

**A G E N D A**

**JAMES CITY SERVICE AUTHORITY**

**County Government Center Board Room**

**November 25, 2003**

**7:00 P.M.**

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**A. CALL TO ORDER**

**B. ROLL CALL**

**C. CONSENT CALENDAR**

1. Minutes

- a. August 12, 2003, Regular Meeting
- b. August 14, 2003, Work Session
- c. August 28, 2003, Work Session

**D. BOARD DISCUSSION**

- 1. James City Service Authority Investment Policy

**E. ADJOURNMENT**

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**AT A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE JAMES CITY SERVICE AUTHORITY, JAMES CITY COUNTY, VIRGINIA, HELD ON THE 12TH DAY OF AUGUST, 2003, AT 7:00 P.M. IN THE COUNTY GOVERNMENT CENTER BOARD ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.**

**A. ROLL CALL**

Michael J. Brown, Chairman  
John J. McGlennon, Vice Chairman  
Jay T. Harrison, Sr.  
James G. Kennedy  
Bruce C. Goodson

Sanford B. Wanner, Secretary  
Frank M. Morton, III, County Attorney  
Larry M. Foster, General Manager

**B. CONSENT CALENDAR**

Mr. Harrison made a motion to adopt the item on the Consent Calendar.

The motion passed by a unanimous voice vote.

1. Minutes – July 22, 2003, Regular Meeting
2. Formal Acceptance of Water and Sewer Systems

**RESOLUTION**

**FORMAL ACCEPTANCE OF WATER AND SEWER SYSTEMS**

WHEREAS, certain water and sewer infrastructures have been constructed by developers and dedicated to the James City Service Authority; and

WHEREAS, these water and sewer infrastructures have been constructed in accordance with technical requirements of the James City Service Authority.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the James City Service Authority, James City County, Virginia, does formally accept the dedication of the water and sewer systems listed below, as of June 30, 2003.

Water Dedications

<u>Development</u>	<u>Value</u>
Ford's Colony - Section 31 A & B	\$ 277,090
Ford's Colony - Section 32A	166,700
Greensprings West - Phase 2	300,610
Longhill Station - Section 3 & 4	120,805
Marketplace Shoppes	29,400
Monticello Apartments	3,480
Olde Towne Square Shopping Center	40,200
Powhatan Secondary - Section 6B	96,520
Stonehouse - Section 3A	52,565
Stonehouse - Section 4C	113,080
Stonehouse - Section 4D, PH. 1	232,125
Stonehouse - Section 4D, PH. 2	91,200
Stonehouse - Section 6A	95,240
Stonehouse - Section 6B	113,185
Stonehouse - Mill Pond Run, 2 & 3	177,295
Wellington - Phase 1	204,890
Williamsburg Plantation - CHR	77,205
Wise Recycling	<u>63,925</u>
Total - Water	<u>\$2,255,515</u>

Sewer Dedications

<u>Development</u>	<u>Value</u>
Ford's Colony - Section 31 A & B	\$ 500,267
Ford's Colony - Section 32 A	243,729
Greensprings West - Phase 2	429,054
Longhill Station - Section 3 & 4	169,944
Monticello Apartments	48,006
Olde Towne Square Shopping Center	38,659
Powhatan Secondary - Section 6B	137,851
Stonehouse - Section 3A	44,594
Stonehouse - Section 4C	180,552
Stonehouse - Section 4D, PH. 1	237,394
Stonehouse - Section 4D, PH. 2	156,005
Stonehouse - Section 6A	173,714
Stonehouse - Section 6B	198,411
Wellington - Phase 1	747,085
Williamsburg Plantation - CHR	61,548
Wise Recycling	<u>15,897</u>
Total - Sewer	<u>\$3,382,710</u>

Total Value of Dedications by Developers during FY 03 \$5,638,225

3. Land Exchange and Demolition of Facilities

**RESOLUTION**

**LAND EXCHANGE AND DEMOLITION OF FACILITIES**

WHEREAS, the James City Service Authority (JCSA) has a well facility located in Ford's Colony and sewerage pumping station located in the Scott's Pond Development that are no longer needed and are scheduled to be demolished at an estimated cost of \$10,000 per facility; and

WHEREAS, Ford's Colony and Scott's Pond, LLC, have expressed an interest in demolishing the facilities located in their development in exchange for the property on which the facilities are currently located; and

WHEREAS, the assessed value of the parcel located in Ford's Colony is \$3,000, and the assessed value of the parcel located in Scott's Pond is \$4,500.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the James City Service Authority, James City County, Virginia, authorizes the General Manager to sign the agreements providing the terms for the property exchange and when the terms of the agreement are met, sign the deeds transferring the appropriate parcel to Ford's Colony and Scott's Pond LLC.

