

BEFORE THE BOARD OF COUNTY COMMISSIONERS

MULTNOMAH COUNTY, OREGON

In the matter of adopting     )  
Multnomah County's         )  
Investment Policy.         )

RESOLUTION  
95-236

WHEREAS, ORS 294.135 requires municipalities adopt a written Investment Policy;

WHEREAS, Multnomah County's Investment Policy has been reviewed by the Oregon Short Term Fund Board and the Investment Advisory Board.

THEREFORE, BE IT RESOLVED:

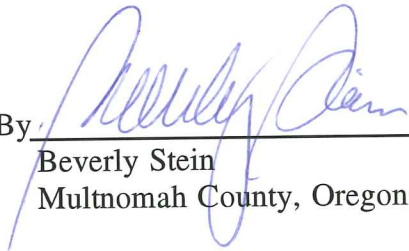
1. Multnomah County, Oregon adopts the Investment Policy set forth in Exhibit A.
2. The Finance Director or Treasury Manager is authorized to administer the Investment Policy.

This Resolution replaces Resolution No. 94-155.

Adopted this 9th day of November, 1995.



for Laurence Kressel, County Counsel  
of Multnomah County, Oregon

By   
Beverly Stein  
Multnomah County, Oregon

**MULTNOMAH COUNTY, OREGON**

**INVESTMENT POLICY**

(Revised 09/95)

***Exhibit "A"***

**1. Scope:**

(a) This investment policy applies to investing the financial assets of all funds included in Multnomah County's Investment Pool as defined in Section 12 of this policy. The County's approximate daily average balance of funds invested is \$131,000,000, with a high of about \$430,000,000 in November and a low of about \$60,000,000 in October.

(b) Funds will be invested in compliance with ORS 294, with other applicable statutes, and with this policy and written procedures.

**2. Investment Objectives:**

(a) The primary objective of Multnomah County's investment activities is the preservation of capital and the protection of investment principal.

(b) The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements that are reasonably anticipated. This need for investment liquidity will be tempered to the extent that the County is able to issue short-term notes.

(c) The County will diversify its investments to avoid unreasonable risks regarding specific security types or individual financial institutions.

(d) The County will conform to Federal and State law, and other legal requirements.

(e) The County will attain a market rate of return throughout budgeting and economic cycles.

**3. Delegation of Authority:**

(a) The Treasury Manager is designated as the Investment Officer of the County and is responsible for the daily cash management, investment decisions and investment activities.

#### **4. Prudence:**

(a) The standard of prudence used by the Treasury Manager and Treasury staff in the context of managing the overall portfolio shall be the prudent investor rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

(b) The Treasury Manager and Treasury staff, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported to the Finance Director immediately and that appropriate action is taken to control any adverse developments.

(c) The Treasury Manager shall strive for best execution of trades and shall solicit competitive bids or offers for all instruments traded, whenever practical.

#### **5. Investment Diversification:**

(a) The County will diversify its investments across security type and issuer. No more than twenty percent (20%) of the County's total investment portfolio will be invested in a single security type as defined in Paragraph 7, or in instruments of a single issuer, or as limited by ORS 294.035, whichever is less. Exceptions to this twenty percent limit are:

(1) The County may invest one hundred percent (100%) of its portfolio in U.S. Treasury securities.

(2) The County may invest seventy-five percent (75%) of its portfolio in U.S. Government Agencies and Instrumentalities.

(3) The funds invested in the Local Government Investment Pool may exceed twenty percent (20%), to the extent allowed under ORS 294.810.

(4) The County may invest in repurchase agreements to the extent that the collateral received does not cause the County to exceed any limits set elsewhere in this policy, including, but not only, Section 5(a)(2).

(b) If due to unanticipated cash needs or investment maturities, the investment in any security type or financial issuer exceeds the limitations in this policy, the Investment Officer is responsible for bringing the investment portfolio back into compliance as soon as is practical.

## 6. Investment Maturity:

(a) The County will maintain the following investment portfolio types and maturity dates:

(1) Short-term Investment Portfolio (maturities up to 3 years):

(a) Using the projected cash flow schedule the County will attempt to match its investments with anticipated cash flow requirements. The County will not invest in securities with maturity dates longer than 3 years from date of purchase.

(b) The County may collateralize its repurchase agreements using longer-maturing investments, as long as collateral with a maturity longer than 18 months is priced in conformance with ORS 294.035 (11).

