

ANNOTATED MINUTES

Tuesday, January 11, 1994 - 9:30 AM
Multnomah County Courthouse, Room 602

BOARD BRIEFINGS

- B-1 *Presentation of Audit: "Treasury: More Care and Attention Needed". Presented by Gary Blackmer.*

**PRESENTATION AND RESPONSE TO BOARD QUESTIONS
BY GARY BLACKMER AND DAVE BOYER, WITH JUDITH
DeVILLIERS.**

- B-2 *Briefing to Request Commitment by the Board to Fund the County's Portion of Relocation Costs for the Sheriff's Office River Patrol, Willamette River Office. Presented by Sheriff Bob Skipper.*

**PRESENTATION AND RESPONSE TO BOARD QUESTIONS
BY LARRY AAB AND SGT. CURTIS HANSON.
COMMISSIONERS KELLEY, HANSEN, COLLIER AND STEIN
PROVIDED POLICY DIRECTION TO PROCEED WITH
RELOCATION PLANS.**

Tuesday, January 11, 1994 - 1:30 PM
Multnomah County Courthouse, Room 602

PLANNING ITEMS

Chair Beverly Stein convened the meeting at 1:33 p.m., with Vice-Chair Tanya Collier, Commissioners Sharron Kelley, Gary Hansen and Dan Saltzman present.

- P-1 C 11-93 *Second Reading and Possible Adoption of a Proposed ORDINANCE Amending the Multnomah County Code Chapter 11.15 by Allowing, in Some Circumstances, for a Non-Relative to be the Care Provider in the Approval of a Health Hardship Mobile Home Placement and Extend the Subsequent Review Period of a Health Hardship Permit from One Year to Two Years [and Declaring an Emergency]*

PROPOSED ORDINANCE READ BY TITLE ONLY. COPIES AVAILABLE. COMMISSIONER SALTZMAN MOVED AND COMMISSIONER HANSEN SECONDED, APPROVAL OF THE SECOND READING AND ADOPTION. COMMISSIONER KELLEY INTRODUCED AN AMENDMENT ADDING AN EMERGENCY CLAUSE TO THE ORDINANCE AND MOVED, WITH COMMISSIONER SALTZMAN SECONDING, APPROVAL OF THE AMENDMENT. DAVID KRIBBS TESTIFIED IN SUPPORT AND EXPLAINED THE NEED FOR THE ORDINANCE TO TAKE EFFECT IMMEDIATELY UPON

PASSAGE. COMMENTS FROM COMMISSIONERS KELLEY AND STEIN. AMENDMENT UNANIMOUSLY APPROVED. ORDINANCE 783 UNANIMOUSLY APPROVED.

- P-2 C 5-93 *Second Reading and Possible Adoption of a Proposed ORDINANCE Which Amends the Multnomah County Comprehensive Framework Plan Policies 16, 16-G, and Supplemental Findings for Water Resources, Streams, and Wetland Sites and Designations Under Statewide Planning Goal 5*

PROPOSED ORDINANCE READ BY TITLE ONLY. COPIES AVAILABLE. COMMISSIONER SALTZMAN MOVED AND COMMISSIONER HANSEN SECONDED, APPROVAL OF THE SECOND READING AND ADOPTION. HEARING HELD, NO ONE WISHED TO TESTIFY. ORDINANCE 784 UNANIMOUSLY APPROVED.

- P-3 C 13-93 *Second Reading and Possible Adoption of a Proposed ORDINANCE Amending the Multnomah County Code Chapter 11.15 Hillside Development and Erosion Control Regulations to Require a 100-Foot Area of Undisturbed Natural Vegetation Between Proposed Grading and Land Disturbing Activities and a Stream, Water Body, or Wetland*

PROPOSED ORDINANCE READ BY TITLE ONLY. COPIES AVAILABLE. PLANNER GARY CLIFFORD PRESENTATION AND RESPONSE TO QUESTIONS OF COMMISSIONER KELLEY. COMMISSIONER SALTZMAN MOVED AND COMMISSIONER COLLIER SECONDED, APPROVAL OF THE SECOND READING AND ADOPTION. COMMISSIONER KELLEY MOVED, SECONDED BY COMMISSIONER HANSEN, AN AMENDMENT REMOVING AS AN EXCEPTION SECTION C(3), PAGE 4, RELATING TO REFUSE DISPOSAL SITES CONTROLLED BY OTHER REGULATIONS. COUNSEL JOHN DuBAY ADVISED THE AMENDMENT IS NOT A SUBSTANTIAL MODIFICATION OF THE ORDINANCE. COMMENTS FROM COMMISSIONER HANSEN. AMENDMENT UNANIMOUSLY APPROVED. ORDINANCE 785 UNANIMOUSLY APPROVED.