4. Conveyance of Utility Easement – Dominion Virginia Power

**RESOLUTION**

**CONVEYANCE OF UTILITY EASEMENT - DOMINION VIRGINIA POWER**

WHEREAS, James City Service Authority owns 0.225 acres of land commonly known as 3900 John Tyler Highway and 0.477 acres of land commonly known as 3904 John Tyler Highway (the "Properties") and designated as Parcel Nos. (1-1A) and (1-1B) respectively on James City County Real Estate Tax Map No. (46-1); and

WHEREAS, Dominion Virginia Power needs a 15-foot-wide utility easement to provide electrical service to the new and upgraded pump station; and

WHEREAS, the Board of Directors is of the opinion that a 15-foot-wide utility easement should be conveyed to Dominion Virginia Power.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the James City Service Authority, James City County, Virginia, authorizes and directs the General Manager to execute such deed and other documents necessary to convey a 15-foot-wide utility easement to Dominion Virginia Power, without consideration.

5. Abandonment of Easement – Lot 29, Phase 2 – Laurel Ridge – Stonehouse Development

**RESOLUTION**

**ABANDONMENT OF EASEMENT - LOT 29, PHASE 2 -**

**LAUREL RIDGE - STONEHOUSE DEVELOPMENT**

WHEREAS, the James City Service Authority (JCSA) has determined that it has no need for a 10-foot easement located on the eastern property line of Lot 29, Phase 2 - Laurel Ridge Section of the Stonehouse Development; and

WHEREAS, the owner of the parcel has requested that the JCSA abandon its rights to the easement to accommodate the construction of a home.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the James City Service Authority, James City County, Virginia, authorizes the General Manager to execute a deed and such other documents as may be necessary to abandon the Authority's rights to the easements located on Lot 29, Phase 2 located in the Laurel Ridge Section of the Stonehouse Development.

6. Award of Bid – Williamsburg Pottery Well Facility

**RESOLUTION**

**AWARD OF BID - WILLIAMSBURG POTTERY WELL FACILITY**

WHEREAS, the plans and specifications for the rehabilitation of the Williamsburg Pottery Well Facility have been advertised and publicly opened with Bruce Corporation submitting the low bid; and

WHEREAS, Bruce Corporation has been deemed capable of performing the work associated with the project and funds are available in the budget to cover the costs of the project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the James City Service Authority, James City County, Virginia, awards the bid for the rehabilitation of the Williamsburg Pottery Well facility to Bruce Corporation for a contract amount of \$489,770.

**C. BOARD REQUESTS AND DIRECTIVES**

Mr. Harrison inquired as to how much rainfall the County has received this summer.

Mr. Foster stated that there has been a lot of rainfall this summer that has put substantially less demand on the JCSA services. He stated that he would review the revenue and report back to the Board.

Mr. Goodson inquired as to how the amount of rainfall has impacted business for JCSA.

Mr. Foster stated that less power is being utilized by JCSA and that he is unsure as to how it will affect the budget.

Mr. Harrison inquired how local flooding is affecting JCSA.

Mr. Foster stated that the demand on the sewer system is up this year due to infiltration and inflow of extraneous water from wet conditions.

**D. REPORT OF THE GENERAL MANAGER - None**

**E. ADJOURNMENT**

Mr. Harrison made a motion to adjourn.

The motion passed by a unanimous voice vote.

Mr. Brown adjourned the Board at 9:44 p.m.

