

Vermont Municipal Bond Bank Investment Policy

Scope

This policy covers the investments of the Vermont Municipal Bond Bank's ("VMBB's") General Operating Reserve Fund, Bond Reserve Fund, and State Revolving Fund Reserves.

Investment Policy for General Operating Reserve Fund

Purpose

The purpose of the General Operating Reserve Fund (the "General Fund") is to provide income to supplement administration of current programs, provide a source of capitalization for new programs and to provide additional financial support to the Bond Reserve Fund, to reduce susceptibility to unanticipated expenditures or revenue shortfalls, and to help maintain strong credit ratings.

Goals

Preservation of principal and the achievement of real growth in excess of inflation are the goals for investing the General Fund.

Investment Restrictions

Cash and Near Cash Investment Restrictions: 100% of the Funds shall be held in FDIC insured accounts or AAA/Aaa rated money market funds.

Long-term Investment Restrictions:

- Fixed rate securities only;
- Minimum dollar-weighted average credit quality shall be AA or its equivalent;
- Duration will be maintained within a range of 80% to 120% of the Benchmark;
- With the exception of U.S. Treasury, Agency, and agency mortgage issues, maximum allocation per issuer is 5%;
- Below investment grade bonds are limited to 10% of the portfolio;
- Futures and options are permitted, but the net position is limited to 5% of assets; and
- Investments in the portfolio must be valued in U.S. dollars.

Management

The responsibility for the management of the General Fund rests with the Executive Director, in consultation with the Directors.

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Performance Evaluation Investment

Investment performance shall be monitored on an as needed basis, but no less than on a quarterly basis. The administration will measure performance against appropriated benchmarks and report the results to the Directors.

Investment Policy for Bond Reserve Funds

The investment criteria for the Bond Reserve Fund are codified in 24 V.S.A., Chapter 119 and are also included in the General Bond Resolutions.

Purpose

The purpose of the Bond Reserve Fund established under the General Bond Resolutions is to provide a reserve against a temporary interruption of the receipt of principal and interest due from VMBB's borrowers.

In accordance with V.S.A. § 4671 (b), *"Moneys in the reserve fund shall be held and applied solely to the payment of the interest on and principal of presently outstanding bonds...as they become due and payable and for the retirement of bonds."*

Goals

Bond Reserve Fund investments must insure the preservation of principal.

Investment Restrictions

Vermont Statutes and the General Bond Resolutions restrict the type of investments in which funds can be invested. Funds are invested only in direct obligations of the United States of America.

Management

The responsibility for the management of the Bond Reserve Funds rests with the Executive Director, in consultation with the Directors.

Performance Evaluation Investment

Investment performance shall be monitored on an as needed basis, but no less than on an annual basis.

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Investment Policy for State Revolving Fund Reserves

Purpose

The purpose of the State Revolving Fund Reserves (the "SRF Reserves") is to provide the source of capital for State Revolving Fund loans and to cover the administrative costs of the State Revolving Fund program.

Goals

Preservation of principal and the achievement of real growth in excess of inflation are the goals for investing the SRF Reserves.

Investment Restrictions

Cash and Near Cash Investment Restrictions: 100% of the Funds shall be held in FDIC insured accounts or AAA/Aaa rated money market funds.

Long-term Restrictions (applies to each individual SRF account):

- Fixed rate securities only;
- Minimum dollar weighted average credit quality shall be AA or its equivalent;
- Duration will be maintained within a range of 90% to 110% of the investment target benchmark

Account Type	Investment Target Balance
Administrative Accounts	15% of Cash Balance in Money Market Fund 85% of Cash Balance in 90-day Fixed Maturities
SRF Loan Accounts	10% of Cash Balance in Money Market Fund 30% of Cash Balance in 30-day Fixed Maturities 30% of Cash Balance in 90-day Fixed Maturities 30% of Cash Balance in 180-day Fixed Maturities

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When outside the target range for more than two (2)months, assets will be rebalanced by going half way back to target every 30 days until within range;

- With the exception of U.S. Treasury, Agency, and agency mortgage issues, maximum allocation per issuer is 5%;
- When outside the target range by more than 5 percentage points for more than two (2) months, assets will be rebalanced by going half way back to target every 30 days until within range’
- Below investment grade bonds are prohibited;
- Futures and options are prohibited; and
- Investments in the portfolio must be valued in U.S. dollars.

Management

The responsibility for the management of the SRF Reserves rests with the Executive Director, in consultation with the Board of Directors.

Performance Evaluation Investment

Investment performance shall be monitored on an as needed basis, but no less than on an annual basis.

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