- P-4 HD 18-93 *ORDER in the Matter of the Request by the City of Portland Bureau of Environmental Services to Initiate a Hillside Development Permit Application to the County Planning Division on Private Land Proposed for Condemnation*

COMMISSIONER KELLEY MOVED, SECONDED BY COMMISSIONER HANSEN, APPROVAL OF P-4. PLANNER MARK HESS EXPLANATION. ATTORNEY STEVE ABLE TESTIMONY IN OPPOSITION TO BOARD APPROVAL OF PROPOSED ORDER AND RESPONSE TO BOARD QUESTIONS. TESTIMONY IN RESPONSE TO MR. ABEL AND IN SUPPORT OF ORDER FROM CITY ATTORNEY

TRACY REEVES AND PLANNER RUSS LAWRENCE. MS. REEVES AND MR. DuBAY RESPONSE TO BOARD QUESTIONS. MR. ABEL REBUTTAL TESTIMONY. MR. HESS AND MS. REEVES RESPONSE TO BOARD QUESTIONS. COMMISSIONER COLLIER COMMENTS IN OPPOSITION TO ORDER. TESTIMONY CLOSED. BOARD DISCUSSION AND COMMENTS. COMMISSIONER SALTZMAN MOVED, SECONDED BY COMMISSIONER KELLEY, AN AMENDMENT ADDING "ON BEHALF OF THE CITY OF PORTLAND AS APPLICANT". MR. DuBAY RESPONSE TO CONCERNS OF COMMISSIONER COLLIER. COMMISSIONERS COLLIER AND HANSEN COMMENTS. AMENDMENT UNANIMOUSLY APPROVED. ORDER 94-10 APPROVED, WITH COMMISSIONERS KELLEY, HANSEN, SALTZMAN AND STEIN VOTING AYE, AND COMMISSIONER COLLIER VOTING NO.

There being no further business, the meeting was adjourned at 2:45 p.m.

OFFICE OF THE BOARD CLERK
for MULTNOMAH COUNTY, OREGON


Deborah L. Bogstad

Thursday, January 13, 1994 - 9:30 AM
Multnomah County Courthouse, Room 602

REGULAR MEETING

Chair Beverly Stein convened the meeting at 9:35 a.m., with Vice-Chair Tanya Collier, Commissioners Sharron Kelley and Dan Saltzman present, and Commissioner Gary Hansen excused.

CONSENT CALENDAR

UPON MOTION OF COMMISSIONER KELLEY, SECONDED BY COMMISSIONER COLLIER, THE CONSENT CALENDAR, (ITEMS C-1 THROUGH C-8) WAS UNANIMOUSLY APPROVED.

SHERIFF'S OFFICE

- C-1 *Application for Business Certification Renewal Submitted by Sheriff's Office with Recommendation for Approval, for 82ND AVENUE AUTO WRECKERS, INC., 8555 SE 82ND, PORTLAND.*
- C-2 *Application for Business Certification Renewal Submitted by Sheriff's Office with Recommendation for Approval, for LOOP HI-WAY TOWING, 28609 SE ORIENT*

DRIVE, GRESHAM.

- C-3 *Application for Business Certification Renewal Submitted by Sheriff's Office with Recommendation for Approval, for FRANK MILLER, 15015 NW MILL ROAD, PORTLAND.*
- C-4 *Dispenser Class A Liquor License Change of Ownership Application Submitted by Sheriff's Office with Recommendation for Approval, for RICARDO'S LaFIESTA RESTAURANT, 14601 SE DIVISION, PORTLAND.*
- C-5 *Package Store Liquor License Renewal Application Submitted by Sheriff's Office with Recommendation for Approval, for DAVID'S MARKET, 12217 SE FOSTER, PORTLAND.*
- C-6 *Package Store Liquor License New Outlet Application Submitted by Sheriff's Office with Recommendation for Approval, for NICK'S TEXACO, 12220 SE FOSTER ROAD, PORTLAND.*
- C-7 *Retail Malt Beverage Liquor License New Outlet Application Submitted by Sheriff's Office with Recommendation for Approval, for ACTION JACKSON'S, 3507 SE 122ND, PORTLAND.*

DEPARTMENT OF ENVIRONMENTAL SERVICES

- C-8 *ORDER in the Matter of the Execution of Deed D940979 Upon Complete Performance of a Contract to RC Industries, Inc.*

ORDER 94-11.

