

**FY 2022 Town Council Budget Questions- Packet #3**

**Vice Mayor Martinez Question- March 8, 2021 Budget Work Session**

**What is the breakdown of the costs by day for the outdoor dining program? RESPONSE:** The Fiscal Year 2022 proposed budget includes \$169,506 in personnel cost and \$7,580 of operating costs for a total of \$177,086 in funding to continue the outdoor dining program for fiscal year 2022 with the exception of weekends in January and February. In order to implement the program, daily staffing of two police officers, a Parks and Recreation staff member, and a Public Works and Capital Projects staff member is budgeted. The program budget is based on a schedule of Fridays & Saturdays (6pm-10pm) and Sundays (10am-4pm). Town staff will coordinate with the merchant community on delayed openings and early closings dependent upon weather conditions.

- 1.) The daily cost of the program varies slightly due to expected setup of effort by the Parks and Recreation and Public Works staff; but on average the daily cost is approximately \$1,284, or \$3,852 per weekend. The following table reflects the daily cost for each day, and the annual cost for each day based on program commencing 44 of the annual 52 weekends.

Fridays		Saturdays		Sundays	
Daily	Annual	Daily	Annual	Daily	Annual
\$ 1,273	\$ 56,030	\$ 1,273	\$ 56,030	\$ 1,306	\$ 57,446

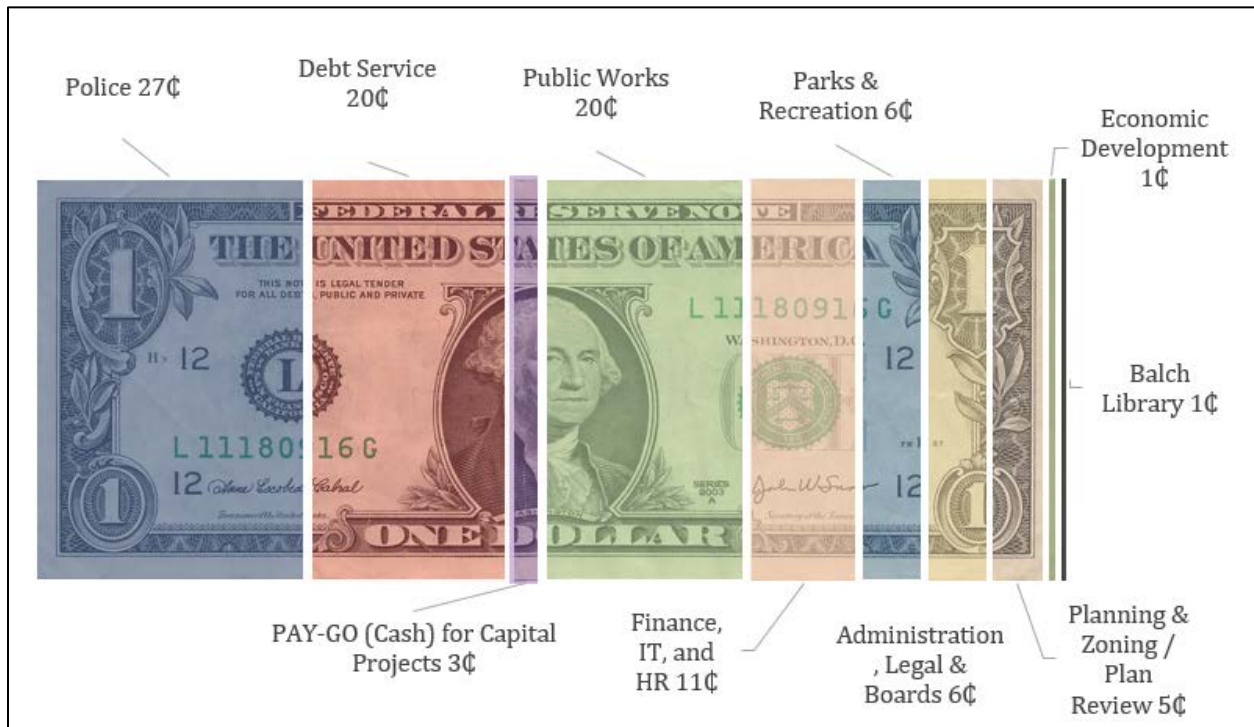
- 2.) **Please provide a breakdown of the “Debt Service/Capital Projects” category cost and included in the “Your Tax Dollar at Work” slide exhibit; and provide clarification of the exhibits percentage of tax dollar compared to the Town’s fiscal policy. RESPONSE:** Exhibit 2 below provides a breakdown of the “Debt Service/Capital Projects” category by separating debt service and PAY-GO (cash) contribution toward capital projects. In the original exhibit, “Debt Service/Capital Projects” represents \$0.23 for every \$1.00 of tax dollar. In the revised exhibit with the separated categories, “Debt Service” represents \$0.20 and “PAY-GO (cash) for Capital Projects” represents \$0.03. The calculation differs from the fiscal policy requirement of debt service being no more than 15% of General Fund expenditures is because the fiscal policy calculation includes more than just tax dollars (since a balanced budget must have expenditures equal to revenues), it also includes other sources such as intergovernmental grants, transfers, investments, fees & permits, charges for services, and use of money & property. The exhibit only includes tax dollars to help illustrate that tax dollars mostly go toward public services such as police, public works, and capital projects; not toward services that are recovered by fees and grants such as airport and land development.

