow Funds

This policy shall apply to such funds from the time of receipt until the funds ultimately leave the Town's accounts. The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the management or administration of these funds.

### ***Investment Objectives***

The Town's Portfolio shall be managed to accomplish the following hierarchy of objectives:

**1- *Preservation of Principal*** - The single most important objective of the Town's investment program is the preservation of principal of those funds within the portfolio.

**2- *Maintenance of Liquidity*** - The portfolio shall be managed in such a manner that assures that funds are available as needed to meet those immediate and/or future operating requirements of the Town, including but not limited to payroll, accounts payable, capital projects, debt service and any other payments.

**3- *Maximize Return*** - The portfolio shall be managed in such a fashion as to maximize the return on investments within the context and parameters set forth by objectives 1 and 2 above.

## ***Delegation of Authority***

The Treasurer is charged with collecting, safeguarding, and disbursing public funds; therefore, the Treasurer shall have responsibility for the operation of the investment program. The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

## ***Standard of Prudence***

The standard of prudence to be applied to the investment of the Town's Portfolio shall be the "Prudent Investor" rule that states:

*"Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."*

Investment officials acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual investment vehicle's performance, provided that deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments. Furthermore, in accordance with Section 2.2-4410 et seq. of the Code of Virginia, the Treasurer shall not be liable for loss of public money due to the default, failure, or insolvency of a depository.

## ***Ethics and Conflict of Interest***

The State and Local Government Conflict of Interests Act governs officers and employees, including those involved in the Town's investment process. Specifically, Code of Virginia Section 2.2-3103 (5) and (6) of the Act provide that no officer or employee shall:

1. 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
2. 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.

Officers and 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 and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's investment portfolio.

Employees and officers shall refrain from undertaking personal investment transactions with

the same individual with whom business is conducted on behalf of the Town, particularly regarding timing of purchases and sales.

### ***Authorized Investments***

1. Investments shall be diversified so that exposure to market fluctuations is limited.
2. All investments shall be in compliance at all times with provisions in the Code of Virginia.
3. No investment maturity or duration will exceed five years.

The Town of Smithfield may invest any and all funds belonging to it or in its control in the following:

1. U.S. Government Obligations- Stocks, bonds, notes and other evidence of indebtedness of the United States, its agencies or government sponsored corporations. These securities can be held directly or in the form of a registered money market or mutual funds provided that the portfolio of the fund is limited to such evidence of indebtedness.
2. Municipal Obligations- Stocks, bonds, notes and other evidence of indebtedness of the Commonwealth of Virginia, or of any county, city, town, district, authority or public body of the Commonwealth of Virginia with an investment grade from two of the rating agencies of at least A by Moody's, A by S&P, or A by Fitch.
3. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities- The repurchase agreement should have a term to maturity of not greater than (90) days. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.
4. Corporate Notes - Issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States that has a minimum "Aa" long term debt rating by Moody's Investor's Service and a minimum "AA" long term debt rating by Standard & Poor's. The amount invested in any single issuing corporation will not exceed five percent (5%) of the total funds available for investment (based on book value at the date of acquisition).
5. Negotiable Certificates of Deposit and Bank Deposit Notes of domestic banks and domestic offices of foreign banks- Must have 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 for maturities over one year and not exceeding five years.
6. "Prime Quality" Commercial paper shall be rated by at least two of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of P1, 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 O-1, or by their corporate successors (§2.2-4502.3). These must be purchased by a broker/dealer, who would need to be approved (see section...) The following stipulations must be met:
  - a. The maturity is no greater than two hundred-seventy days (270) days.

- b. No more than five percent (5%) of the total funds available for investment (based on book value of the date of acquisition) may be invested in commercial paper.
  - c. The amount invested in any single issuing corporation will not exceed five percent (5%) of the total funds available for investment (based on book value on the date of acquisition).
  - d. The issuing corporation, or its guarantor, has a net worth of at least \$50 million.
  - e. The net income of the issuing corporation, or its guarantor, has averaged \$3 million per year for the previous five years
- 7. Registered Investment Companies (Mutual Funds) shares in open-end investment funds provided such funds are registered under the Federal Investment Company Act of 1940, and that the investments by such Funds are restricted to securities approved for direct investments.
- 8. 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](mailto:SPDAMail@trs.virginia.gov). (§58.1-3149 and §2.2-4400)

### ***Prohibited Investments and Investment Practices***

The Town is prohibited from:

1. Investment in reverse repurchase agreements.
2. Short sales (selling a specific security before it has been legally purchased).
3. Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing.
4. Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices.
5. Investing in any security not specifically permitted by this Policy.