(2) Long-term Investments (maturities over 3 years up to a maximum of 5 years):

(a) Bond Sinking Fund or Certificate of Participation reserve monies may be invested in securities exceeding three years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds and the legal documents authorizing the financing allows for long-term investments.

(b) Self-Insurance Fund monies in the amount not to exceed \$8,000,000 (par value) may be invested in securities that exceed three years up to the maximum of five years. Securities purchased under this section are to be U.S. Government Treasury securities or U.S. Agency and Instrumentalities securities.

(b) The diversification of security maturity dates for the short-term investment portfolio will be as follows:

(1)	Less than 30 days:	10% minimum
(2)	Less than 90 days:	25% minimum
(3)	Less than 270 days:	50% minimum
(4)	Less than 1 year:	80% minimum
(5)	Less than 3 years:	100% minimum

## 7. Investment Limitations:

(a) The following investment securities are allowed to be purchased. Additional investments are allowed by ORS 294.035, but

are not allowed to be purchased by the County investment policy.

(b) The following are allowed to be purchased under this policy.

(1) U. S. Treasury Issues:

- (a) U.S. Treasury Bills
- (b) U.S. Treasury Notes
- (c) U.S. Treasury Bonds
- (d) U.S. Treasury Strips/Cubes

(2) U.S. Government Agency and Instrumentality Securities:

- (a) U.S. Government and Agency Securities for local government investment under ORS 294.035 and 294.040, and pursuant to ORS 294.046 (current revision).

(3) Municipal Bonds:

- (a) Legally issued interest-bearing bonds pursuant to ORS 294.035 and 294.040.

(4) Time Certificates of Deposits (CD or TCD):

- (a) In purchasing time certificates of deposit, the County will not invest an amount which is more than one percent (1%) of the total deposits of any single institution. As required by ORS Chapter 295, the Treasury Manager will be responsible for ensuring that a Certificate of Collateral of Participation has been issued by the institution to cover outstanding deposits.

(5) Repurchase Agreements (Repo's):

- (a) All repurchase agreements will be collateralized at 102% by U.S. Government and U.S. Agency obligations marked-to-market daily. Additionally, if the maturity of the security purchased exceeds 18 months, the price paid by the County may not exceed 98%. A signed master repurchase agreement will first be obtained from financial institutions. The collateral securing the repo will be delivered to the County's appropriate custodial safekeeping agent. The County will not enter into repo's with maturities over 90 days.

(6) Reverse Repurchase Agreements (Reverse Repo's):

- (a) Before entering into a reverse repurchase agreement, the County will obtain a signed repurchase agreement from the brokerage firm. The firm's current

net worth must be over \$50 million. Reverse repo's cannot exceed two percent (2%) of the issuing firm's liabilities. Proceeds from reverse repo's will be invested in securities with maturities that match the maturities of the reverse repo. The County will not enter in reverse repurchase agreements with maturities over 60 days, and all reverse repo's must be approved by the Finance Director.

(7) Banker's Acceptances (BA's):

(a) All banker's acceptances will be purchased from a qualified financial institution as defined by ORS 294.035(8).

(8) Local Government Investment Pool (LGIP):

(a) With the exception of pass-through funds, the maximum amount to be placed with the LGIP shall be pursuant to ORS 294.810.

(9) Commercial Paper (CP) and Other Corporate Debt:

(a) All commercial paper and other corporate debt will be purchased in accordance with ORS 294.035(9). Investment in corporate debt other than commercial paper requires approval by the Finance Director.

(10) Interest-Bearing Accounts:

(a) FDIC insured to \$100,000.

**8. Delivery of Securities:**

(a) Investment securities eligible for delivery purchased pursuant to this investment policy will be delivered by either book entry or physical delivery to a third-party safekeeping agency.

**9. Authorized Financial Institutions and Securities Dealers:**

(a) Addendum "A" is the list of banks and securities dealers authorized to provide investment services. The County will limit all investment and banking activities to the institutions on these lists.

(b) The Treasury Manager is authorized to sign a Trading Authorization agreement or master repurchase agreement with any institution included on this list.

(c) Additions to the list of authorized financial institutions may be made at the discretion of the Finance Director with written

notification to the County Chair, the Board of County Commissioners and the Investment Advisory Board.

(d) Before the County purchases securities over \$100,000 from any institution, the County must have on file the most recent audited financial report.