REGULAR AGENDA

SHERIFF'S OFFICE

- R-1 *Ratification of Intergovernmental Agreement Contract 800584 Between the City of Portland and Multnomah County, to Execute a Special Written Appointment by the Sheriff Authorizing Charles Bolliger to Act as a Peace Officer in the Conduct of His Duties on the Mayor's Staff*

LARRY AAB EXPLANATION. UPON MOTION OF COMMISSIONER COLLIER, SECONDED BY COMMISSIONER KELLEY, R-1 WAS UNANIMOUSLY APPROVED.

DEPARTMENT OF ENVIRONMENTAL SERVICES

- R-2 *ORDER in the Matter of the Sale of Property Acquired by Multnomah County through the Foreclosure of Liens for Delinquent Taxes [Formerly Known as 3430 N Commercial Avenue]*

COMMISSIONER SALTZMAN MOVED AND COMMISSIONER KELLEY SECONDED, APPROVAL OF R-2. BEVERLY SCOTT EXPLANATION AND RESPONSE TO BOARD QUESTIONS. ORDER 94-12 UNANIMOUSLY APPROVED.

NON-DEPARTMENTAL/DEPARTMENT OF LIBRARY SERVICES

R-3 RESOLUTION in the Matter of Establishing Policy to Accommodate Entrepreneurial Activities in the Design and Construction of the Central and Midland Libraries

COMMISSIONER SALTZMAN PRESENTATION, EXPLANATION AND INTRODUCTION OF GINNIE COOPER, ENTREPRENEURIAL INITIATIVES COMMITTEE MEMBERS CATHERINE VANZYL AND KEN WILSON. GINNIE COOPER AND COMMISSIONER SALTZMAN COMMENTS. UPON MOTION OF COMMISSIONER SALTZMAN, SECONDED BY COMMISSIONER COLLIER, RESOLUTION 94-13 WAS UNANIMOUSLY APPROVED.

PUBLIC COMMENT

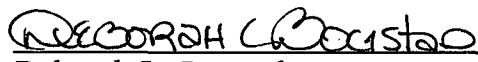
R-4 Opportunity for Public Comment on Non-Agenda Matters. Testimony Limited to Three Minutes Per Person.

COMMISSIONER SALTZMAN REPORTED THERE WILL BE A PUBLIC SAFETY FORUM TOWN HALL MEETING ON SATURDAY, JANUARY 15, 1994 FROM 10:30 A.M. UNTIL 12:30 P.M. AT THE MULTNOMAH ACTIVITY CENTER.

CHAIR STEIN REPORTED THERE WILL BE A COMMUNITY FORUM ON MULTNOMAH COUNTY BENCHMARKS TONIGHT (JANUARY 13, 1994) AT 7:00 P.M. IN THE CENTRAL LIBRARY AUDITORIUM.

There being no further business, the meeting was adjourned at 9:50 a.m.

**OFFICE OF THE BOARD CLERK
for MULTNOMAH COUNTY, OREGON**


Deborah L. Bogstad

*Thursday, January 13, 1994 - 7:00 to 9:00 PM
Multnomah County Central Library Auditorium
801 SW 10th, Portland*

SPECIAL MEETING

SM-1

*The Multnomah County Board of Commissioners Will Hold a Community Forum
to Gather Public Input on Multnomah County Benchmarks.*

**COMMISSIONERS STEIN, COLLIER, KELLEY AND HANSEN
AND 52 CITIZENS PARTICIPATED IN SMALL GROUP
DISCUSSIONS TO IDENTIFY URGENT COUNTY
BENCHMARKS.**



