


TOWN OF VIENNA

MEMORANDUM

TO: Honorable Mayor and Council

FROM: Marion Serfass, Director of Finance / Treasurer 

CC: Mercury Payton, Town Manager

DATE: February 25, 2019

SUBJECT: Annual Investment Report

This is the annual report on the Town's investments.

During FY 2017-18 the Town had their investments with two agencies of the Commonwealth of Virginia. The Town's tax-exempt funds for bond funds and capital lease funds have been invested in the State Non-Arbitrage Program, or SNAP since 2014. This fund only accepts tax-exempt funds such as bond funds. The remainder of funds for investment are with the Local Government Investment Pool, or LGIP.

Both funds are stable net asset value funds, which means invested principal is not at risk. The funds are managed by professional investment managers in safe and liquid investments.

The Town's investment accounts are separated by fund to account correctly for the cash in each fund. Cash receipts from operations go to the corresponding fund's LGIP account, and is transferred back to Wells Fargo to cover purchases and payroll. Capital purchases are funded in the same manor from the bond proceeds in the SNAP accounts.

The report is prepared as of June 30, 2018. Principal balances in the two investment agencies are presented with historical data, plus interest rates and interest income data. The principal balance in SNAP varies as bond funds are received and are spent. The LGIP principal is more stable, as it includes items like real estate tax receipts, meals and business tax receipts and water and sewer bill payments. These items vary during the year, but are fairly constant when measured at the same time each year.

During the second quarter of FY 2018-19, the Town opened a third investment account with VML/VACO to invest funds not required to meet current obligations at a higher interest rate for a longer duration. There has only been one statement at the time of this report, so results from that fund will be detailed in next year's report.

Please let me know if you have any questions.