**Exhibit 1:**

Calculation	Local Tax Funding	Fiscal Policy
Debt Service	\$9,283,993	\$9,283,993
Denominator*	\$46,658,449	\$65,366,346
<b>Percentage (Debt Service / Denominator)</b>	<b>19.9%</b>	<b>14.2%</b>

\*Local Tax Funding = Only Tax Dollars

**Exhibit 2:**



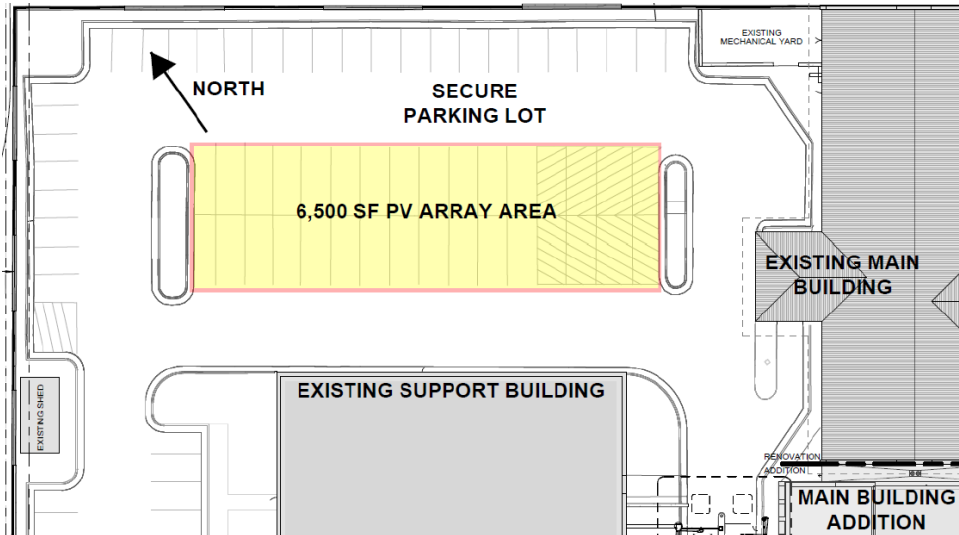
**Councilmember Bagdasarian Question- March 8, 2021 Budget Work Session**

- 3.) Please provide more clarification regarding the Town Councils' adopted investment policy. **RESPONSE:** Please see the attached Investment Policy Statement adopted by Town Council on October 23, 2018.