MULTNOMAH COUNTY OREGON

OFFICE OF THE BOARD CLERK
SUITE 1510, PORTLAND BUILDING
1120 S.W. FIFTH AVENUE
PORTLAND, OREGON 97204

| BOARD OF COUNTY COMMISSIONERS | | |
|-------------------------------|--------------|----------|
| BEVERLY STEIN • | CHAIR • | 248-3308 |
| DAN SALTZMAN • | DISTRICT 1 • | 248-5220 |
| GARY HANSEN • | DISTRICT 2 • | 248-5219 |
| TANYA COLLIER • | DISTRICT 3 • | 248-5217 |
| SHARRON KELLEY • | DISTRICT 4 • | 248-5213 |
| CLERK'S OFFICE • | 248-3277 • | 248-5222 |

AGENDA

MEETINGS OF THE MULTNOMAH COUNTY BOARD OF COMMISSIONERS

FOR THE WEEK OF

JANUARY 10, 1994 - JANUARY 14, 1994

- Tuesday, January 11, 1994 - 9:30 AM - Board Briefings.Page 2*
- Tuesday, January 11, 1994 - 1:30 PM - Planning Items.Page 2*
- Thursday, January 13, 1994 - 9:30 AM - Regular Meeting.Page 2*
- Thursday, January 13, 1994 - 7:00 PM - Special Meeting.Page 4*

ON FRIDAY, JANUARY 14, 1994, FROM 8:00 PM TO 10:00 PM, THE BOARD OF COMMISSIONERS WILL HOST A LIVE, CALL-IN CABLE PROGRAM ON GOALS, OR BENCHMARKS, FOR MULTNOMAH COUNTY. THE PROGRAM WILL AIR ON CABLE CHANNEL 22.

Thursday Meetings of the Multnomah County Board of Commissioners are taped and can be seen at the following times:

- Thursday, 10:00 PM, Channel 11 for East and West side subscribers*
- Thursday, 10:00 PM, Channel 49 for Columbia Cable (Vancouver) subscribers*
- Friday, 6:00 PM, Channel 22 for Paragon Cable (Multnomah East) subscribers*
- Saturday 12:00 Noon, Channel 21 for East Portland and East County subscribers*

INDIVIDUALS WITH DISABILITIES MAY CALL THE OFFICE OF THE BOARD CLERK AT 248-3277 OR 248-5222, OR MULTNOMAH COUNTY TDD PHONE 248-5040, FOR INFORMATION ON AVAILABLE SERVICES AND ACCESSIBILITY.

Tuesday, January 11, 1994 - 9:30 AM

Multnomah County Courthouse, Room 602

BOARD BRIEFINGS

- B-1 *Presentation of Audit: "Treasury: More Care and Attention Needed". Presented by Gary Blackmer. 30 MINUTES REQUESTED.*
- B-2 *Briefing to Request Commitment by the Board to Fund the County's Portion of Relocation Costs for the Sheriff's Office River Patrol, Willamette River Office. Presented by Sheriff Bob Skipper. 30 MINUTES REQUESTED.*
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Thursday, January 13, 1994 - 9:30 AM

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REGULAR MEETING

CONSENT CALENDAR

SHERIFF'S OFFICE

- C-1 *Application for Business Certification Renewal Submitted by Sheriff's Office with Recommendation for Approval, for 82ND AVENUE AUTO WRECKERS, INC., 8555 SE 82ND, PORTLAND.*
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- R-2 *ORDER in the Matter of the Sale of Property Acquired by Multnomah County through the Foreclosure of Liens for Delinquent Taxes [Formerly Known as 3430 N Commercial Avenue]*

NON-DEPARTMENTAL/DEPARTMENT OF LIBRARY SERVICES

- R-3 *RESOLUTION in the Matter of Establishing Policy to Accommodate Entrepreneurial Activities in the Design and Construction of the Central and Midland Libraries*

PUBLIC COMMENT

- R-4 *Opportunity for Public Comment on Non-Agenda Matters. Testimony Limited to Three Minutes Per Person.*
-

Thursday, January 13, 1994 - 7:00 to 9:00 PM

*Multnomah County Central Library Auditorium
801 SW 10th, Portland*

SPECIAL MEETING

- SM-1 *The Multnomah County Board of Commissioners Will Hold a Community Forum to Gather Public Input on Multnomah County Benchmarks.*

MEETING DATE: JAN 11 1994

AGENDA NO: B-1

(Above Space for Board Clerk's Use ONLY)

AGENDA PLACEMENT FORM

PRESENTATION OF AUDIT:

SUBJECT: TREASURY: More care and attention needed

BOARD BRIEFING Date Requested: 1/11/94 ^{9:30am} ~~1:00-1:30 p.m.~~ TIME CERTAIN REQUESTED.