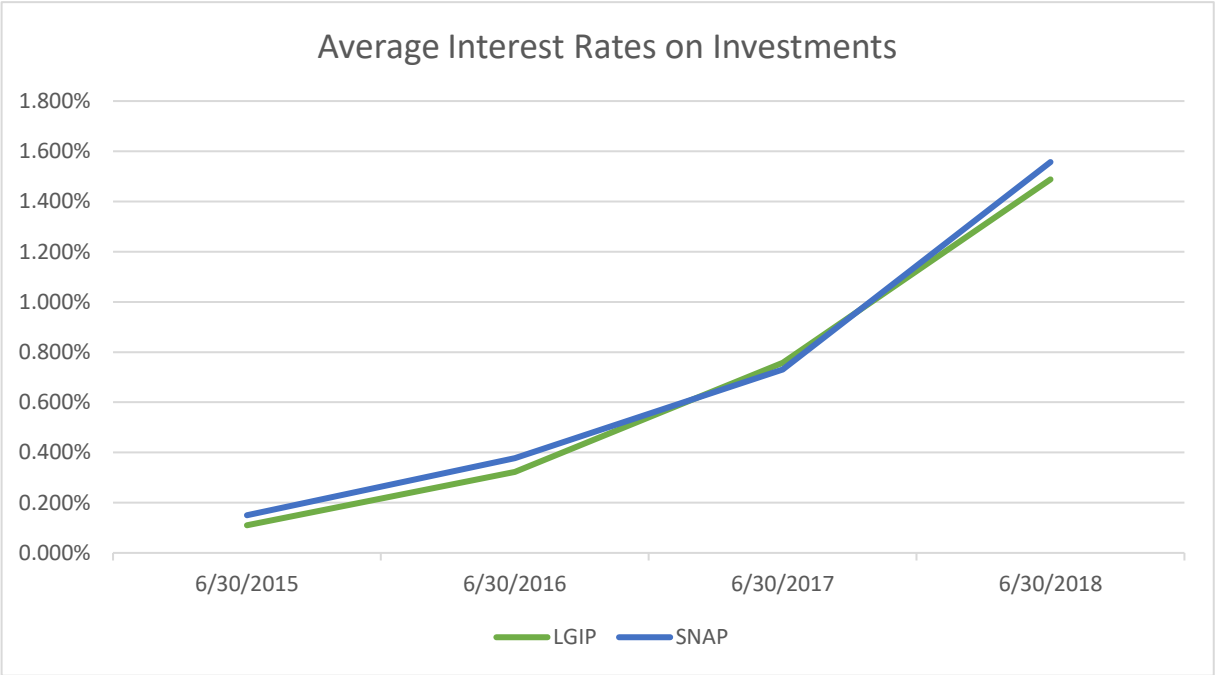
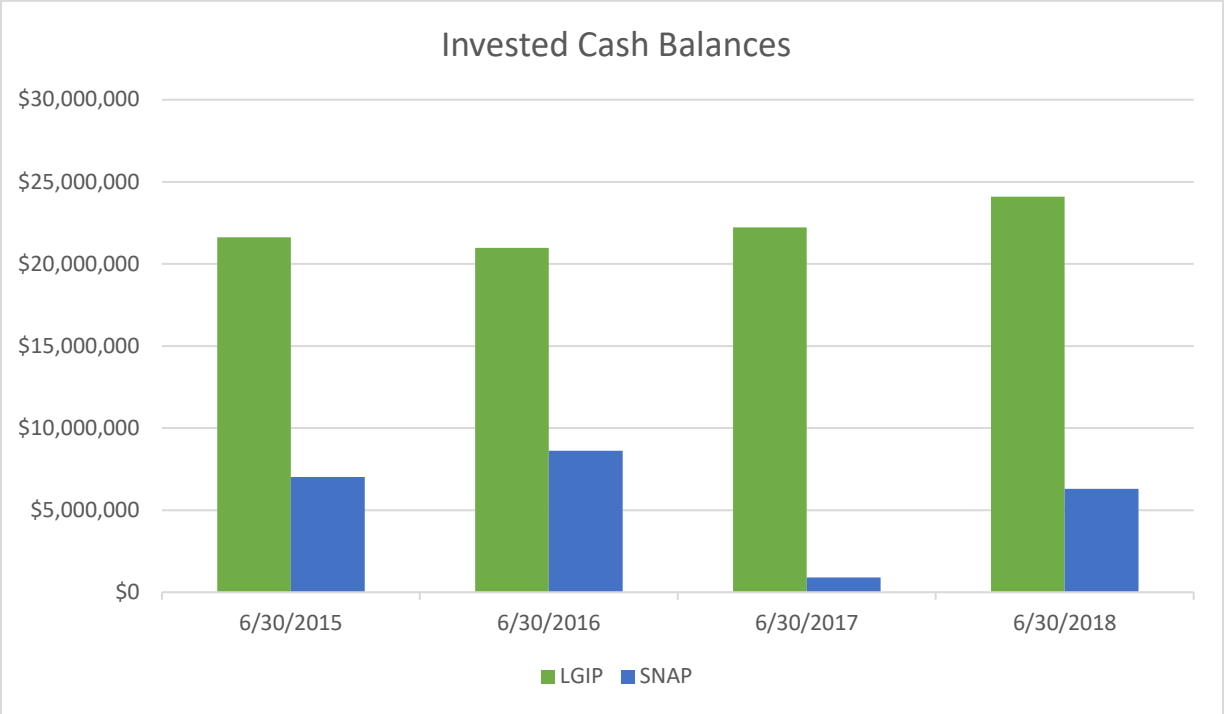
Thank you.