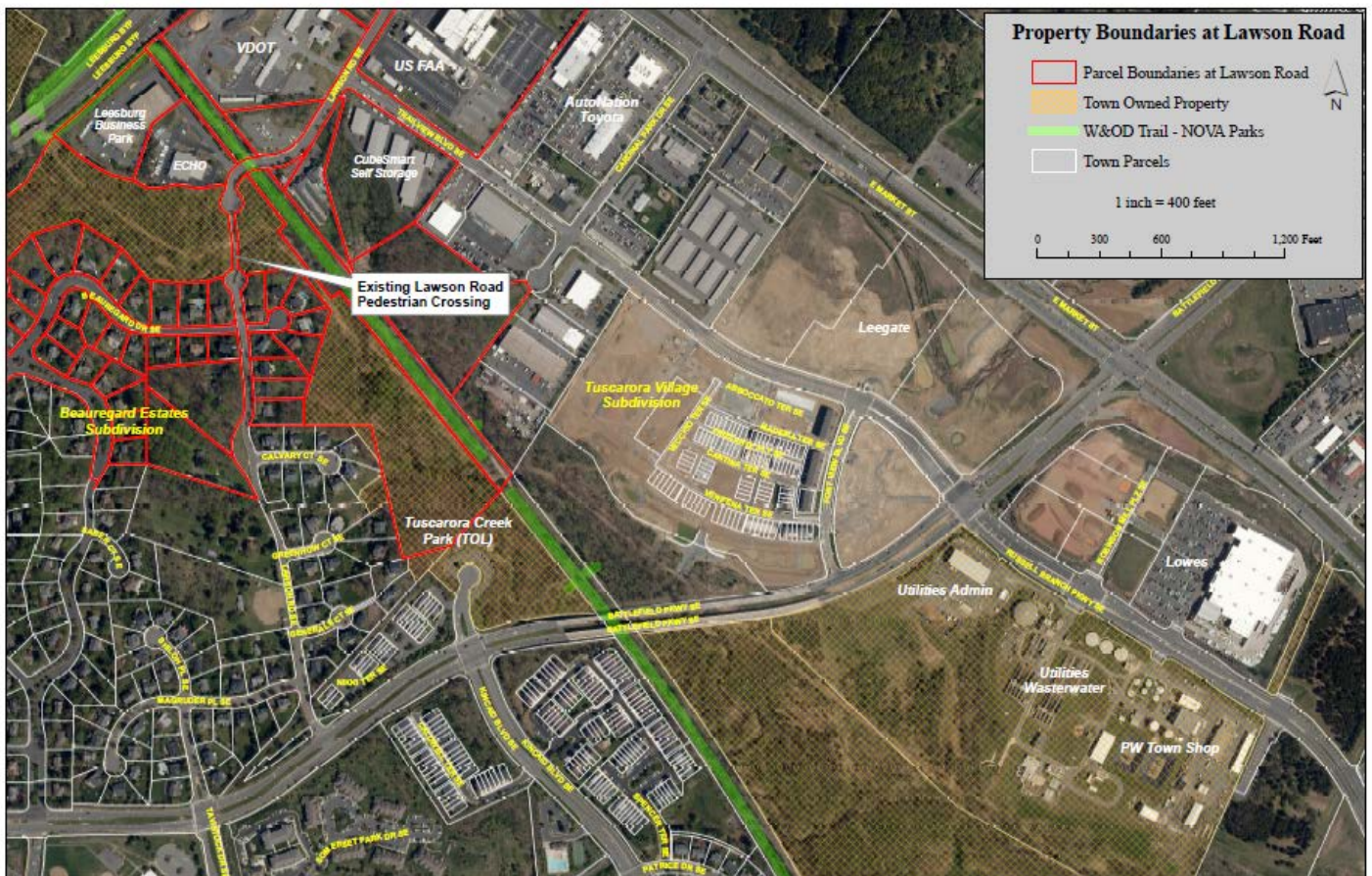
**Mayor Burk Question- March 9, 2021**

- 4.) How much would it cost to add solar to the Police Department Headquarters, and how much energy costs would it save over time? **RESPONSE:** It is estimated that the cost would be approximately \$635,000 for 6,500 square feet of constructed area if solar panels were installed on a covered parking canopy. (Exhibit 3) as the slope roof of the existing facility is not conducive to solar panels. It is estimated that it would generate approximately 181,500 kWh (kilowatt hours) of annual power output, and save approximately \$14,000 per year in energy savings.

**Exhibit 3:**



**5.) Please provide a map of the Lawson Road area. RESPONSE:** The following is an aerial map of the Lawson Road/ Tuscarora Creek area.





