

## Lines of Business

LOB #14:

### **INVESTMENTS AND TREASURY MANAGEMENT**

#### **Purpose**

The Investments and Cash Management Division (ICM) is responsible for the investment of County funds and administration of bank and cash management services for all agencies and Fairfax County Public Schools (FCPS). Both of these programs, under the authority of the Finance Director, are mandated per state code and designated by the Board of Supervisors. LOB #14, Investments and Treasury Management, comprises two programs- investments and treasury.

The investment professionals actively manage various portfolios totaling an average daily balance of \$3.5 billion. The objectives include preservation of capital, timely availability of cash to meet obligations; and a return on investments that meets or exceeds industry benchmarks. Staff serves on and is an important resource for both the Investment Committee and the Bond Committee for Land Development Services.

The Treasury team provides banking services and products to County departments and agencies, FCPS and authorities. It manages the County's credit card acceptance program and coordinates electronic funds receipts and payments as well as financial information.

#### **Description**

The investment program consists of \$2.5 billion to \$4 billion in average daily balance for investment activities. With a strict adherence to a certified investment policy, the use of permitted investments per County code and oversight by a senior Investment Committee, individual investment vehicles are selected and staff executes purchase transactions daily. The daily cash management and optimal cash position is critical throughout the year. It allows staff to take advantage of investment opportunities and accommodate large debt payments, FCPS and retirement funding. It also efficiently invests large receipts of tax collections at critical points of the year. With the responsibility of investing bond proceeds held by the trustee, staff is able to take advantage of market opportunities and lower the overall cost of borrowing. Subjected to peer review and for the 18th consecutive year, the County received the Association of Public Treasurers Investment Policy Certificate of Excellence Award.

The treasury program provides banking services, fraud prevention products, online payment and collection, remote deposit, armored courier services and credit card acceptance programs to the County, FCPS and authorities. Through the use of the County's primary bank's online portal and direct transmission from County's financial system, staff receives and transmits payment information, fraud control measures and reconciliation services. Alternative means of communications allow staff to invest County funds in those infrequent occasions when the County is closed but banks are open, and provide maximum readiness for emergency events. Program staff meets regularly and performs outreach, education and assistance to the County, agencies and FCPS.

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## Benefits

The benefits provided include \$14.6 million in Investment Interest revenue in FY 2015, of which \$10.7 million was credited to the General Fund. The investment program provides the capability to project the inflow of revenues, estimate the amounts needed to meet monetary obligations, determine the amounts of cash available for investment; and determine the period of time funds can be invested without risk of lost liquidity. Other non-General Fund units that benefit from a professionally managed program include FCPS, Housing and Wastewater Management. This skillful management of County's cash is a critical contributor to maintaining the County's AAA bond rating.

The use of the latest technology and treasury products available, obtained at competitive pricing, provides efficiencies, fraud controls, and overall lower costs of doing business. These products include lockbox services, remote deposit, credit card acceptance program, and online payment collection.

## Mandates

This LOB is fully mandated by the Virginia Code § 2.2-4500 – 2.2-4518 Investment of Public Funds Act, Virginia Code § 2.2-4400 – 2.2-4411 Virginia Security for Public Deposits Act, Virginia Code § 15.2-829 Powers of the County Treasurer; deposit of monies. Credit card acceptance rules were set by the credit card industry, and debit cards by the Durbin Amendment, passed as part of the Dodd-Frank financial reform legislation in 2010.

## Trends and Challenges

Since 2008, rates on investments allowed by the Code of Virginia have been at lows not seen for 50 years. During the past year, rates have risen slightly but future increases in investment earnings rates are heavily dependent on the continued strength of the economy and the Federal Reserve Bank increasing the Federal Funds Rate.

In the Treasury arena, the use of the latest technologies allows the County to offer additional services such as remote deposit and online payment collection. Digital disbursements, which transmit payment information via text or e-mail, is an upcoming product that offers additional payment capabilities to the County's sophisticated citizenry. In the credit card industry, the use of newly mandated cards with embedded security chips will be challenging to the County as all of the point of sale terminals will have to be replaced to comply with new fraud protection standards. Continuous collaboration with the business partner departments will be ongoing as Finance strives to enhance payment methodologies and keep more investable cash on hand as long as possible.

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## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #14: Investments and Treasury Management</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$329,882	\$279,183	\$374,769
Operating Expenses	23,043	6,282	8,244
<b>Total Expenditures</b>	<b>\$352,925</b>	<b>\$285,465</b>	<b>\$383,013</b>
General Fund Revenue	\$0	\$0	\$0
<b>Net Cost/(Savings) to General Fund</b>	<b>\$352,925</b>	<b>\$285,465</b>	<b>\$383,013</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	4 / 4	4 / 4	4 / 4
<b>Total Positions</b>	<b>4 / 4</b>	<b>4 / 4</b>	<b>4 / 4</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Percentage that Liquidity Portfolio yield exceeds its LGIP benchmark	58%	55%	54%	50%	50%

The Department of the Treasury of the Commonwealth of Virginia manages the Local Government Investment Pool (LGIP), which is used by various governmental entities on a completely voluntary basis, and averages \$3 billion. The LGIP enables these governmental entities to maximize the return on investment, adhere to state code permitted investments, and realize the economies of large scale investing and professional funds management.

The County's Liquidity Portfolio averages \$1 billion dollars, is managed by this LOB and invests in the same maturities and investment securities as the LGIP. This Pool is used as a benchmark for the County's Liquidity Portfolio.