**10. Cash Flow Planning:**

(a) The Treasury Manager is responsible for preparing an annual projected cash flow schedule of all funds that are included in the County's Investment Pool. The projected cash flow schedule will be based on the previous two years actual cash flows. The Finance Director will review the schedule during October and each quarter thereafter. The Treasury Manager is responsible for comparing the cash flow projections to actual cash flows each month and will revise the schedule, if necessary, based on the actual cash flows.

**11. Accounting Method:**

(a) At the time of purchase investments will be booked at cost. Any gains or losses from investments sold will be credited or charged to investment income at the time of sale. Premiums or discounts on securities will be amortized or accreted over the life of the securities and be credited or charged to interest income.

(b) The County must comply with required legal provisions and generally accepted accounting principles. The accounting principles are those contained in the pronouncements of authoritative bodies including, but not limited to, the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), and the Governmental Accounting Standards Board (GASB).

**12. County Investment Pool and Interest Earnings Allocation:**

(a) The County will pool most of its funds in the County's Investment Pool for investment purposes. The funds not pooled will be restricted to: contract retainage and lien deposits, deferred compensation deposits and investments, Library Retirement Plan investments, funds held for Certificates of Participation reserves or construction payments, petty cash funds, and imprest funds. These funds will earn interest income, if any, from the financial institution or organization holding the funds in a trust or fiduciary capacity.

(b) Method and Process of Interest Earnings Allocation.

(1) According to State law and County policy, interest earnings will be allocated to the following funds:

(a) Road Fund and Willamette River Bridge Fund

- (b) Bicycle Path Fund
- (c) County School Fund
- (d) Tax Title Land Sales Fund
- (e) Emergency Communication Fund
- (f) Assessment District Operating Fund
- (g) Property Tax Trust Funds and Accounts
- (h) Funds accounting for serial levy and bond funds
- (i) Inmate Welfare Fund
- (j) County Fair Fund
- (k) Justice Services Special Operations Fund

(2) All Proprietary Type Funds will receive interest earnings allocation.

(3) Funds held in Trust Accounts or Trust Funds, that are to be used for a specific purpose will receive interest earnings allocation. These include:

- (a) Regional Organized Crime and Narcotics (ROCN)
- (b) Public Guardian
- (c) Drug Forfeiture

(4) Interest will be allocated to Funds created by the Board that specifically state the funds will earn interest. These include:

- (a) Natural Areas Acquisition Fund
- (b) Capital Improvement Fund

(5) Interest will not be allocated to the Federal/State Program Fund because the majority of the expenditures are on a reimbursement basis from the Grantor Agency and the General Fund provides the cash flow.

(6) The General Fund will receive the balance of interest earnings. All other Funds that are supported in whole or part by the General Fund will not be allocated interest earnings.

(7) In the event a new fund or account is created, the Finance Director is authorized to make the determination if the fund or account should receive interest. This determination is to be based on the criteria used for the funds in existence at the time this policy is adopted.

(c) The amount of interest allocation will be based on:

(1) The average daily cash balance of the fund. The property tax trust funds average daily cash balance will be reduced by the average daily uncollected funds.

(2) The average monthly yield of the County's investment



portfolio.

(3) The yield is based on an actual days divided by 365 days basis.

(4) An administrative fee of 1% of the earnings will be deducted from the interest earnings allocation prior to distribution.

(5) If the average daily cash balance in a fund is negative and the fund has interest income received, the fund will be debited interest income for the period or periods that the cash balance is negative.

(6) Each month, General Ledger is responsible for computing and recording the amount of interest income that is to be allocated to various Funds.

### **13. The Investment Advisory Board:**

(a) The County Chair will appoint the Investment Advisory Board members. The Investment Advisory Board will be composed of five citizen members. These individuals shall be nominated on the basis of their understanding and knowledge of financial markets. The Investment Advisory Board will meet quarterly to review the County's investment performance and existing investment plan. All such meetings of the Investment Advisory Board will be open and publicized as required by the "Open Meetings Law."

(b) After each meeting of the Investment Advisory Board the Treasury Manager will prepare a written report capturing the results of the meeting and investment plan to the Chair of the Board, Board of County Commissioners, Investment Advisory Board and Finance Director.

### **14. Reporting Requirements:**

(a) The Treasury Manager will provide the Chair of the Board, the Investment Advisory Board, the Executive Assistant to the Chair, and the Finance Director copies of the monthly Investment Portfolio. The Treasury Manager will provide the Finance Director and the Investment Advisory Board a detailed listing of all sales and purchases with an explanation for the decision to sell or purchase at each quarterly Investment Advisory Board meeting. The Investment Portfolio will be marked-to-market monthly for financial reporting purposes.