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Sanford B. Wanner  
Secretary to the Board

**AT A WORK SESSION OF THE BOARD OF DIRECTORS OF THE JAMES CITY SERVICE AUTHORITY, JAMES CITY COUNTY, VIRGINIA, HELD ON THE 14TH DAY OF OCTOBER, 2003, AT 4:00 P.M. IN THE COUNTY GOVERNMENT CENTER BOARD ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.**

**A. ROLL CALL**

Michael J. Brown, Chairman  
John J. McGlennon, Vice Chairman  
Jay T. Harrison, Sr.  
James G. Kennedy  
Bruce C. Goodson

Sanford B. Wanner, Secretary  
Frank M. Morton, III, County Attorney  
Larry M. Foster, General Manager

**B. BOARD DISCUSSION**

1. Riverview Plantation Water System

Mr. Larry Foster, General Manager of the James City Service Authority, provided the Board with an overview of the Riverview Plantation Water System ("Water System"), neighborhood involvement, estimated cost to acquire the Water System, and alternatives to make the Water System more reliable. He also requested guidance from the Board as to whether the Board wants to acquire the Water System and what contribution the Board feels is adequate from the residents.

The Board and staff discussed the timetable of the Department of Environmental Quality Groundwater Withdrawal Permit associated with operating the Water System, financing for the acquisition and operation of the Water System, alternatives to make the Water System more reliable, and residential contributions.

Mr. Brown requested information regarding the anticipated fiscal impact of the acquisition and operation of the Water System, the option for extending the water line from Wexford Hills, the number of undivided lots between Wexford Hills and Riverview Plantation, and adequacy of the Wexford Hills water system.

Mr. Wanner stated that until the permanent fix is made for the Water System, the issues and liabilities associated with the Water System will be on the James City Service Authority.

**C. ADJOURNMENT**

Mr. Brown adjourned the Board at 5:37 p.m.

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Sanford B. Wanner  
Secretary to the Board

**AT A WORK SESSION OF THE BOARD OF DIRECTORS OF THE JAMES CITY SERVICE AUTHORITY, JAMES CITY COUNTY, VIRGINIA, HELD ON THE 28TH DAY OF OCTOBER, 2003, AT 4:00 P.M. IN THE COUNTY GOVERNMENT CENTER BOARD ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.**

**A. ROLL CALL**

Michael J. Brown, Chairman  
John J. McGlennon, Vice Chairman  
Jay T. Harrison, Sr.  
James G. Kennedy  
Bruce C. Goodson

Sanford B. Wanner, Secretary  
Frank M. Morton, III, County Attorney  
Larry M. Foster, General Manager

**B. BOARD DISCUSSION**

1. Joint Work Session with the James City Service Authority Board of Directors – Riverview Plantation Water System

Mr. Larry Foster, General Manager of the James City Service Authority, provided the Board with an overview of the Riverview Plantation Water System (“Water System”) and requested the Board approve the resolution indicating its willingness to accept the Water System.

The Board and staff discussed the fiscal impact of the Water System on the James City Service Authority budget, the water supply alternatives to the existing well facility, the collection of payment for the contribution from the Riverview Plantation residents, and factors in the establishment of a sanitary district.

Mr. Kennedy made a motion to adopt the resolution.

**RESOLUTION**

**RIVERVIEW PLANTATION WATER SYSTEM**

WHEREAS, the privately owned Riverview Plantation Water System (system) has been marginally operated for a number of years and in recent weeks has been issued two “Boil Water” notices by the Virginia Department of Health as the result of the identification of E-Coli-Fecal Coliform in the water; and

WHEREAS, the James City Service Authority (JCSA) staff has worked with the residents of the Riverview Plantation toward improvements to the operation and maintenance of the Riverview Water System; and



WHEREAS, the JCSA has estimated a cost of approximately \$1.2 million to upgrade the Riverview Water System to modern standards; and

WHEREAS, the residents of Riverview have agreed to acquire and convey at no costs the water system infrastructure to the JCSA and a majority of the residents have agreed to contribute \$5,000 per home served by the water system to offset the costs of improving the water system; and

WHEREAS, the Board of Directors (Board ) of the JCSA at a meeting held October 14, 2003, agreed by consensus to accept and assume responsibility for the water system and establish a fee of \$5,000 per connection for all homeowners served by the water system.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the James City Service Authority, James City County, Virginia, hereby indicate their interest to accept the system at no cost, to make improvements to the system, to establish a connection fee of \$5,000, said fee to be paid in no more than five years from the date to be established.

