

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

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

**FROM: DALE ZEHNER**

**DATE: JUNE 15, 2007**

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

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**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.

**BACKGROUND:**

In September 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, to ensure the availability of cash to meet VRE's expenditures, and to 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) are allowable, but they are limited in the VRE policy to 20% of the portfolio.

This 20% 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; Fairfax County limits money market and repurchase agreements combined

to 30% 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.

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 to 60%, but limited to funds that have the highest rating by at least one nationally recognized securities rating agency.

The proposed change to the investment policy was approved by the Audit and Finance Committee at their meeting on June 7, 2007.

**FISCAL IMPACT:**

There is no fiscal impact.

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**FROM: DALE ZEHNER**  
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**RE: APPROVAL OF REVISION TO INVESTMENT POLICY**

**RESOLUTION**  
**9B-0-2007**  
**OF THE**  
**VIRGINIA RAILWAY EXPRESS**  
**OPERATIONS BOARD**

**WHEREAS**, in September 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**, money market mutual funds are limited in the VRE policy to 20% of the portfolio; 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 increased to 60%, but limited to funds that have the highest rating by at least one nationally recognized securities rating agency; 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.