The Town of  
**Leesburg,**  
**Virginia**

PRESENTED: October 23, 2018

RESOLUTION NO. 2018-137

ADOPTED: October 23, 2018

A RESOLUTION: APPROVAL AND ESTABLISHMENT OF AN OPERATING FUNDS INVESTMENT POLICY FOR TOWN FUNDS INCLUDING THE GENERAL FUND, CAPITAL PROJECTS FUND, AND UTILITIES FUND

WHEREAS, the Code of Virginia, § 2.2-4501, and Town Code Section 2-160, charge the Director of Finance and Administrative Services with the duty of investing idle funds whenever there are monies in the treasury which will not be required to be used imminently; and

WHEREAS, the Town seeks to implement best practices in municipal governance by adopting an Investment Policy for Town operating funds including the General Fund, Capital Projects Fund, and the Utilities Fund; and


WHEREAS, the purpose of the policy is invest idle funds in a manner that maximizes safety, liquidity, and return, in that order; and

WHEREAS, the authorized investments include and are limited to Securities, Commercial Paper, Certificates of Deposit, Banker's Acceptances, Commonwealth and Local Government Obligations, Repurchase Agreements, Open-End Investments, Local Government Investment Pool (LGIP), Virginia Investment Pool (VMLVIP), Virginia State Non-arbitrage Program (SNAP), and Certificate of Deposit Account Registry Service (CDARS); and

WHEREAS, the safekeeping of idle investments shall be under the management and review of the Department of Finance and Administrative Services in accordance with the Code of Virginia, §2.2-4515.

THEREFORE, RESOLVED, by the Council of the Town of Leesburg in Virginia that the Operating Funds investment policy for Town operating funds is approved and established.

PASSED this 23<sup>rd</sup> day of October, 2018.

  
\_\_\_\_\_  
Kelly Burk, Mayor  
Town of Leesburg

ATTEST:

  
\_\_\_\_\_  
Clerk of Council

**INVESTMENT POLICY**

**FOR**

**TOWN OF LEESBURG, VIRGINIA**

**OPERATING FUNDS**

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The Town of Leesburg, Virginia (the "Town") in keeping with municipal government best practices is adopting an Investment Policy for Town operating funds, including General Fund, Capital Projects Fund, and the Utilities Fund for the following purposes.

### **Purpose**

The main investment objective of Town operating fund investments is participation in investment vehicles that maximize the safety, liquidity, and return, in the order listed, for idle operating funds.

The purpose of this Investment Policy is to achieve the following:

1. Document investment scope, objectives, and investment guidelines for idle operating funds.
2. Establish an appropriate investment strategy for managing idle operating funds, including an appropriate investment time horizon, statement of disallowed investments, risk tolerance ranges and asset allocation.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance and monitoring requirements, to include reporting to confirm that the investment policy is being followed.

### **Investment Authority**

The Town of Leesburg has created the Department of Finance and Administrative Services that is under the direction of the Director of Finance and Administrative Services (DFAS). The duties of the director, in accordance with Code of Virginia, § 2.2-4501, and Town Code Section 2-160, include the investment of idle funds whenever there are monies in the treasury, including bond proceeds, which will not be required to be used imminently. Such investments shall not be made at a price in excess of the current market value of such investments. The director shall maintain a record of such investment transactions. The director shall make such investments so as to provide the maximum yield on such idle funds within the limits of prudent safety and liquidity requirements. Investment securities may be placed in the custody of any member of the Federal Reserve Banking System upon the issuance by such member of its custodian or other bailment receipt to the director. Such securities, if not so kept, shall be in the custody of the director. Interest collected or accrued on any monies so invested shall be credited to the fund from which the principal was taken, pursuant to Code of Virginia Section § 15.2-1547.

The Director of DFAS is the official charged with collecting, safeguarding and disbursing Town funds. The Director of DFAS is responsible for considering the quality and capability of staff, investment advisors and consultants involved in investment management, and developing and maintaining appropriate administrative procedures for the operation of the investment program.

1. The Director of DFAS may delegate the authority to manage the day-to-day operations of the investment program to members of his/her staff in the solicitation of offerings, the placing of purchase and sell orders, confirmation of trades, the preparation of reports and other activities as required for the daily operations of the investment area. The director has

the responsibility to oversee any delegation of authority.