**Town of Vienna
Investment Report
6/30/2018**

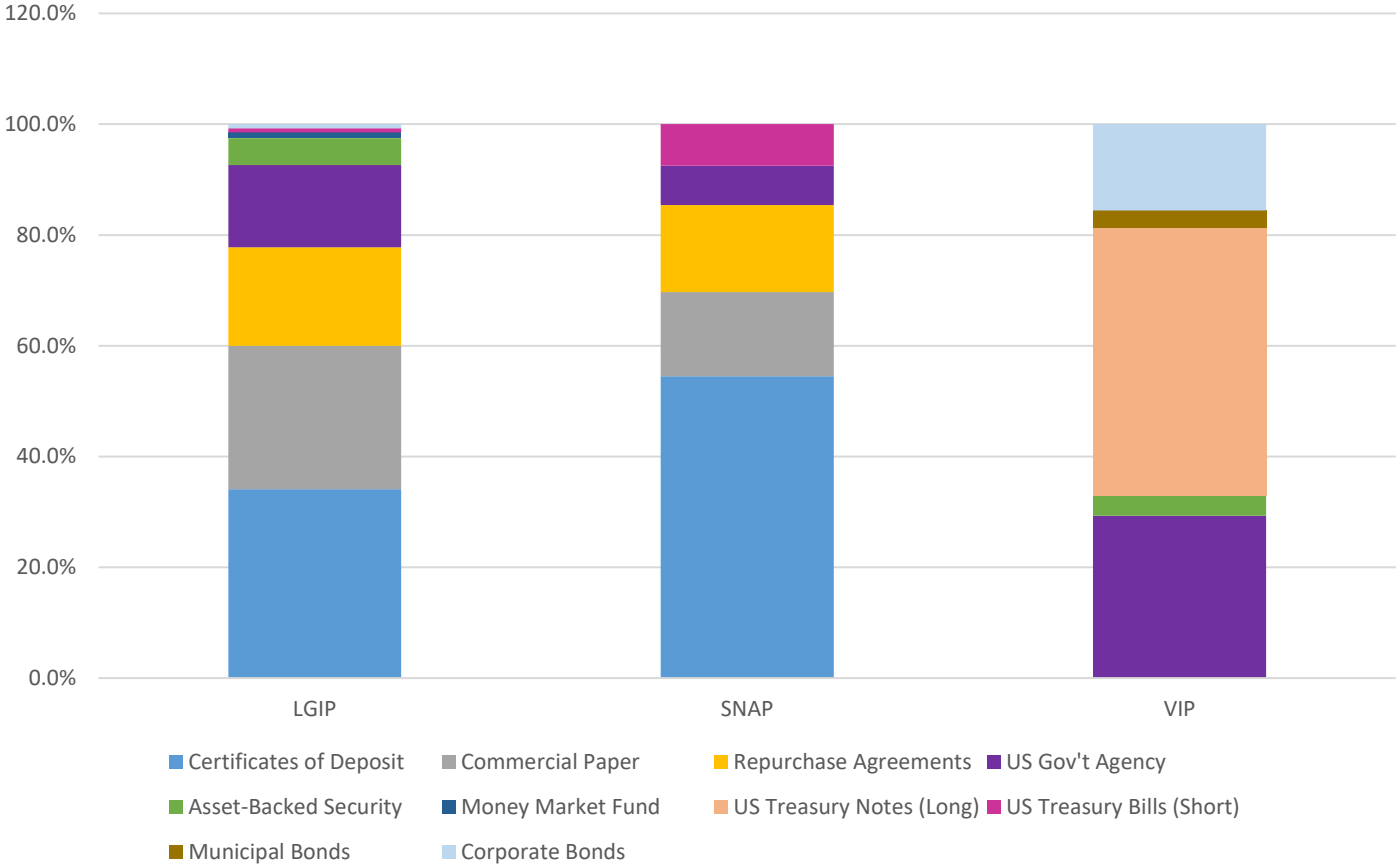
Principal Balance			
	at 6/30/18		
	<u>LGIP</u>	<u>SNAP</u>	<u>Total</u>
Balance at 6/30/18	\$ 24,094,034	\$ 6,303,728	\$ 30,397,762
Historical Principal Balance			
6/30/2017	\$ 22,217,676	\$ 869,489	\$ 23,087,165
6/30/2016	\$ 20,977,180	\$ 8,609,653	\$ 29,586,834
6/30/2015	\$ 21,618,647	\$ 7,013,183	\$ 28,631,830

Interest Rates	<u>LGIP</u>	<u>SNAP</u>	<u>VIP Plan</u>
12/31/2018	2.481%	2.570%	2.620%
6/30/2018 Interest Rate	2.032%	2.160%	
12 Month Average Interest Rate	1.488%	1.557%	
Historical Interest Rates (12-Mo Average)			
	<u>LGIP</u>	<u>SNAP</u>	
6/30/2017	1.052%	1.160%	
6/30/2016	0.323%	0.378%	
6/30/2015	0.110%	0.150%	

