

TOWN OF VIENNA

MEMORANDUM

TO: Honorable Mayor and Council

FROM: Marion Serfass, Director of Finance / Treasurer

CC: Mercury Payton, Town Manager

DATE: September 14, 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 remaining funds for investment are invested in the Local Government Investment Pool, or LGIP for funds available to meet current obligations and a smaller amount in VML/VACO Virginia Investment Pool (VIP) High Quality Bond Fund for 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 in December 2018 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 June 30, 2020 and shows balances at fiscal year-end for the last three years. 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. In 2020 the Town issued \$34.5 million of bonds plus a \$3 million premium. This accounts for the big increase in the SNAP balance in 2020.

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. Finance staff analyzes 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 earned on investments. In 2019-20 rates fell dramatically, almost 2% from FY 2018-19, as the Federal Reserve tried to address the economic crisis caused by the pandemic. FY 2019-20 interest revenue was slightly below budget in the General and Water and Sewer funds, but favorable to budget in the Debt Service Fund. The FY 2020-21 budget was adjusted to reflect the current low interest rates.

Please let me know if you have any questions.

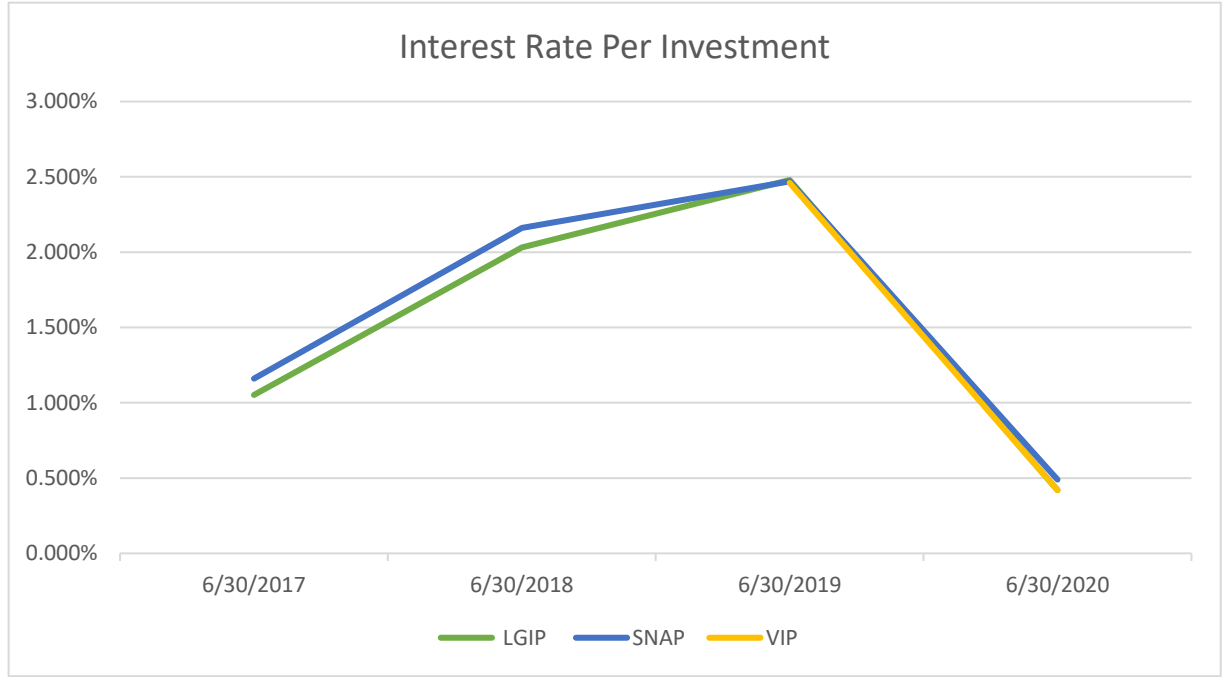
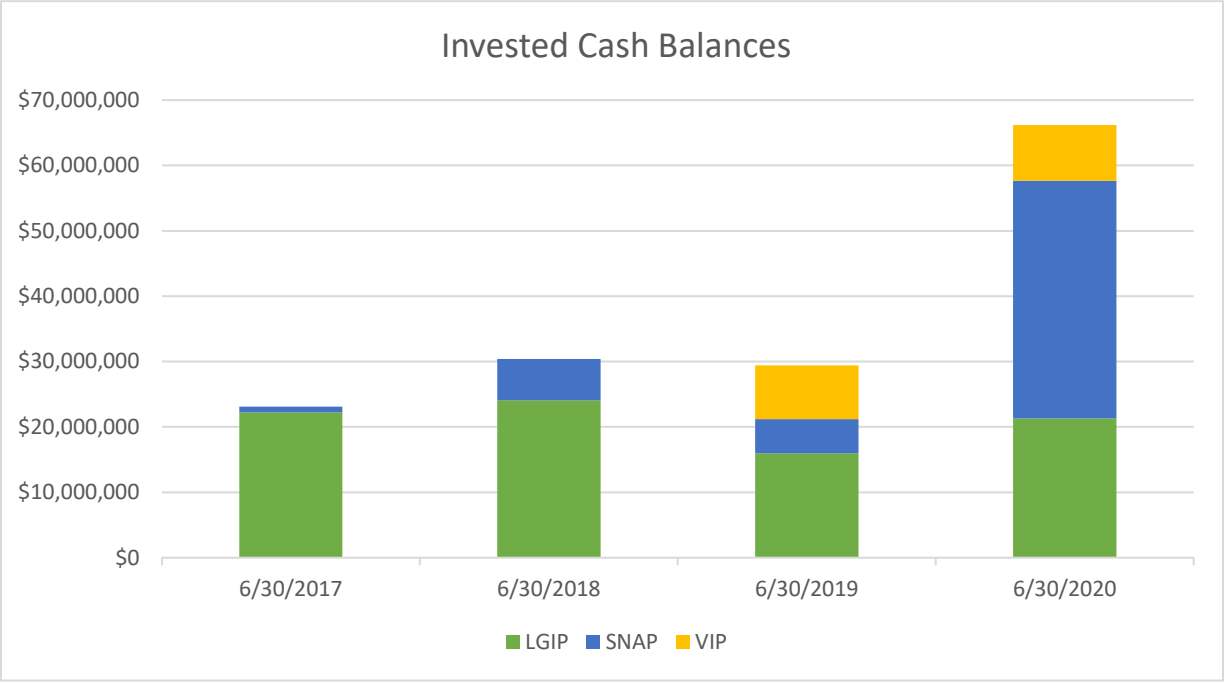
Thank you.