### **15. Indemnity Clause:**

(a) The County shall indemnify County Officials and Advisory Board personnel from personal liability for losses that might occur

pursuant to administering this investment policy.

**16. Internal Controls:**

(a) The Treasury Manager and Treasury staff shall follow the internal controls outlined in the Financial and Budget Policy, Finance Division policies and procedures, and any policies adopted after this policy is adopted.

**17. Performance Evaluation and Goals:**

(a) The performance of the County's portfolio shall be measured against that of the Local Government Investment Pool yield and of 90-Day Treasury Bill yields. It is the goal of the County to maintain a yield that is not more than 1/2 percent (.5%) lower than that of the LGIP, and is not less than 1/4 percent (.25%) higher than the 90-Day Treasury Bill yield. The County will attempt to compare its yield to that of Washington County and Clackamas County.

**18. Investment Policy Adoption:**

(a) The County's investment policy will be reviewed by the Finance Director and Investment Advisory Board for appropriate modifications on an annual basis and submitted to the Oregon Short Term Fund Board.

(1) Any comments made by the Oregon Short Term Fund Board will be formally responded to, and any suggestions not implemented will be explained to the Board of County Commissioners.

(b) This policy and any amendments to this policy are to be approved by the Board of County Commissioners.

ADOPTED THIS 9th DAY OF NOVEMBER, 1995.

**MULTNOMAH COUNTY, OREGON**  
**INVESTMENT POLICY**  
**Financial Institutions**

***Addendum "A"***

**Brokerage Firms:**

1. BA Securities, Inc.
  2. Chemical Securities Inc.
  3. Dain Bosworth Incorporated
  4. Dean Witter Reynolds Inc.
  5. Donaldson, Lufkin and Jenrette
  6. Lehman Brothers Inc.
  7. Merrill Lynch Capital Markets Inc.
  8. Paine Webber Incorporated
  9. Prudential Securities Inc.
  10. Sanwa Securities (USA) Co.
  11. Seattle Northwest Securities Corp.
  12. Smith Barney\*
  13. US Bancorp Brokerage
- \*Trading approval for Smith Barney is suspended while an affiliated person serves on the Investment Advisory Board.*

**Banks:**

1. Bank of America Oregon
2. Bank of California
3. Bank of Tokyo
4. First Interstate Bank of Oregon
5. Key Bank
6. US National Bank of Oregon
7. West One Bank
8. American State Bank (\$100,000 maximum)
9. Albina Community Development Bank (\$100,000 maximum)  
- Subject to regulatory approval.

**Savings and Loans:**

1. None at this time.

**Other:**

1. Oregon Local Government Investment Pool (LGIP)

**MULTNOMAH COUNTY, OREGON  
INVESTMENT POLICY  
Investment Advisory Board**

***Addendum "B"***

<b>Judy Homer</b> Budget Analyst II City of Gresham 501 NE Hood Avenue, Suite 100 Gresham, OR 97030 (503) 669-2371	Appointed: 6/17/93 First Term
<b>George Scherzer</b> Executive Vice President Smith Barney 200 SW Market, Suite 1200 Portland, OR 97201 (503) 221-7640, 221-7627	Appointed: 6/17/93 Third Term
<b>Richard Harris, CPA</b> Harris & Kalberg 825 NE Multnomah, Suite 1285 Portland, OR 97232 (503) 233-5417	Appointed: 6/17/93 Second Term
<b>Thomas Landye</b> Senior Partner Copeland, Landye, Bennett and Wolf 300 First Interstate Tower Portland, OR 97201 (503) 224-4100	Appointed: 2/24/94 First Term
<b>Howard Shapiro</b> American Bank Building 621 SW Morrison #600 Portland, OR 97205 (503) 222-6613	Appointed: 2/24/94 First Term
Staff:	
David A. Boyer, Finance Director	(530) 248-3903
Harry S. Morton, Treasury Manager	(503) 248-3290

MULTNOMAH COUNTY, OREGON  
INVESTMENT POLICY  
Staff Authorizations

*Addendum "C"*

Single Signature

David A. Boyer, Finance Director (Full Authorization)

Harry S. Morton, Treasury Manager (Full Authorization)

Dual Signature (Requires Second Signature)

Cliff Pengra, Treasury Specialist 2 - (Dual Authorization)

Calvin Smith, Treasury Specialist 2 - (Dual Authorization)

Fumiko Ross, Treasury Specialist 1 - (Dual Authorization)