The motion passed by unanimous voice vote.

Mr. Brown adjourned the Board at 5:08 p.m.

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Sanford B. Wanner  
Secretary to the Board

MEMORANDUM

DATE: November 25, 2003  
TO: The Board of Directors  
FROM: Robert H. Smith, Assistant Manager, James City Service Authority  
SUBJECT: James City Service Authority Investment Policy

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The James City Service Authority (JCSA) Investment Policy Statement was approved by the Board of Directors on September 18, 1995. The fund is managed by TRUSCO Capital Management and has a fund balance of \$21,591,883 as of September 30, 2003. The County entered into an Investment Advisory Agreement with Public Financial Management (PFM) on December 1, 2001. The Agreement was prepared with a provision that would allow the JCSA to be added at a later date should the County's (PFM) performance exceed that of the JCSA's (TRUSCO).

Attached is a performance comparison of the County, JCSA, and other benchmark indicators. The County (PFM) has outperformed the JCSA (TRUSCO) over the long term. For the 18-month period ending September 30, 2003, the County's PFM-managed portfolio has generated a return of 3.00 percent versus the return on the JCSA's portfolio of only 1.83 percent. On an average portfolio balance of \$20 million, this difference in return resulted in an annual opportunity cost to the JCSA of \$234,000.

In view of the demonstrated performance of the County's PFM-managed portfolio, it is recommended that the JCSA terminate investment services with TRUSCO Capital Management and be included in the County's Investment Advisory Agreement with PFM. By entering into contract with PFM, the JCSA will also need to execute a separate custodial bank contract with State Street Bank (PFM's custodial bank partner) since the JCSA has a separate Tax ID number.

The Administrative Code of Virginia was recodified in 2001 that included changes to the investments permitted for public entities. The policy has been updated to reflect these changes and it is also recommended that the Board adopt the new policy.

Staff recommends approval of the attached resolution naming Public Financial Management as the JCSA Investment Manager and amending the Investment Policy Statement.

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Robert H. Smith

CONCUR:

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Larry M. Foster

RHS/gs  
PFM.mem

Attachments

**RESOLUTION**

**JAMES CITY SERVICE AUTHORITY INVESTMENT POLICY**

WHEREAS, the Board of Directors desires to safeguard the James City Service Authority funds within the terms defined by the Code of Virginia; and

WHEREAS, the Board of Directors of the James City Service Authority, James City County, Virginia, is desirous to update the Investment Policy Statement; and

WHEREAS, the Board of Directors of the James City Service Authority, James City County, Virginia, also desires to change investment managers and have the James City Service Authority added to the James City County's Investment Advisory Agreement with Public Financial Management.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the James City Service Authority, James City County, Virginia, hereby adopts the attached Investment Policy Statement and authorizes the General Manager of the James City Service Authority to sign such documents as required to change the investment manager from TRUSCO Capital Management to Public Financial Management to be effective December 15, 2003.

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Michael J. Brown  
Chairman, Board of Directors