### ***Portfolio Diversification***

The Town of Smithfield shall diversify its investments by type and issuer consistent with the following guidelines:

1. The portfolio will be diversified with no more than five percent of its value invested in the securities of any single issuer. This limitation shall not apply to securities of the Commonwealth of Virginia, the US Government, insured certificates of deposit, the Commonwealth of Virginia Local Government Investment Pool, and the VACo/VMG Virginia Investment Pool.
2. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

***Permitted Investments, Length, Type Percentages***

| CLASS  | LENGTH                        | Type                 | PERCENT OF PORTFOLIO  | Code Section |
|--|-------------------------------|----------------------|-----------------------|--------------|
| Municipal Obligations:<br>Stocks, bonds, notes and other evidence of indebtedness of the Commonwealth of Virginia, or of any county, city, town, district, authority or public body of the Commonwealth of Virginia. | 36 months or less             | Core                 | 20%                   | §2.2-4500    |
| US Government Obligations:<br>Stocks, bonds, notes and other evidence of indebtedness of the United States, its agencies or government sponsored corporations.   | 36 months or less             | Core                 | 100%                  | § 2.2-4505   |
| Savings accounts or time deposits (CDs) In any bank or savings and loan association within the Commonwealth of Virginia  | 12 months or less             | Short Term           | 75%                   | § 2.2-4509   |
| Commercial Paper   | No greater than 270 days      | Core                 | 5%                    | §2.2-4502    |
| Corporate Notes  | No greater than 270 days      | Core                 | 15%                   | §2.2-4510    |
| Repurchase Agreements  | 90 days or less               | Short Term           | 50%                   | §2.2-4507    |
| Certificates representing ownership in either treasury bond principal at maturity or its coupons   | 36 months or less             | Core                 | 20%                   | §2.2-4505    |
| Virginia Investment Pool (VIP)   | Daily                         | Short Term           | 100%                  | §2.2-4605    |
| Virginia Local Government Investment Pool (LGIP)   | Daily                         | Short Term           | 100%                  | §2.2-4605    |
| Registered Money Market Mutual Funds   | Daily                         | Short Term           | 100%                  | §2.2-4508    |
| The State Non-Arbitrage Pool (SNAP)  | Depending Upon Length of Bond | For Bond issues only | 100% of bond proceeds | §2.2- 4700   |

***Maximum Maturity***

Maintenance of adequate liquidity to meet the cash flow needs of the Town is essential. Accordingly, the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of the Town to avoid the forced sale of securities prior to maturity.

For the purposes of this Investment Policy, assets of the Town shall be segregated into two categories based on expected liquidity needs and purposes: short-term operating funds and the core portfolio.

**Short-Term Operating Funds.** Assets categorized as short-term funds will be invested in

permitted investments maturing in twelve (12) months or less. The average weighted maturity of the short-term assets will not exceed 180 days. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio will be continuously invested in readily available funds such as the LGIP, money market mutual funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

**Core Portfolio.** The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than three years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

### ***Safekeeping and Custody***

All investment securities purchased by the Town or held as collateral on deposits or investments shall be held in third-party safekeeping at a qualified public depository who may not otherwise be a counterparty to the investment transaction. (A qualified public depository is defined under Virginia law as a national banking association, federal savings and loan association or federal savings bank located in Virginia and any bank, trust company or savings institution organized under Virginia law that receives or holds public deposits which are secured pursuant to Section 2.2-4400 et. seq. of the Code of Virginia.)

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

Appropriate Town officials and representatives of the depository responsible for, or in any manner involved with, the safekeeping and custody process of the Town shall be bonded in such a fashion as to protect the Town from losses from malfeasance and misfeasance.