2. The Director of DFAS is also charged with developing written standard investment procedures and an asset allocation plan consistent with this policy. Such procedures shall be reviewed and approved by the town manager prior to implementation.
3. The Director of DFAS may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to provide guidance in investment matters, and to monitor the effectiveness and continued compliance with such policies and procedures, subject to the approval of the town manager.

### **Statement of Investment Objectives**

The investment objectives of idle funds are as follows:

1. To invest funds in a manner consistent with the following standards: (a) all transactions undertaken must be for the sole interest of Town, and (b) funds are to be diversified in order to minimize the impact of large losses from individual investments.
2. To enhance the value of idle Town funds in real terms over the appropriate investment term while maintaining a prudent investment risk profile.

### **Investment Guidelines**

The Town's primary investment objective for operating fund investments is participation in investment vehicles that maximize the safety, liquidity, and return, in the order listed, for idle operating funds.

#### Time Horizon

Idle operating fund investment objectives are based on the Town's requirements of funds needed to meet its near term current operating obligations, while maximizing the safety, liquidity, and return of specific investments. Investments with a maturity more than 18 months should be invested only high quality, investment grade, government and corporate bonds. Idle operating fund investments shall have a maximum portfolio duration not to exceed three (3) years from the date of purchase, or have a weighted average maturity of no more than three (3) years.

#### Liquidity and Diversification

In general, investments may include some cash, cash equivalent, and/or money market funds for near-term maturities of less than six months. Maturities of six months to 18 months or more may be invested in certificates of deposit, CDARs, approved local government investment pools such as the Virginia Municipal League Investment Pool (VML-IP) and the Local Government Investment Pool (LGIP) Longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. A separate policy applies to long-term investment of fiduciary trusts such as Other Post-Employment Benefits (OPEB) and Balch Library Endowment funds. Consequently, the total



portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, U.S. governments or industries.

#### Asset Allocation

The assets utilized under this policy will be those that will most achieve the investment objectives and the best balance between risk and return. Asset Classes will include cash, cash equivalents, CD's, CDARs, short-term U.S. government bonds and/or money market funds. Which asset classes will have allocations and how much, if any, funding will be placed in any particular asset class will depend upon current market conditions for yield, liquidity and risk.

#### Risk Tolerance

Subject to investment objectives and performance expectations, idle funds will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

#### Performance Expectations

Due to the short term nature of invested idle funds, the performance objective will be to achieve positive capital appreciation. Measurement of this return expectation will be judged by reviewing returns on a net of fees basis in the context of industry standard benchmarks, peer universe comparisons for individual investment managers, funds, or asset classes.

#### Investment Downgrades

In the event an idle funds investment is downgraded by any one of Fitch, Standard & Poors, or Moody's rating agencies to a level that violates the Town's investment policy for quality of rating, the Finance Director will as soon as is reasonably possible, take the necessary and prudent steps to dispose of any such investment taking into account the timing and actions necessary to minimize any potential loss on the investment.

#### Selection of Investments

Investments will be selected based in accordance with the standard operating procedures of the director of the department of finance and administrative services.

1. It is desirable to select investments on a competitive basis when possible to ensure that the Town receives the best price available on a particular investment and avoids paying excessive fees, mark-ups or other compensation to the provider.
2. The Director of DFAS shall adhere to the following procedures when funds become available for investment to the extent practical:
  - a. The director of finance shall determine the class of investment and maturity range most appropriate for investment of the funds available, based upon the anticipated expenditure schedule of the Town, the desired asset allocation of the Town's portfolio and the Town's

investment plan.