Interest Revenue as of 6/30/18 vs. Budget *			
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav / (Unfav)</u>
<u>Budgeted Funds</u>			
General Fund	\$ 110,361	\$ 40,000	\$ 70,361
Debt Service Fund	\$ 83,330	\$ 12,000	\$ 71,330
Water and Sewer Fund	\$ 15,181	\$ 6,000	\$ 9,181
	\$ 208,872	\$ 58,000	\$ 150,872
<u>Funds not Budgeted</u>			
Capital Project Fund	\$ 82,085		
Stormwater Fund	\$ 3,019		
Local Pension	\$ 35,136		
Police Pension	\$ 46,429		
Gang Task Force	\$ 7,388		
	\$ 174,056		
Total Interest Revenue 2018	\$ 382,928		
Total Interest Revenue 2017	\$ 195,254		
Increase in Interest Revenue	\$ 187,674	96% Increase	
* SNAP Revenue Mainly Capital Project Fund. LGIP Revenue all funds.			



Portfolio Composition



Virginia Local Government Investment Pool

Principal Stability Fund
Ratings Definitions

AAAm A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings

AAm A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Am A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories

BBBm A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

BBm A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

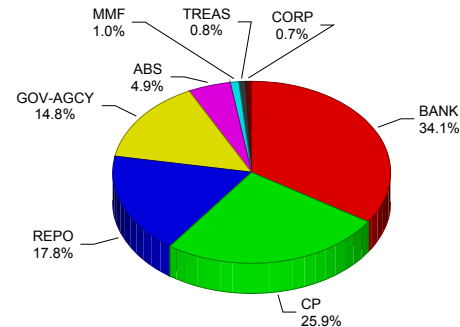
Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

Plus (+) or Minus (-)
The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

About the Pool

Pool Rating	AAAm
Pool Type	Stable NAV Government Investment Pool
Investment Adviser	Commonwealth of Virginia Department of the Treasury
Portfolio Manager	Neil Boege, CIO
Pool Rated Since	June 2005
Custodian	JPMorgan Chase & Co.

Portfolio Composition as of September 26, 2018



BANK - Bank Deposits; CP - Commercial Paper; REPO - Repurchase Agreement; GOV-AGCY - Agency and Government; ABS - Asset-backed security; MMF - Money Market Fund; TREAS - Treasury; CORP - Corporate

Rationale

S&P Global rates the Virginia Local Government Investment Pool 'AAAm'. This rating is based on S&P Global's analysis of the pool's credit quality, market price exposure, and management skill. The rating signifies our forward-looking opinion about a fixed-income fund's ability to maintain principal value (i.e., stable net asset value, or 'NAV'). This is accomplished through conservative investment practices and strict internal controls. S&P Global monitors the portfolio on a daily basis.

Overview

The Virginia Local Government Investment Pool was created in 1981 under the administrative control of the Treasury Board. It was designed to provide all local government units of the Commonwealth of Virginia with an investment vehicle for short-term investment of funds. A pooled fund strategy is utilized in accordance with Statement no. 79 of the Government Accounting Standards Board (GASB) for municipalities with the investment objective of minimizing risk of principal loss while offering daily liquidity and a competitive rate of return.

Management

The Treasury Board of the Commonwealth of Virginia serves as the investment adviser and has delegated responsibility for the day-to-day management of the pool's assets to the State Treasurer, subject to Treasury Board guidelines. The entire Treasury Board meets on a monthly or as needed basis to review investment strategies, performance and changes to the investment policy. All changes to the investment policy are done on an as-needed basis and must be approved by the Treasury Board. The Treasury Board reviews the portfolio on a monthly or as needed basis. The Commonwealth's investment team has ad hoc meetings throughout the day where they discuss maturity strategies, markets, sectors, interest rates, the short- and long-term economic outlook

and general investment strategies.