**Town of Vienna
Investment Report
6/30/2020**

Principal Balance				
	<u>LGIP</u>	<u>SNAP</u>	<u>VIP</u>	<u>Total</u>
Balance at 6/30/20	\$ 21,277,415	\$ 36,405,288 (a)	\$ 8,522,498	\$ 66,205,201
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	\$ - (b)	\$ 30,397,762
(a) \$37.5 mil bond plus premium added 3/2020				
(b) Fund opened in FY 2019				

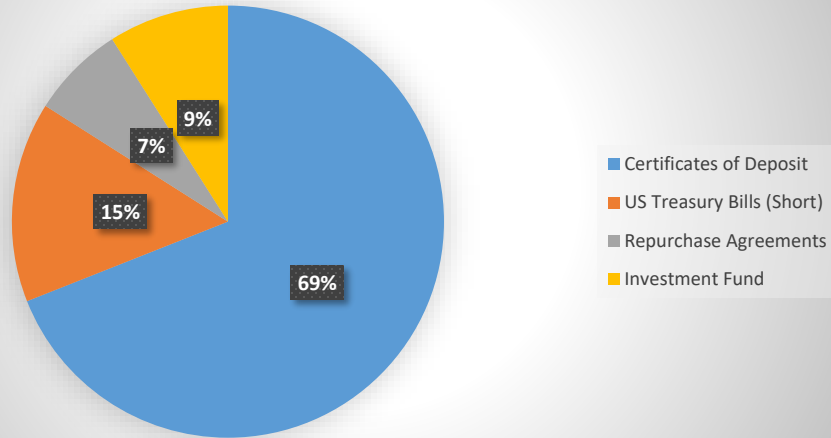
Interest Rates	<u>LGIP</u>	<u>SNAP</u>	<u>VIP</u>
06/30/20 Interest Rate	0.420%	0.490%	0.420%
6/30/2019 Interest Rate	2.479%	2.470%	2.460%
6/30/2018 Interest Rate	2.032%	2.160%	

Interest Revenue as of 6/30/20 vs. Budget *			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> Fav/ (Unfav)
<u>Budgeted Funds</u>			
General Fund	\$ 191,142	\$ 200,000	\$ (8,858)
Debt Service Fund	\$ 169,559	\$ 120,000	\$ 49,559
Water and Sewer Fund	\$ 11,414	\$ 20,000	\$ (8,586)
	<u>\$ 372,115</u>	<u>\$ 340,000</u>	<u>\$ 32,115</u>
<u>Funds not Budgeted</u>			
Capital Project Fund	\$ 179,410		
Stormwater Fund	\$ 6,839		
Local Pension	\$ 76,570		
Police Pension	\$ 102,473		
Gang Task Force	\$ 9,602		
	<u>\$ 374,894</u>		
Total Interest Revenue 2020	\$ 747,009		
Total Interest Revenue 2019	\$ 759,388		
Decrease in Interest Revenue	\$ (12,379)	-2%	Decrease from 2019
(*) SNAP Revenue Mainly Capital Project Fund. LGIP Revenue all funds. VIP Revenue General, Debt Service and Pension Funds			

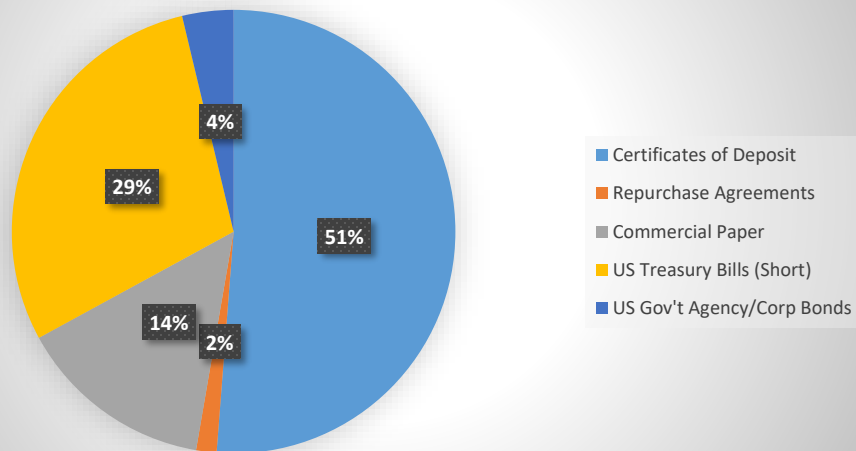


PORTFOLIO COMPONENTS

LGIP



SNAP



VIP