Amount of Time Needed: 30 minutes

REGULAR MEETING: Date Requested: _____

Amount of Time Needed: _____

DEPARTMENT: AUDITOR

DIVISION: NON-DEPARTMENTAL

CONTACT: GARY BLACKMER

TELEPHONE #: 248-3320

BLDG/ROOM #: 101/136

PERSON(S) MAKING PRESENTATION: GARY BLACKMER

ACTION REQUESTED:

☒ INFORMATIONAL ONLY ☐ POLICY DIRECTION ☐ APPROVAL ☐ OTHER

SUMMARY (Statement of rationale for action requested, personnel and fiscal/budgetary impacts, if applicable):

BRIEFING FOR THE COMMISSIONERS ON CONTENTS OF AUDIT ON COUNTY TREASURY RECENTLY RELEASED.

SIGNATURES REQUIRED:

ELECTED OFFICIAL: _____

OR

DEPARTMENT MANAGER: _____

BOARD OF
COUNTY COMMISSIONERS
1993 DEC 21 PM 12:18
MULTNOMAH COUNTY
OREGON

ALL ACCOMPANYING DOCUMENTS MUST HAVE REQUIRED SIGNATURES

Any Questions: Call the Office of the Board Clerk 248-3277/248-5222

0516C/63

6/93



GARY BLACKMER

COUNTY AUDITOR
1021 SW 4TH AVENUE, ROOM 136
PORTLAND, OR 97204
(503) 248-3320

MULTNOMAH COUNTY OREGON

DATE: December 21, 1993

TO: Bev Stein, Multnomah County Chair
Dan Saltzman, Commissioner, District 1
Gary Hansen, Commissioner, District 2
Tanya Collier, Commissioner, District 3
Sharon Kelley, Commissioner, District 4

FROM:  Gary Blackmer, County Auditor

SUBJECT: Presentation of Treasury Audit to Board on January 11, 1993

Recommendation/Action Requested

Review and discuss contents of Auditor's report of "Treasury: More care and attention needed" issued on December 21, 1993. Use the report to assist in reviewing the County Investment Policy before adopting it.

Background / Analysis

See the Audit Report.

Financial Impact

Many of the issues raised in the audit were related to reduced risk to County investments which do not have a measurable financial impact until money is lost. Better investment practices might have earned approximately \$148,000 for the County and other jurisdictions in FY92-93. Budgeting for banking services will save the General Fund about \$20,000 annually.

Legal Issues

We found County funds were invested in violation of State law and the County's own Investment Policy which is adopted annually by the Board of County Commissioners.

Controversial Issues

The Treasurer resigned as a result of the audit findings.

January 11 Agenda Placement
Presentation of Treasury Audit
Page 2

Link to Current County Policies

The Board of County Commissioners adopts an Investment Policy each year which should be reviewed to ensure that it clearly defines the degree of tolerable risk for County investments.

Citizen Participation

The audit calls for greater involvement of the Investment Advisory Board.

Other Government Participation

The County invests collected property taxes before they are distributed to other jurisdictions. They would have heard about the audit results from media coverage.

DAVE BOYER
1/11/94 - B-1

**MULTNOMAH COUNTY, OREGON
INVESTMENT ADVISORY BOARD**

THE INVESTMENT ADVISORY BOARD DUTIES:

- a. In accordance with Multnomah County Code 2.60.305 to 2.60.315, 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 finance or financial markets. The Investment Advisory Board will certify that they have no conflict of interest to serve on the Board. The Investment Advisory Board will meet quarterly and is charged with the following:
 1. To annually review and adopt the County's Investment Policy that is to be presented to the Board of County Commissioners for their approval. In doing so the Investment Advisory Board will specifically review the investment diversification, investment maturity schedule, investment limitations, safekeeping requirements and list of authorized financial dealers.
 2. Annually review and adopt performance goals.
 3. Review the monthly investment portfolio to assure the County is in compliance with this policy. Review the list of investments that have been sold or traded.
 4. Review the investment portfolio performance and existing investment plan and make recommendations for alternative strategies if appropriate.
 5. All 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 of County Commissioners, Board of County Commissioners, Investment Advisory Board and Finance Director.