Portfolio Assets

The investment objectives of the pool are to achieve current income while it preserves capital and maintains liquidity. The portfolio will invest in high-quality, short-term securities denominated in U.S. dollars. Investments generally consist of direct obligations issued by, or obligations that are fully guaranteed as to principal and interest by, the U.S. government, or any of its agencies or instrumentalities, repurchase agreements backed by such securities, certificates of deposits, other S&P Global rated money-market funds, commercial paper, short-term corporate notes, and floating rate securities.

S&P Global Ratings Analyst: Guyna Johnson - (1) 312-233-7008

www.spratings.com

Participants should consider the investment objectives, risks and charges and expenses of the pool before investing. The investment guidelines which can be obtained from your broker-dealer, contain this and other information about the pool and should be read carefully before investing.

Principal Stability Rating Approach and Criteria

A S&P Global Ratings principal stability fund rating, also known as a "money market fund rating", is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, S&P Global Ratings analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter maturity and higher quality investments.

Principal stability fund ratings, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from a S&P Global Ratings traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects S&P Global Ratings view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

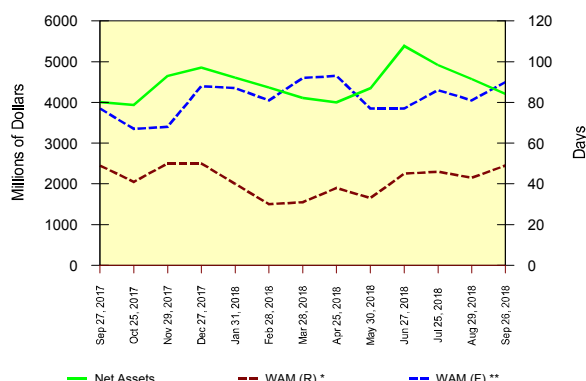
Virginia Local Government Investment Pool

AAAm

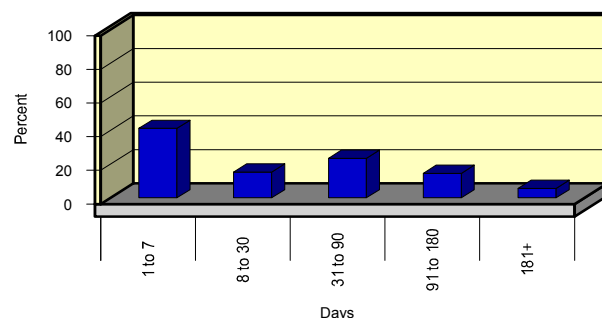
Data Bank as of September 26, 2018

Net Asset Value per Share.....	\$0.99995	Net Assets (millions).....	\$4,206.00	Inception Date.....	
WAM (R) *	49 days	WAM (F) **	90 days	7 Day Yield.....	2.16%
* Weighted Average Maturity (Reset)		** Weighted Average Maturity (Final)			

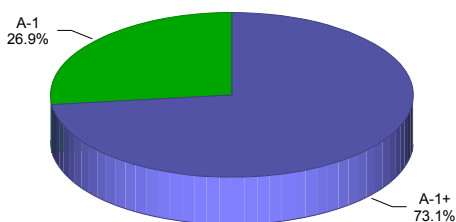
Net Assets, WAM (R) and WAM (F)



Portfolio Maturity Distribution as of September 26, 2018

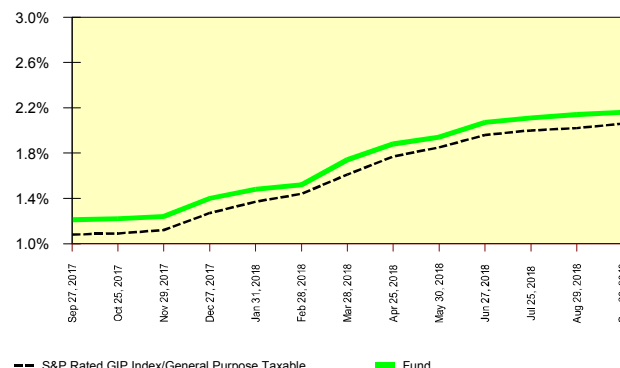


Portfolio Credit Quality as of September 26, 2018 *



*As assessed by S&P Global Ratings

Portfolio 7 Day Net-Yield Comparison *



*S&P 'AAAm' Money Fund Indices are calculated weekly by iMoneyNet, Inc., and are comprised of funds rated or assessed by S&P Global Ratings to within the specific rating categories. The S&P Global Ratings Rated LGIP Indices are calculated weekly by S&P Global Ratings and are comprised of 'AAAm' and 'AAm' government investment pools.