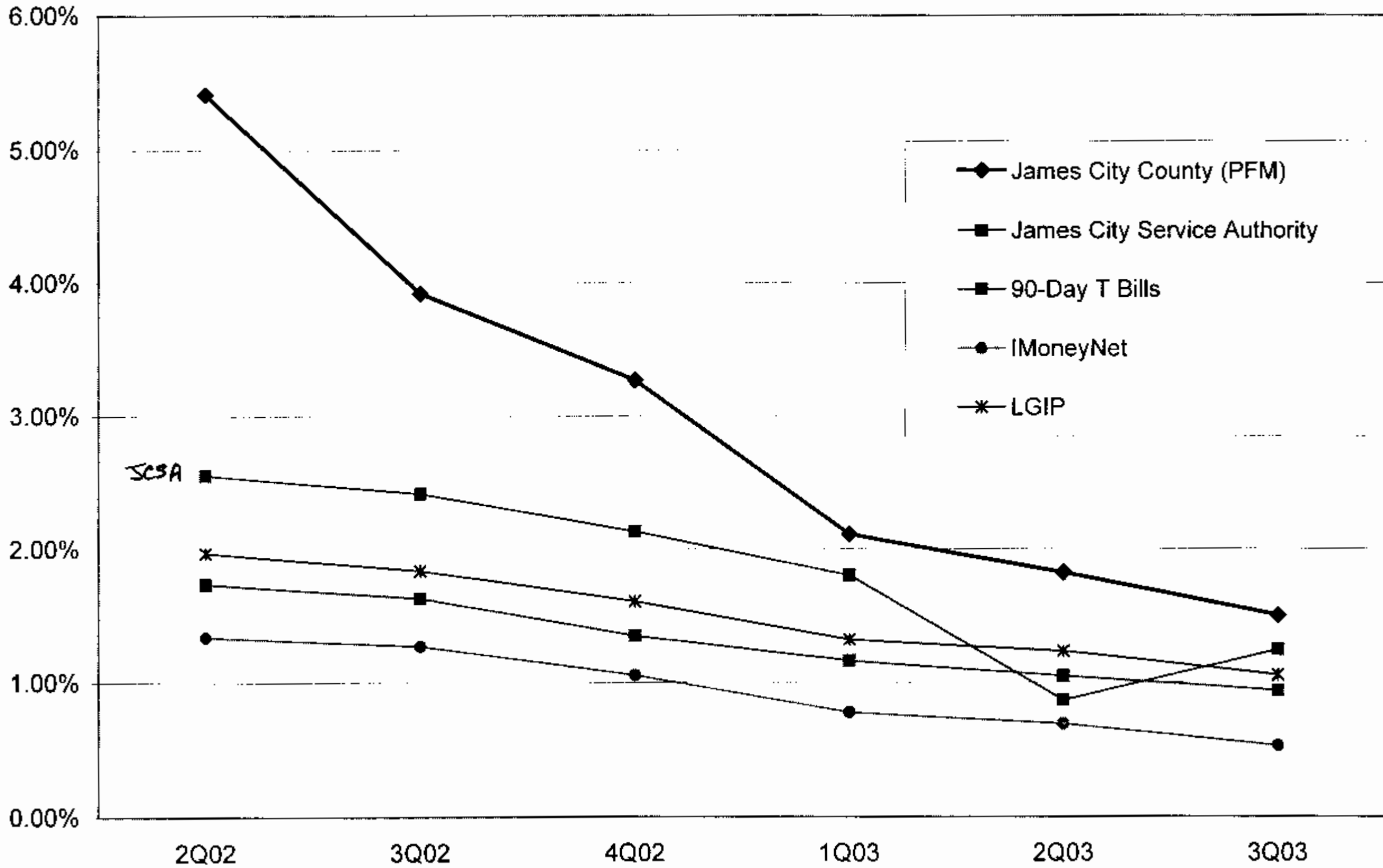
ATTEST:

\_\_\_\_\_  
Sanford B. Wanner  
Secretary to the Board

Adopted by the Board of Directors of the James City Service Authority, James City County, Virginia, this 25th day of November, 2003.

PFM.res

**James City County/James City Service Authority  
Performance Comparison  
Annualized Quarterly Returns**



# **James City Service Authority**

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## ***Statement of Investment Policy***

Adopted November 25, 2003

# James City Service Authority

## Statement of Investment Policy

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# James City Service Authority

## *Statement of Investment Policy*

### ***Purpose***

The James City Service Authority (“the JCSA”) is a public body politic and corporate of the Commonwealth of Virginia. The JCSA was created in 1969 by the James City County Board of Supervisors pursuant to the Virginia Water and Sewer Authorities Act (Code of Virginia, 1950, as amended). The JCSA’s Board of Directors is appointed by the Board of Supervisors.

The purpose of this policy is to set forth the investment and operational policies for the management of public funds of the JCSA. These policies have been adopted by, and can be changed only by, the JCSA Board of Directors.

