



VERMONT BOND BANK INVESTMENT POLICY

Adopted: June 15, 2009

Revised: June 10, 2010

Revised: June 7, 2016

Revised: February 7, 2017

Revised: June 30, 2022

Revised: September 19, 2022

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.

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.

INVESTMENT POLICY FOR GENERAL OPERATING RESERVE 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.

Investment Restrictions

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

Performance Evaluation Investment

Investment performance will be continually monitored but less than on a quarterly. Staff will conduct reviews of performance against benchmarks and report the results to the Directors at the Annual Investment Evaluation.

ESG Risk Evaluation

Environmental, Social, and Governance (“ESG”) risk will be evaluated no less than annually using third party evaluations for portfolio holdings. Evaluations will be compared against industry and wider asset class benchmarks. Staff and the Directors will request changes as needed of the investment advisor based on the evaluation of potential ESG risk.

Annual Investment Evaluation

Staff and the investment advisor, as needed, will comprehensively review the current investment portfolio with the board annually.

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.

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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.

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; and,
- Target duration and allowable ranges will be maintained as outlined in the below table-

INVESTMENT DURATION	Target Allocation	Range	
		Min	Max
Administrative Accounts			
Immediate (Money Market Fund)	15%	> = 15%	
30-Day Maturities	20%	15%	30%
90-Day Maturities	65%	65%	75%
Program Accounts			
Immediate (Money Market Fund)	10%	> = 10%	
30-Day Maturities	30%	15%	45%
60-Day Maturities	20%	15%	45%
90-Day Maturities	20%	10%	45%
120-Day Maturities	20%	0%	25%

- With the exception of U.S. Treasury, Agency, and agency mortgage issues, maximum allocation per issuer is 5%;
- 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. The Investment Advisor will provide a review of benchmark performance no less than quarterly using a widely accepted index approved by the Executive Director.

Management

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