The yield quoted represents past performance. Past performance does not guarantee future results. Current yield may be lower or higher than the yield quoted.

Pool portfolios are monitored weekly for developments that could cause changes in the ratings. Rating decisions are based on periodic meetings with senior pool executives and public information.

S&P Global Ratings is neither associated nor affiliated with the fund.

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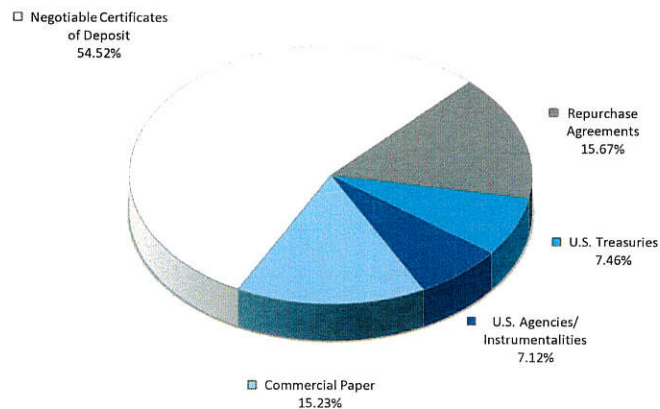


SNAP Fund Portfolio Characteristics as of December 31, 2018

Total Fund Net Assets¹ \$4,031,844,994
 Current 7-Day Yield² 2.57%
 S&P Rating³ AAAm

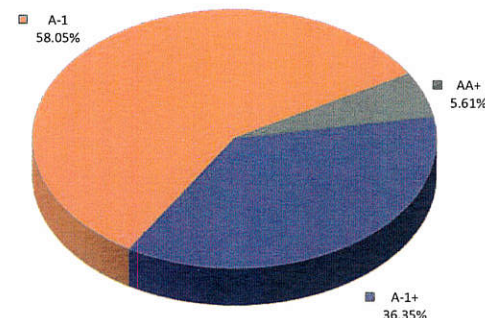
Weighted Average Maturity 32 Days
 Net Asset Value per Share \$1.00

Portfolio Sector Composition



Percentages may not total 100% due to rounding.

Portfolio Credit Quality Distribution**



** Ratings by Standard & Poor's.

Percentages may not total 100% due to rounding.

1. Total fund net assets, portfolio holdings valued at amortized cost, trade date based.
2. As of December 31, 2018, the current seven-day yield of the SNAP Fund Portfolio may, from time to time, be quoted in reports, literature and advertisements published by the Trust. The current seven-day yield, also known as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary.
3. Standard & Poor's fund ratings are based on analysis of credit quality, market price exposure, and management. According to Standard & Poor's rating criteria, the AAAm rating signifies excellent safety of investment principal and a superior capacity to maintain a \$1.00 per share net asset value. However, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology, visit Standard & Poor's website (http://www.standardandpoors.com/en_US/web/guest/home).

This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the investment objectives, risks, charges and expenses before investing in the Virginia State Non-Arbitrage Program ("SNAP" or the "Program"). This and other information about the Program is available in the SNAP® Information Statement, which should be read carefully before investing. A copy of the SNAP® Information Statement may be obtained by calling 1-800-570-SNAP (7627) or is available on the Program's website at www.vasnap.com. While the SNAP® Fund Portfolio seeks to maintain a stable net asset value of \$1.00 per share, it is possible to lose money investing in the Program. An investment in the Program is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the SNAP® Fund Portfolio are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.

