

TOWN OF VIENNA

MEMORANDUM

TO: Honorable Mayor and Council

FROM: Marion Serfass, Director of Finance / Treasurer

CC: Mercury Payton, Town Manager

DATE: February 3, 2020

SUBJECT: Annual Investment Report

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

The Town invests funds in three pools run by the Commonwealth of Virginia, managed by professional investment advisors. The Town's tax-exempt proceeds from bond proceeds 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 majority of remaining of funds for investment are invested in the Local Government Investment Pool, or LGIP. At the end of the first half of FY 2018-19, the Town opened a third investment account with the VML/VACO Virginia Investment Pool (VIP) High Quality Bond Fund to invest funds not required to meet current obligations at a higher interest rate for a longer duration. A total of \$8 million was transferred to VML/VACO VIP from LGIP as follows: \$1.5 million from the both the General Fund and the Local Pension Fund, \$2 million from the Police Pension Fund and \$3 million from the Debt Service Fund.

LGIP and SNAP are stable net asset funds, which conserve principal at a lower rate of return. These funds are best used for purchases requiring immediate access to funds. The VIP fund is a high-quality bond fund, which is designed for funds that can be managed over a longer time frame. They generally earn a higher rate of return.

The Town's investment accounts are separated by fund in the accounting records to account for the cash position in each fund. Cash receipts from operations are transferred to each fund's LGIP account, which covers operating expenditures and payroll. Capital purchases are generally funded from the bond and capital lease proceeds in the SNAP accounts. Funds in the VIP account can be transferred back and forth to the corresponding funds if needed to meet current expenditures.

The report is prepared as of December 31, 2019, and shows balances at fiscal year ends plus December 31, 2019. Principal balances are presented with historical data, plus interest rates and interest revenue 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 receipts. These items vary during the year, but are fairly constant when measured at the same time each year. The VIP funds are increased by interest earned, but have had no other deposits or withdrawals since they were opened. We analyze cash balances to determine if we can invest more at a higher rate periodically.

During fiscal years 2017-18 and 2018-19 interest rates were rising, and the Town was able to benefit from large increases in interest revenue. In 2019-20 rates are falling slightly, but the Town still expects to meet or exceed interest revenue budgets.

Please let me know if you have any questions.