### ***Performance Standards***

The investment portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the Town. Short-term funds and other funds that must maintain a high degree of liquidity will be compared to the return on the three-month U.S. Treasury Bill. Medium term investments and other funds that have a longer-term investment horizon will be compared to an index of U.S. Treasury 90-day T-bill rate and will be tracked monthly.

### ***Authorized Investment Brokers/Dealers***

The Treasurer shall maintain a list of financial institutions authorized to provide investment broker services. Broker/Dealers will need to sign the read the investment policy. See for at the end of this policy.

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 FINAA 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.
4. Broker/Dealers will be automatically removed from the authorized list if no instruments have been purchased from their firm for 18 consecutive months.

### ***Bond Projects***

Funds related to bond sales will be managed through the State Non-Arbitrage Pool (SNAP). Timely tracking and reimbursement of eligible capital expenses is necessary to maximize the town's liquidity and investment earnings.

### ***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.

### ***Virginia State Non-Arbitrage Program (SNAP)***

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

### ***Payment of Banking Services 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 Town. 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 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.

- Banks must be "qualified public depositories" as defined in the Code of Virginia Security for Public Deposits Act (§2.2-4401).
- 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 the conditions dictate.

### ***Benchmarks***

The portfolio performance benchmarks will be both the Fed Funds Rate and the Treasury 90 Day T-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.

### ***Reporting***

Monthly reporting of portfolio position and investment performance results will add an element of accountability and discipline to the Town of Smithfield's Investment Program.

The Treasurer shall prepare and incorporate into the monthly council financial report an accounting of investment activity for the month then ended. This report shall include: (i) a listing of the existing portfolio in terms of investment securities, amortized book value, maturity date, yield-on-cost, market value and other features deemed relevant and (ii) a listing of all transactions executed during the month.

### ***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.

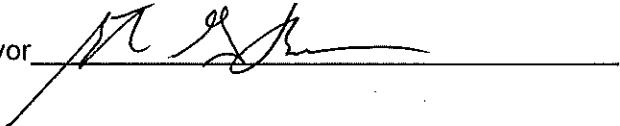
In the absence of any issue or situation not specifically addressed by this policy; any action undertaken by the Treasurer, or his/her staff will at all times be in compliance with the Code of Virginia Investment of Public Funds Act.

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

### ***Investment Policy Adoption***

This policy is adopted by the Smithfield Town Council this day of .

Mayor

A handwritten signature in black ink, appearing to read "R. S. H.", is placed over a horizontal line next to the title "Mayor".

**Chapter 44: Virginia Security for Public Deposits Act**

**§ 2.2-4410. Liability of public depositors.**

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

**Chapter 45: Investment of Public Funds Act**

**§ 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" 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.

B. Notwithstanding subsection A, the Commonwealth, municipal corporations, and 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.

**§ 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.

**§ 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.

**§ 2.2-4508. Investment of certain public money 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.

**§ 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:

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.

**§ 2.2-4510. 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 maturities of no more than five years that 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.

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 that have received at least two of the following ratings: (i) at least A by Moody's Investors Service, Inc.; (ii) at least A by Standard and Poor's; or (iii) at least A by Fitch Ratings, 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 the two

qualifying ratings shall be (i) at least Baa2 by Moody's Investors Service, Inc.; (ii) at least BBB by Standard and Poor's; or (iii) at least BBB by Fitch Ratings, 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.

**§ 2.2-4515. Collateral and safekeeping arrangements.**

Securities purchased pursuant to the provisions of this chapter shall be held by the public official, municipal corporation or other political subdivision or public body or its custodial agent who may not otherwise be a counterparty to the investment transaction. Securities held on the books of the custodial agent by a custodial agent shall be held in the name of the municipal corporation, political subdivision or other public body subject to the public body's order of withdrawal. The responsibilities of the public official, municipal corporation, political subdivision or other public body shall be evidenced by a written agreement that shall provide for delivery of the securities by the custodial agent in the event of default by a counterparty to the investment transaction.

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

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

**Chapter 46: Local Government Investment Pool Act**

**§ 2.2-4602. Local government investment pool created.**

A. A local government investment pool is created, consisting of the aggregate of all funds from local officials handling public funds that are placed in the custody of the State Treasurer for investment and reinvestment as provided in this chapter.