VACo/VML Virginia Investment Pool (VIP) 1-3 Year High Quality Bond Fund

Fund Credit Quality Ratings (FCQR) Definitions

AAAf The credit quality of the fund's portfolio exposure is extremely strong.

AAf The credit quality of the fund's portfolio exposure is very strong.

Af The credit quality of the fund's portfolio exposure is strong.

BBBf The credit quality of the fund's portfolio exposure is adequate.

BBf The credit quality of the fund's portfolio exposure is weak.

Bf The credit quality of the fund's portfolio exposure is very weak.

CCCf The credit quality of the fund's portfolio exposure is extremely weak.

CCf The fund's portfolio has significant exposure to defaulted or near defaulted assets and/or counterparties.

Df The fund's portfolio is predominantly exposed to defaulted assets and/or counterparties.

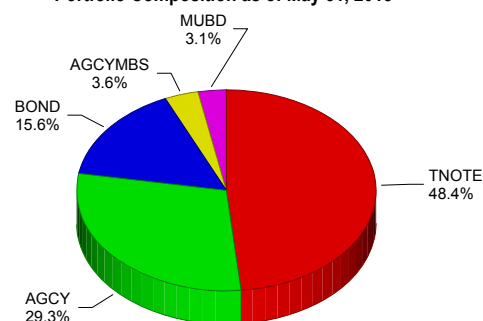
The ratings from 'AAf' to 'CCCf' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

FCQRs are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values. They reflect the credit risks of a fund's portfolio investments, the level of a fund's counterparty risk, and the risk of a fund's management ability and willingness to maintain current fund credit quality.

About the Pool

Pool Rating	AA+f / S1
Pool Type	Variable NAV Government Investment Pool
Investment Adviser	Public Trust Advisors, LLC
Portfolio Manager	Neil Waud, CFA & Mark Creger
Pool Rated Since	January 2014
Custodian	Wells Fargo Bank N.A.
Distributor	Public Trust Advisors LLC (Pubic Trust)

Portfolio Composition as of May 31, 2018



TNOTE - US Treasury Note; AGCY - Agency Fixed Rate; BOND - Corporate Fixed Rate; AGCYMBS - Agency Mortgage-Backed Security; MUBD - Municipal Bonds

*As assessed by S&P Global Ratings

Pool Highlights

- The Virginia Association of Counties (VACo)/Virginia Municipal League (VML) Virginia Investment Pool Trust Fund (VIP) has conservative management.
- The average maturity of its investments is one to three years.

Management

Public Trust Advisors, LLC serves as the pool's investment adviser. The fund is subject to the general supervision of the Board of Trustees of VACo/VML. Wells Fargo Bank, N.A. is the custodian and VML/VACo Finance serves as the administrator for the fund.

Credit Quality

S&P Global rates VACo/VML (VIP) 1-3 Year High Quality Bond Fund 'AA+f/S1'. The 'AA+f/S1' rating is based on its analysis of the fund's credit quality, market price exposure and management experience. The 'AA+f' rating demonstrates that the pool's portfolio holdings provide very strong protection against losses from credit defaults. The 'S1' volatility rating indicates that the fund possesses an extremely low sensitivity to changing market conditions. As part of S&P Global's volatility analysis, it assessed the management, portfolio-level risk, target durations, and comparable return strategies of the pool. S&P Global monitors the fund on a monthly basis.

Portfolio Assets

The fund seeks to preserve capital and exceed the return of its benchmark, the BofA Merrill Lynch 1-3 Year U.S. Corporate/Government Bond Index, over a three-year period. VIP consists of a single portfolio and invests in securities with greater potential returns and risk than those offered by typical money-market instruments. VIP invests in various security types, including U.S. Treasury notes and U.S. government agency securities, corporate bonds, and commercial paper that are typically rated 'AA-' or higher and have an average maturity of approximately one to three years.

S&P Global Ratings Analyst: Peter Rizzo - (1) 212-438-5059

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Fund Volatility Ratings (FVR) Definitions

S1 A fund that exhibits low volatility of returns. Within this category, a fund may be designated with a plus sign (+). This indicates its extremely low volatility of monthly returns.

S2 A fund that exhibits low to moderate volatility of returns.