PERFORMANCE EVALUATION AND GOALS:

The performance of the County's portfolio shall be measured against the performance of the Local Government Investment Pool yield and the 90 day Treasury Bill yields. It is the goal of the County to maintain a yield that is not lower than 1/2 percent (.5%) of the Local Government Investment Pool and that is 1/4 percent (.25%) higher than the 90 day Treasury Bill yield.

REPORTING REQUIREMENTS:

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 a monthly detailed listing of all sales and trades with an explanation for the decision to sell or trade.

T R E A S U R Y

More care and attention needed

December 1993



Gary Blackmer
Multnomah County Auditor



GARY BLACKMER
COUNTY AUDITOR
1021 SW 4TH AVENUE, ROOM 136
PORTLAND, OR 97204
(503) 248-3320

MULTNOMAH COUNTY OREGON

MEMORANDUM

DATE: December 21, 1993

TO: Beverly Stein, Multnomah County Chair
Dan Saltzman, Commissioner, District 1
Gary Hansen, Commissioner, District 2
Tanya Collier, Commissioner, District 3
Sharron Kelley, Commissioner, District 4


SUBJECT: Audit of County Treasury

Treasury manages the funds of Multnomah County throughout the year and, for a short period of time, all the property taxes collected in the County. The attached report, which was included on the FY92-93 Audit Schedule, covers our audit of Treasury.

The report recommends improvements in several areas. We have discussed these findings and recommendations with the County Chair and the Finance Manager who have already taken many steps to resolve the identified concerns. Their written responses are the last section of the report.

We would appreciate receiving a written status report from the County Chair, or a designee, in six months indicating what further progress has been made regarding the recommendations. The response should be circulated to the Commissioners.

We appreciate the cooperation and assistance provided by the personnel in Treasury and Finance.


GARY BLACKMER
Multnomah County Auditor

Auditor: Judith DeVilliers
Desktop Publishing: Lucy Skibitzke

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SUMMARY

This report covers our audit of Multnomah County's Treasury. Greater attention is needed to the County Investment Policy and Treasury activities to ensure an appropriate balance between investment risks and investment earnings. More care is needed to ensure that Treasury activities comply with the County's Investment Policy and Oregon laws, as well as budgeting and purchasing requirements. Treasury has already taken steps to resolve many of the audit findings. Responses to this audit are included in the back of the report.

Among other responsibilities, Treasury manages the County's cash and collected property taxes before they are distributed to other jurisdictions such as cities and school districts. Treasury maintains a cash balance to cover daily transactions and invests excess funds until they are needed. Treasury earned approximately \$3.4 million on transactions totaling almost \$500 million in FY92-93. Treasury's earnings compare favorably to the State's Local Government Investment Pool, which has access to larger markets than the County. Treasury also establishes and monitors cash-handling procedures performed by other County departments.

Each year Treasury presents the County Investment Policy to the Board of County Commissioners for approval. Although this policy sets general investment goals, there are few measurable guidelines to assess goal achievement. For example, one of the stated goals is to diversify investments to avoid unreasonable financial risks. However, the County Investment Policy does not specify the degree of diversification nor the types of investment risk that should be considered.

One method of diversifying investments is to purchase securities with different maturity lengths to reduce the risk of losses caused by changes in the investment market. Although the Short Term Fund Board proposed a mix of maturity lengths that would balance investment risk, these were not incorporated into the Investment Policy. The County Investment Policy also fails to adequately address default, liquidity, and safekeeping risks.

An important element needed to improve the County Investment Policy is a cash flow plan. A cash flow plan would assist Treasury in purchasing investments which mature when cash is needed. Treasury appears to be doing a good job of utilizing the State Investment Pool and managing its cash on a daily basis, but it lacks longer-range projections of County revenues and expenditures for determining future cash needs.

The County Investment Policy should also contain guidelines which specifically address the management of other jurisdictions' funds. During November of each year the County holds over \$300 million in property tax collections on behalf of other jurisdictions. The County invests this money until it is distributed to the other jurisdictions on a weekly basis. In November of 1991 and 1992, Treasury chose to invest in short term securities rather than invest the money in the State Treasurer's Local Government Investment Pool. However, in both years the State Investment Pool produced a better return than the short term securities. In FY92-93, an additional \$148,000 could have been earned if the property tax collections had remained in the State Investment Pool.

The Finance Manager has proposed revisions to the Investment Policy that address investment risks. He stated that they will also develop a cash flow plan to assist in investment decision-making.