- b. Offers will be solicited for the selected investment from a group of pre-approved providers. All bids will solicit from a minimum of three approved providers, although bids may be awarded even if only one bidder responds. It will be the responsibility of the Director of DFAS to maintain a list of approved dealers/providers for various types of investments suitable for the Town's portfolio. The Director of DFAS may remove any bidder from the approved list at any time if the Director of DFAS determines that the risk or rating of the provider is no longer within the Town's acceptable risk tolerance. The Director of DFAS may use rating agency reviews, online bank ratings, current news coverage, industry literature and quality of services rendered to the Town to make this determination.
  - c. The Director of DFAS will accept the offer (or bid, if the Town is selling an investment) which provides the highest rate of return or which is otherwise deemed most suitable in terms of maturity while complying with this policy and any other criteria specified in the solicitation of offers.
3. The Town shall retain a record of the offers received, the instruments chosen, and the rationale for making the decision.
  4. From time to time, certain investment dealers may present the Town with offers that are attractive for investment. Although the Town should endeavor to verify (and document) that the price is "fair," it may occasionally purchase such a security without a competitive process, if the investment represents an unusual opportunity that is not available from other dealers.
  5. Additionally, a competitive process shall not be required for the investment of funds in money market funds, investment pools and overnight securities. However, it shall be the responsibility of the Director of DFAS to be aware of the yields being offered by various highly liquid investments, and to invest the Town's overnight funds in the vehicle(s) which provide a competitive return to the Town while complying with this policy and any other criteria established by the Director of DFAS. The Director of DFAS may keep funds in an investment pool or money market fund that is producing a marginally lower rate of return to avoid having too much funding in one pool in order to manage risk and to maintain a presence in and access to a pool.

## **Guidelines for Investment Holdings**

### Authorized Investments

#### *Treasury Securities*

Bills, notes, and bonds issued by the United States Treasury maturing within five years of the date of purchase, or certificates representing ownership of treasury bond principal or coupons payable within five years.

*Agency Securities (Fannie Mae, Freddie Mac, FFCB, FHLMC)*

Fixed rate obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, or Federal Home Loan Mortgage Corporation, maturing within three years of the date of purchase.

*Prime Commercial Paper*

Commercial paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody's and A-1 or higher by Standard and Poor's, provided that the issuing corporation has a net worth of \$50 million and its long-term debt is rated Aaa or better by Moody's and AA+ by Standard & Poor's. Investment(s) in commercial paper shall not comprise more than twenty percent (20%) of the total idle investment portfolio holdings for the Town and holdings of a single issuer should not constitute more than 5% of the total idle funds of the Town.

*Certificates of Deposit*

Collateralized Certificates of deposit maturing within one year and issued by domestic banks rated P-1 by Moody's and A-1 by Standard and Poor's

*Banker's Acceptances*

Banker's acceptances maturing within 180 days rated P-1 or higher by Moody's and A-1 or higher by Standard and Poor's, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA or higher by Moody's and Standard and Poor's.

*Commonwealth of Virginia and Virginia Local Government Obligations*

General obligations, insured obligations or revenue bonds secured by debt service reserve funds not subject to annual appropriation rated AA or higher by Moody's or Standard and Poor's.

*Repurchase Agreements*

Repurchase agreements collateralized by securities approved for investment herein, provided that the counterparty is rate A or better by Moody's and Standard and Poor's and the collateral is held by an independent third party. Investments in repurchase agreements shall constitute no more than 5% of the total idle funds of the Town.

*Open-End Investment Funds*

Open-end investment funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved

for investment herein. No investment(s) with a single issuer should constitute more than 5% of the total idle funds of the Town.

#### *Virginia Local Government Investment Pool (LGIP)*

The Treasury Board of the Commonwealth sets the LGIP investment policy which adheres to the requirements of the Code of Virginia "Investment of Public Funds Act" with the Treasury Board imposing further limits and restrictions. Permitted investments include U.S. government obligations, repurchase agreements, certificates of deposit, banker's acceptances, commercial paper, short-term corporate notes, and short-term taxable municipal obligations. The "Investment Policy and Guidelines" section of the LGIP Investment Circular lists a complete description and credit quality requirement. Generally, LGIP is used for short term liquid investments with a maturity of 9 months or less.

#### *Virginia Investment Pool Trust Fund*

The Virginia Investment Pool Trust Fund (VIP) was established to provide political subdivisions of the Commonwealth of Virginia an investment vehicle to pool their funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. VIP was developed in 2013 by local treasurers and investment officers under the sponsorship of the Virginia Association of Counties and the Virginia Municipal League.