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 JCSA that all investments and investment practices meet or exceed all statutes governing the investment of public funds in Virginia and any investment restrictions imposed by bond covenants. Further, accounting for the JCSA Portfolio shall be consistent with guidelines of the Governmental Accounting Standards Board (GASB).

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

This investment policy is a comprehensive one that governs the overall administration and investment management of those funds held in the JCSA’s investment portfolio. This policy shall apply to such funds from the time of receipt until the time the funds ultimately leave the JCSA’s accounts. These funds include, but are not limited to, all operating funds, debt service funds, and capital project funds (“the JCSA’s Portfolio”).

The monies of individual funds may be commingled for investment purposes. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

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 JCSA’s Portfolio shall be managed to accomplish the following hierarchy of objectives:

***1 - Preservation of Principal*** - The single most important objective of the JCSA’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 JCSA, 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 Board of Directors is responsible for the adoption of the investment policy, and must approve any revisions or alterations made to the policy.

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. The Treasurer is supported by an Assistant Treasurer who is assigned to the Department of Financial and Management Services, James City County.

The Treasurer may employ an Investment Manager to assist in managing some or all of the JCSA's Portfolio. Such Investment Manager must be registered under the Investment Advisors Act of 1940 or shall be exempt from registration.

No other 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 JCSA'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."*

The Treasurer and other JCSA employees and officials involved in the investment process acting in accordance with the Code of Virginia, this policy and any other written procedures pertaining to the administration and management of the JCSA's Portfolio and who exercise the proper due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that any negative deviations are reported in a timely fashion to the JCSA General Manager and that reasonable and prudent action is taken to control and prevent any further 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 JCSA'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 personal financial/investment positions that could be related to the performance of the 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 Treasurer.

## ***Authorized Investments***

In accordance with Sections 2.2-4501 through 2.2-4510 of the Code of Virginia and other applicable law, the JCSA shall be permitted to invest in any of the following securities.

A) **U.S. Government Obligations.** The following securities issued by the United States Government or its Agencies;

- 1) Stocks, bonds, treasury notes, and other evidences of indebtedness of the United States, including:
  - a) the guaranteed portion of any loan guaranteed by the Small Business Administration,
  - b) any agency of the United States government, and
  - c) those unconditionally guaranteed as to the payment of principal and interest by the United States;
- 2) bonds of the District of Columbia;
- 3) bonds and notes of the Federal National Mortgage Association and the Federal Home Loan Banks;
- 4) bonds, debentures or other similar obligations of Federal land banks, Federal intermediate credit banks, or banks of cooperatives, issued pursuant to acts of Congress; and
- 5) obligations issued by the United States Postal Service when principal and interest thereon is guaranteed by the government of the United States.

U.S. Government obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.

B) **Repurchase Agreements.** Contracts for the present purchase and subsequent resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the JCSA. Such contracts shall be invested in only if the following conditions are met:

- 1) the repurchase agreement has a term to maturity of no greater than ninety (90) days;

- 2) the contract is fully secured by deliverable U.S. Government obligations as described in (A) above (without limit to maturity), having a market value at all times of at least one hundred two percent (102%) of the amount of the contract;
  - 3) a master repurchase agreement or specific written, repurchase agreement governs the transaction;
  - 4) the securities are held free and clear of any lien by a independent third party custodian acting solely as agent for the JCSA, provided such third party is not the seller under the repurchase agreement and is a qualified public depository as defined in Section 2.2-4400 et seq. of the Code of Virginia;
  - 5) 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 JCSA;
  - 6) for repurchase agreements with terms to maturity of greater than one (1) day, the JCSA will value the collateral securities continuously 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.);
  - 7) the counterparty is a:
    - a) primary government securities dealers who report daily to the Federal Reserve Bank of New York, or
    - b) a bank, savings and loan association or diversified securities broker-dealer having \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
  - 8) the counterparty meets the following criteria:
    - a) have long-term credit rating of at least "AA" by Standard & Poor's or "Aa" by Moody's Investors Services,
    - b) have been in operation for at least 5 years, and
    - c) be reputable among market participants.
- C) **Commercial paper.** Unsecured short-term debt of U.S. corporations may be purchased if the following conditions are met:
- 1) the maturity is no greater than two hundred-seventy days (270) days;
  - 2) no more than thirty-five percent (35%) of the total funds available for investment (based on book value on the date of acquisition) may be invested in commercial paper;
  - 3) 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);
  - 4) the issuing corporation, or its guarantor, has a net worth of at least \$50 million;
  - 5) the net income of the issuing corporation, or its guarantor, has averaged \$3 million per year for the previous five years; and
  - 6) the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the following; Moody's Investors Service, Standard & Poor's, Fitch Investor's Service and Duff and Phelps.
- D) **Bankers' acceptances** issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System may be purchased if the following conditions are met:
- 1) the maturity is no greater than two hundred-seventy days (270) days;
  - 2) the short-term paper of which is rated not lower than P-1 by Moody's Investors Services and A-1 Standard & Poor's Corporation;
  - 3) no more than forty percent (40%) of the total funds available for investment (based on book value on the date of acquisition) may be invested in bankers' acceptances; and