S3 A fund that exhibits moderate volatility of returns.

S4 A fund that exhibits moderate to high volatility of returns.

S5 A fund that exhibits high to very high volatility of returns.

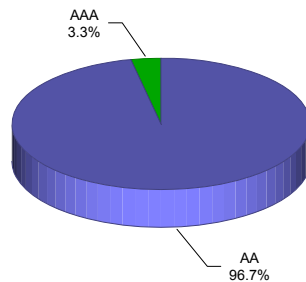
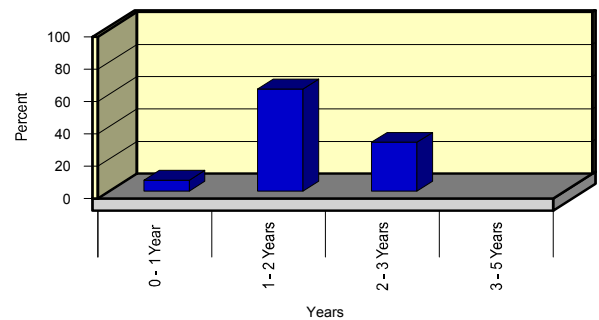
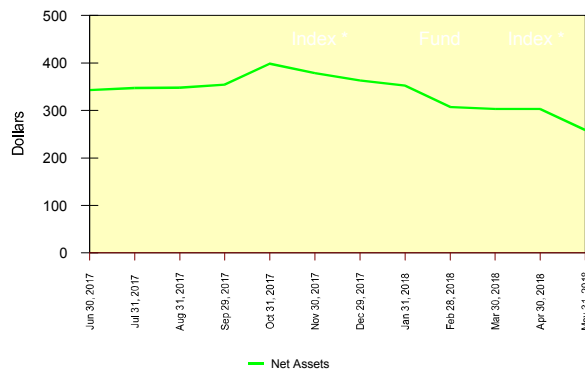
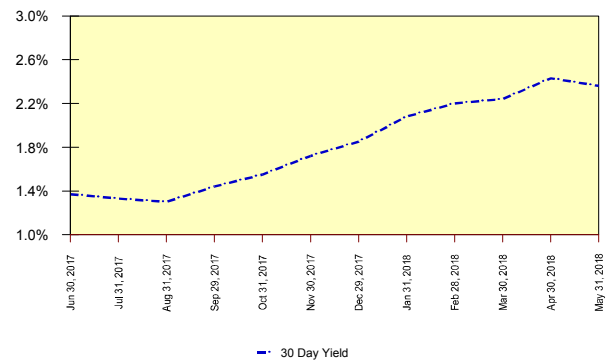
FVRs reflect our view of the fund's sensitivity to interest rate risk, credit risk, and liquidity risk, as well as other factors that may affect returns such as use of derivatives, use of leverage, exposure to foreign currency risk, and investment concentration, and fund management.

FVRs typically accompany FCQRs (e.g., 'A+/S3') to communicate our opinion of risks not addressed by FCQRs. For some funds, we may assign an FCQR without an accompanying FVR. When this occurs, we note the FVR as NR (not rated).

Data Bank as of May 31, 2018

Ticker Symbol..... N/A
NAV..... \$9.93

Net Assets (millions)..... \$258.84
Inception Date..... January 2014

Portfolio Credit Quality as of May 31, 2018 ***Portfolio Maturity Distribution as of May 31, 2018****Net Assets as of May 31, 2018****Portfolio 30 Day Yield as of May 31, 2018****Top Ten Holdings as of May 31, 2018**

Security	%	Security	%
The Treasury, United States Department of	48.42	Exxon Mobil Corporation	2.79
Federal Home Loan Mortgage Corp.	15.64	Toyota Motor Credit Corporation	2.71
FHLBanks Office of Finance	8.95	Microsoft Corporation	2.30
Federal National Mortgage Association, Inc.	7.66	New York Life Global Funding	1.34
Apple Inc.	4.97	Hawaii, State of	0.96

A Volatility Rating is not a credit rating. S&P Global Ratings is neither associated nor affiliated with the fund.

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