VIP operates as the "VACo/VML Virginia Investment Pool" and currently offers two portfolios:

- The **Stable NAV Liquidity Pool**, rated AAAm by Standard & Poor's (S&P), offers a stable net asset value, daily liquidity and a competitive yield. The Stable NAV Liquidity Pool is ideal for operating funds requiring immediate access.
- The **1-3 Year High Quality Bond Fund**, rated AA+f/S1 by Standard and Poor's (S&P), is designed for funds that can be invested generally for one year or longer. The 1-3 Year Fund's returns are benchmarked against the Bank of America Merrill Lynch One-to-Three Year Corporate & Government Index. The 1-3 Year Fund aims to preserve capital while exceeding the return of the benchmark over three-year periods.

Both portfolios are governed by investment policies adopted by VIP's Board of Trustees and that incorporate the allowable investments identified in the Code of Virginia.

The Board of Trustees is comprised of participating local treasurers and chief investment officers elected by participating political subdivisions. The Executive Directors of VML and VACo serve as *ex officio* board members.

VML/VACo Finance is the administrator of VIP. VML hires an investment advisory firm to serve as Investment Manager. The investment advisory firm is a Securities and Exchange Commission registered, independent investment advisor with significant local government investment pool experience. VML hires a trust bank to serve as custodian of the assets.

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

The Virginia Treasury Board sponsors the SNAP Program to provide comprehensive investment management, accounting and arbitrage calculation services for the proceeds of tax-exempt financings of Virginia governments. The Treasury Board has hired a program/investment manager, rebate calculation agent, central depository, custodian bank, and legal counsel to manage the program and provide services to Investors. All bond proceeds are required to be invested in this program in order to monitor and control compliance with state regulations concerning the earnings on bond proceeds.

#### *Federally insured certificates of deposit (CDARS)*

Federally insured certificates of deposit issued through the Certificate of Deposit Account Registry Service (CDARS) by financial institutions located in the United States, provided that:

- a. The funds are initially invested by the town through a financial institution that is participating in CDARS and that is located and doing business in Virginia;
- b. The financial institution in Virginia receives reciprocal deposits from other financial institutions in an amount equal to the funds initially invested by the town; and
- c. Each such certificate of deposit is issued in an amount that is eligible for full FDIC insurance coverage for up to a maximum total of \$50 million in qualified investments.

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and investment policies that are consistent with this Policy Statement. Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940. Given the nature of the investments, it is recognized that there may be immaterial deviations between this Policy Statement and the objectives of these investments.

#### Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts or private placements (with the exception of Rule 144A securities), and any and all crypto currencies or derivatives thereof. Further, derivatives, options, or futures for direct portfolio leveraging are prohibited, except as explicitly provided for elsewhere

in this policy. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is prohibited. The purchase of precious metals, precious stones or coins is prohibited. The purchase of mortgage-backed securities (MBS) residential or commercial, collateralized mortgage obligations (CMOs), and other structured fixed income products such as real estate mortgage investment conduits and collateralized debt obligations (CDOs) are prohibited. Any fixed income product that is a derivative, leveraged or structured in tranches is prohibited. Credit default swaps or any kind of fixed income swaps are prohibited. Any investment not provided for within this policy that a prudent investor would regard as speculative is prohibited.

### Safekeeping

All investments are deemed to be under the care and management of the DFAS in accordance with the Code of Virginia, § 2.2-4515 and best practices for safekeeping of investments. Investments not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

### Control Procedures

#### Review of Investment Objectives

The DFAS shall periodically review this Policy Statement for achieving the stated objectives. It is not expected that this Policy Statement will change frequently. Changes to this Investment Policy require Town Council approval. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement. The performance and asset allocation of the Town's idle funds investment program will be presented for review and public comment to the Town's Finance Board after the end of each fiscal year.

### Adoption of Investment Policy Statement

Any changes and exceptions to this Investment Policy will be made in writing and adopted by Town Council. Once adopted, changes and exceptions will be delivered to each affected party, as appropriate.

**Approved by the Town Council:**

  
\_\_\_\_\_  
Mayor Kelly Burk

October 23, 2018  
Date originally approved by Town Council

Date Last Updated: May 10, 2010