- 4) the amount invested in any single bank will not exceed five percent (5%) of the total funds available for investment (based on book value on the date of acquisition).
- E) **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 which meet the following requirements:
- 1) the maturity is no greater than five (5) years at the time of purchase;
  - 2) has a minimum “Aa” long term debt rating by Moody’s Investors Service and a minimum “AA” long term debt rating by Standard & Poor’s; and
  - 3) 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).
- F) **Municipal Obligations.** Bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia, or of any county, city, town, district, authority or public body of the Commonwealth of Virginia upon which there is no default that meet the following criteria:
- 1) have a final maturity on the date of investment not to exceed five (5) years.
  - 2) rated in either of the two highest rating categories by a nationally recognized rating agency; and
- G) **Negotiable Certificates of Deposit and Bank Deposit Notes** of domestic banks and domestic offices of foreign banks with:
- 1) 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;
  - 2) 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.
- H) **State Pool.** The pooled investment fund (known as the Virginia Local Government Investment Pool or “LGIP”) as provided for in Section 2.2-4600 et seq. of the Code of Virginia.
- I) **Registered Investment Companies (Mutual Funds.)** Shares in open-end investment funds provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities permitted under this investment policy, provided that the fund is rated “AAm” or “AAM-G” or better by Standard & Poor’s Corporation, or equivalent by other rating agencies. The fund must also be properly registered for sale under the Securities Act (Section 13.1-501 et seq.) of the Code of Virginia.

### ***Bank Deposits***

Certificates of deposit and other evidences of deposit in any national banking association, Federal Savings and Loan Association or Federal Savings Bank located in Virginia and any bank, trust company or savings institutions organized under Virginia law are permitted by Section 2.2-4401 et seq. of the Code of Virginia. The JCSA will maintain bank deposits meeting the following requirements:

- 1) the maturity is no greater than one (1) year at the time of purchase;
- 2) certificates of deposit will be placed directly with depository institutions (no third parties or money brokers will be used);
- 3) deposits will be secured in accordance with the Virginia Security for Public Deposits Act, (Section 2.2-4400 et seq.) of the Code of Virginia that requires:

- a) collateralization on all deposits of JCSA funds in excess of the amount protected by Federal deposit insurance, and
- b) collateralization with (i) U.S. Government obligations and securities unconditionally guaranteed as to the payment of principal and interest by the United States, or any Agency thereof, or (ii) municipal bonds of the Commonwealth of Virginia or any political subdivision of the Commonwealth of Virginia that meets the minimum criteria established in this Policy for direct investment.

***Portfolio Diversification***

The JCSA’s Portfolio shall be diversified by security type and institution. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
State of Virginia LGIP	50% maximum
Repurchase Agreements	50% maximum
Bankers’ Acceptances	40% maximum
Commercial Paper	35% maximum
Negotiable Certificates of Deposit/Bank Notes	20% maximum
Municipal Obligations	20% maximum
Corporate Notes	15% maximum
Bank Deposits	25% maximum

The combined amount of bankers’ acceptances, commercial paper and corporate notes shall not exceed fifty percent (50%) of the total book value of the portfolio at the date of acquisition.