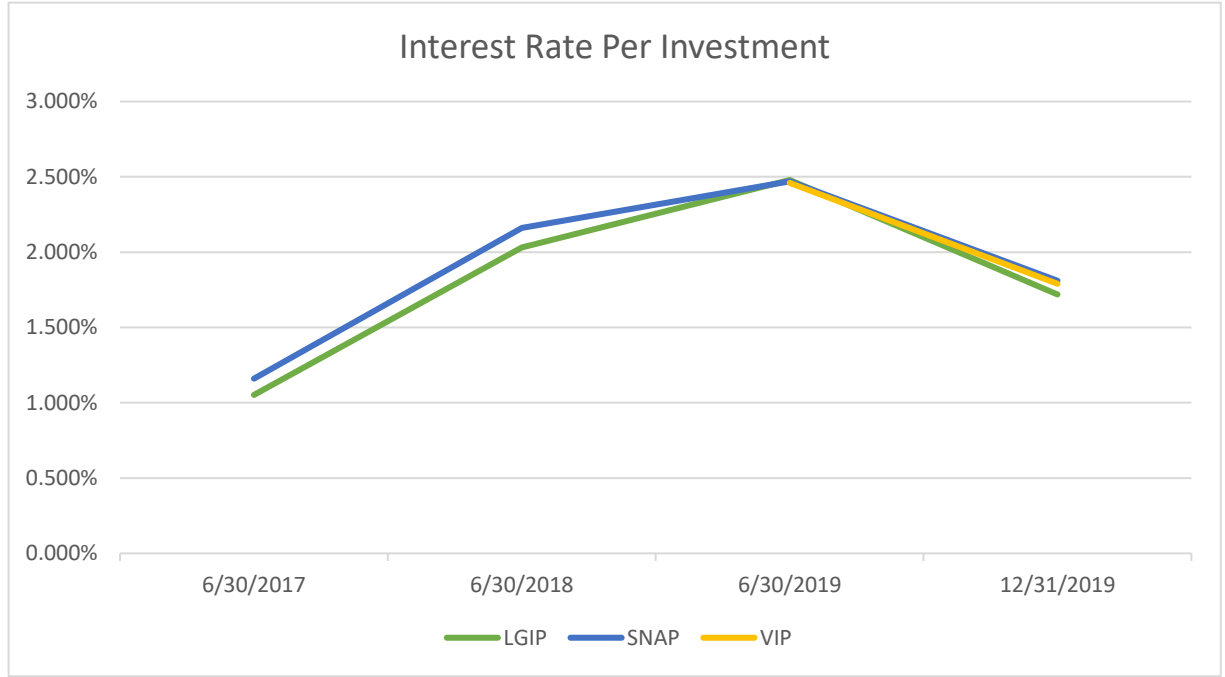
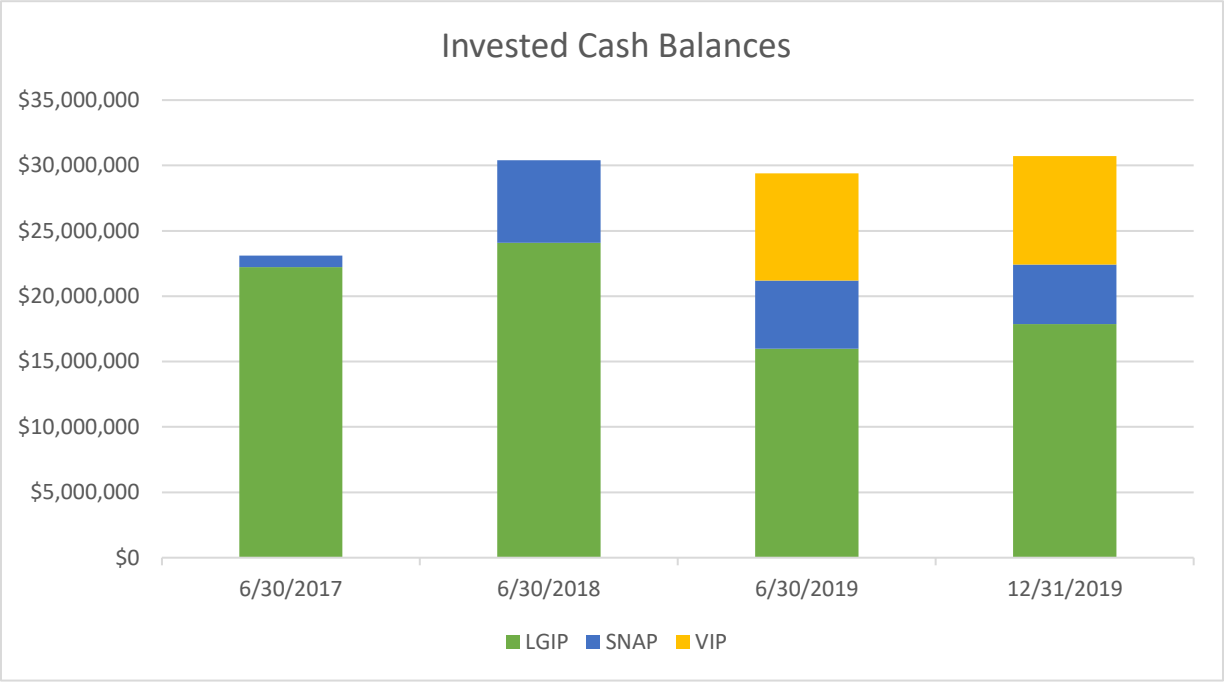
Thank you.