B. The Treasury Board or its designee shall administer the local government investment pool on behalf of the participating local officials subject to regulations and guidelines adopted by the Treasury Board.

C. The Treasury Board or its designee shall invest moneys in the local government investment pool with the degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Specifically, the types of authorized investments for local government investment pool assets shall be limited to those set forth for local officials in Chapter 45 (§ 2.2-4500 et seq.) of this title.

D. A separate account for each participant in the fund shall be kept to record individual transactions and totals of all investments belonging to each participant. A monthly report showing the changes in investments made during the preceding month shall be furnished to each participant having a beneficial interest in the local government investment pool. Details of any investment transaction shall be furnished to any participant upon request.

E. The Treasury Board or its designee shall administer and handle the accounts in the same manner as bond and sinking fund trust accounts.

F. The principal and accrued income, and any part thereof, of each and every account maintained for a participant in the local government investment pool shall be subject to payment at any time from the local government investment pool upon request, subject to applicable regulations and guidelines. Accumulated income shall be remitted or credited to each participant at least quarterly.

G. Except as provided in this section, all instruments of title of all investments of the local government investment pool shall remain in the custody of the State Treasurer. The State Treasurer may deposit with one or more fiscal agents or banks, those instruments of title he considers advisable, to be held in safekeeping by the agents or banks for collection of the principal and interest or other income, or of the proceeds of sale. The State Treasurer shall collect the principal and interest or other income from investments of the investment pool, the instruments of title to which are in his custody, when due and payable.

§ 2.2-4605. Powers of Treasury Board relating to the administration of local government investment pool.

A. The Treasury Board shall have power to:

1. Make and adopt regulations necessary and proper for the efficient administration of the local government investment pool hereinafter created, including but not limited to:
  - a. Specification of minimum amounts that may be deposited in the local government investment pool and minimum periods of time for which deposits shall be retained in such pool;
  - b. Creation of a reserve for losses;
  - c. Payment of administrative expenses from the earnings of such pool;
  - d. Distribution of the earnings in excess of such expenses, or allocation of losses, to the several participants in a manner that equitably reflects the differing amounts of their respective investments and the differing periods of time for which such amounts were in the custody of the pool; and
  - e. Procedures for the deposit and withdrawal of funds.
2. Develop guidelines for the protection of the local government investment pool in the event of default in the payment of principal or interest or other income of any investment of such pool, such guidelines to include the following procedures:
  - a. Instituting the proper proceedings to collect the matured principal or interest or other income;
  - b. Accepting for exchange purposes refunding bonds or other evidences of indebtedness at appropriate interest rates;
  - c. Making compromises, adjustments, or disposition of matured principal or interest or other income as considered advisable for the purpose of protecting the moneys invested;
  - d. Making compromises or adjustments as to future payments of principal or interest or other income considered advisable for the purpose of protecting the money invested.

B. The Treasury Board may delegate the administrative aspects of operating under this chapter to the State Treasurer, subject to the regulations and guidelines adopted by the Treasury Board.

C. Such regulations and guidelines may be adopted without complying with the Administrative Process Act (§ 2.2-4000 et seq.) provided that input is solicited from local officials handling public funds. Such input requires only that notice and an opportunity to submit written comments be given.

***Broker/Dealer Investment Policy Confirmation***

Name and Address of Firm/Bank/Broker/Dealer:

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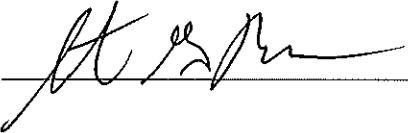
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I acknowledge that I have received and reviewed the Investment Policy of The Town of Smithfield, Virginia - Dated September 2023. I have read and understand the policy and am aware of the Code of Virginia with respect to municipal investment statutes, included as an appendix to the Investment Policy. Further, I have insured that other personnel, who may conduct business with the Town from time to time, are aware of the Policy and its provisions. In my dealings with the Town of Smithfield 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: Steven G. Bowman

Signature: 

Title:

Mayor, Town of Smithfield

Date:

10-5-2023