The JCSA’s Portfolio will be further diversified to limit the exposure to any one issuer. No more than 5% of the JCSA’s Portfolio will be invested in the securities of any single issuer with following exceptions

U.S. Treasury	100% maximum
Each Money Market Mutual Fund	50% maximum
Each Federal Agency	35% maximum
Each Repurchase Agreement Counterparty	25% maximum

***Maximum Maturity***

Maintenance of adequate liquidity to meet the cash flow needs of the JCSA 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 JCSA in order to avoid the forced sale of securities prior to maturity.

For purposes of this Investment Policy, assets of the JCSA shall be segregated into three categories based on expected liquidity needs and purposes — short-term operating funds, the core portfolio and bond proceeds.

**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 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 5 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.

**Bond Proceeds.** Proceeds from the sale of bonds will be invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term to maturity of securities purchased. However, in no case will bond proceeds be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds.

Reserve funds and other 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 practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Board of Directors.

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

The JCSA 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.

### ***Selection, Approval of Brokers, Qualified Financial Institutions***

The Treasurer and/or the JCSA's Investment Manager shall maintain a list of financial institutions and broker/dealers that are approved for investment purposes ("Qualified Institutions"). Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- 1) "primary" dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- 2) capital of no less than \$10,000,000;
- 3) registered as a dealer under the Securities Exchange Act of 1934;
- 4) member of the National Association of Dealers (NASD);
- 5) registered to sell securities in Virginia; and
- 6) the firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.

All brokers, dealers and other financial institutions deemed to be Qualified Institutions shall be provided with current copies of the JCSA's Investment Policy. A current audited financial

statement is required to be on file for each financial institution and broker/dealer with which the JCSA transacts business.

### ***Competitive Selection of Investment Instruments***

It will be the policy of the JCSA to transact all securities purchase/sales only with Qualified Institutions through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers. The JCSA will accept the offer which (a) the highest rate of return within the maturity required; and (b) optimizes the investment objective of the overall portfolio. When selling a security, the JCSA will select the bid that generates the highest sale price.

Primary fixed price federal agency offerings may be purchased from the list of Qualified Institutions without competitive solicitation if it is determined that no agency obligations meeting the JCSA's requirements are available in the secondary market at a higher yield.

### ***Investment of Bond Proceeds***

The JCSA intends to comply with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations and bond covenants with regard to the investment of bond proceeds. Accounting records will be maintained in a form and for a period of time sufficient to document compliance with these regulations.

Sinking fund investments will be limited to those securities authorized by Section 2.2-4500 et seq. of the Code of Virginia.

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

All investment securities purchased by the JCSA or held as collateral on deposits or investments shall be held by the JCSA or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction.

All securities in the JCSA's Portfolio shall be held in the name of the JCSA 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 JCSA listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodial agent will also provide reports that list all securities held for the JCSA, the book value of holdings and the market value as of month-end.

Appropriate JCSA officials and representatives of the custodial agent responsible for, or in any manner involved with, the safekeeping and custody process of the JCSA shall be bonded in such a fashion as to protect the JCSA 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 JCSA. 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 securities having a similar duration or other appropriate benchmark.

## ***Reporting***

The Treasurer or Investment Manager shall prepare an investment report not less than monthly. 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.

The Treasurer or Investment Manager shall prepare a “Quarterly Investment Report” that summarizes (i) recent market conditions, economic developments and anticipated investment conditions, (ii) the investment strategies employed in the most recent quarter, (iii) a description of all securities held in investment portfolios at month-end, (iv) the total rate of return for the quarter and year-to-date versus appropriate benchmarks, and (v) any areas of policy concern warranting possible revisions to current or planned investment strategies. The market values presented in these reports will be consistent with accounting guidelines in GASB Statement 31 pertaining to the valuation of investments and the treatment of unrealized gains/losses.

The quarterly report will also include a statement that the investment of the JCSA’s Portfolio is in compliance with this Policy and any applicable bond resolutions.

## **Investment Policy Adoption**

This policy is adopted by the Board of Directors of the James City Service Authority this 25th day of November, 2003.

Approved by

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James City Service Authority

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