**Town of Vienna
Investment Report
12/31/2019**

Principal Balance				
	<u>LGIP</u>	<u>SNAP</u>	<u>VIP</u>	<u>Total</u>
Balance at 12/31/19	\$ 17,875,120	\$ 4,554,980	\$ 8,283,193	\$ 30,713,292
Historical Principal Balance				
6/30/2019	\$ 15,978,804	\$ 5,230,423	\$ 8,193,345	\$ 29,402,573
6/30/2018	\$ 24,094,034	\$ 6,303,728		\$ 30,397,762
6/30/2017	\$ 22,217,676	\$ 869,489		\$ 23,087,165

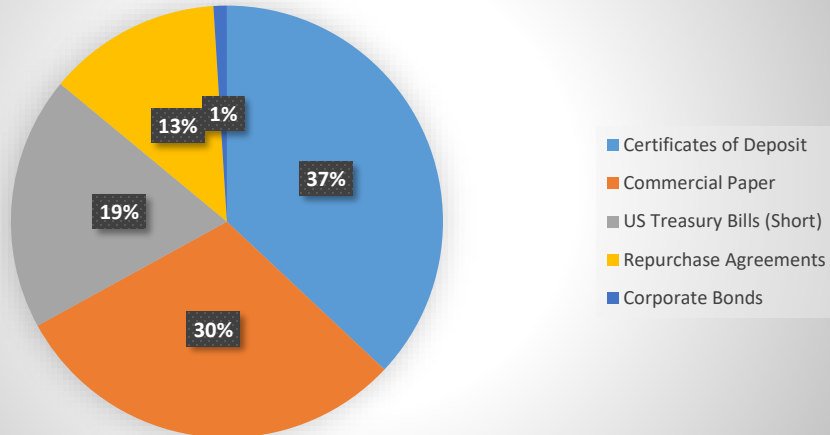
Interest Rates	<u>LGIP</u>	<u>SNAP</u>	<u>VIP</u>
12/31/2019 Interest Rate	1.720%	1.810%	1.790%
6/30/2019 Interest Rate	2.479%	2.470%	2.460%
Interest Rate at:			
6/30/2018	2.032%	2.160%	
6/30/2017	1.052%	1.160%	

Interest Revenue as of 6/30/19 vs. Budget *			
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
<u>Budgeted Funds</u>			
General Fund	\$ 235,131	\$ 70,000	\$ 165,131
Debt Service Fund	\$ 182,015	\$ 20,000	\$ 162,015
Water and Sewer Fund	\$ 19,252	\$ 15,000	\$ 4,252
	<u>\$ 436,398</u>	<u>\$ 105,000</u>	<u>\$ 331,398</u>
<u>Funds not Budgeted</u>			
Capital Project Fund	\$ 128,126		
Stormwater Fund	\$ 8,420		
Local Pension	\$ 74,704		
Police Pension	\$ 98,668		
Gang Task Force	\$ 13,072		
	<u>\$ 322,990</u>		
Total Interest Revenue 2019	\$ 759,388		
Total Interest Revenue 2018	\$ 382,928		
Increase in Interest Revenue	\$ 376,460	98%	Increase over 2018
(*) SNAP Revenue Mainly Capital Project Fund. LGIP Revenue all funds. VIP Revenue General, Debt Service and Pension Funds			

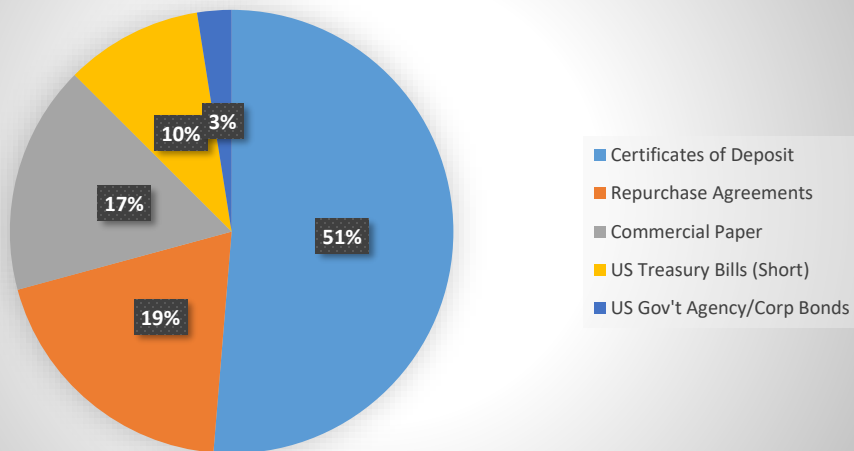


PORTFOLIO COMPONENTS

LGIP



SNAP



VIP