Improving the County Investment Policy and developing a cash flow plan may assist Treasury, but better monitoring of investment activities is also needed. The Treasury Manager has responsibility for \$500 million of investments during the year, with some individual transactions as large as \$62 million. Other than informal meetings with the Finance Manager, a monthly report is the primary means of monitoring Treasury's investment activities. However, the report provides limited information on investments, has a narrow distribution, and appears to receive little scrutiny.

Improved monitoring of investments could be performed by the County Investment Advisory Board which consists of three members appointed by the Chair and approved by the Board of County Commissioners. County Ordinance gives the Advisory Board the responsibilities of reviewing and advising on the County's investment performance and investment plan. Currently, the Advisory Board has limited information on County investments and meets only twice a year. Another group which reviews the County Investment Policy is the Oregon Short Term Fund Board. Oregon law requires that this Board annually evaluate the County Investment Policy and make recommendations to the Board of County Commissioners. Treasury has implemented some of these

recommendations, however, there has never been any formal explanation why it chose not to implement the others.

In response to the Audit, the Treasury Manager will provide more detailed reporting of investments and respond formally to recommendations made by the Oregon Short Term Fund Board. More thorough and frequent reporting and monitoring of Treasury activities may have identified some investments which we believe do not comply with Oregon Statutes and the County Investment Policy. Oregon law lists the types of investments which counties are allowed to purchase. Treasury purchased notes issued by cities outside Oregon which are not on the list of allowed investments. Other purchased investments which may be disallowed by Oregon law include notes from an irrigation district, a housing authority, and some Federal agencies. Statutes also limit commercial paper in one corporation to 10% of total investments, which Treasury exceeded on several occasions in FY92-93.

Treasury also made investments that were not in compliance with County Investment Policy. Treasury purchased over \$190 million in debt instruments of Federal agencies which were not on the Investment Policy list of allowable purchases. Treasury is disposing of investments not in compliance with State law and County Investment Policy. The Finance Manager has also requested legal opinions to clarify types of investments which are permissible.

Treasury may have also violated County purchasing and budgeting procedures when it obtained a \$20,000 investment software package from a bank. The purchase was not approved by the Board of County Commissioners in the annual budget process, but was paid for with credits earned by holding large cash balances of collected property taxes in the bank. We found that comparable investment software may also be available from sources other than banks at lesser cost. For example, the Government Finance Officers Association has developed investment management software which costs only \$1,300. We also found that in the nine months following procurement of the software it had not been installed or used by Treasury. As a result of the audit, the Treasury Manager has returned the software to the bank and received full credit.

We also reviewed procedures developed by Finance to provide cash-handling guidelines to other County departments. Additional procedures should be developed to address imprest checking accounts, cash receipting, and segregation of duties. Cash-handling

duties between Treasury and the other sections in the Finance Division also need clarification.

We recommend that Treasury review and modify its activities to ensure compliance with laws, policies, and procedures. Treasury should work with the County's Investment Advisory Committee and the Board of Commissioners to incorporate a cash flow plan and investment strategy into the County Investment Policy. Improved reporting and monitoring of investment activities are necessary to ensure that the Investment Policy is carried out. Banking services and other purchases should be included in Treasury's annual budget. Treasury should review cash handling procedures and practices in the County.

INTRODUCTION

Treasury

In Multnomah County, Treasury is part of the Finance Division and consists of a Treasury Manager and three fiscal specialists. The major functions of Treasury are revenue control, cash management and investments, and issuance and management of debt. Treasury operations also include oversight of the collection of some County taxes.

Although other County departments usually receive most revenues and pay for expenses, most cash flows through Treasury at some time. Treasury also provides management control over revenues by reviewing the accounting documents for cash receipts.

Treasury manages the cash and investments of most County funds as well as property tax collections before they are distributed to the other taxing districts in the County. By State law, the County distributes property tax receipts weekly to the other jurisdictions during tax collection periods.

Cash management involves the flow of cash in and out of the County's banks. Bank balances managed on a daily basis ensure that cash is available as needed for payroll, disbursements, and debt payments. Cash is transferred daily among accounts in the County's three banks and its investments. To earn interest, Treasury pools cash balances and purchases securities with cash that is not immediately needed. The County investment pool includes property tax receipts and most of the County's accounting funds, except the Deferred Compensation Fund and the Library Retirement Fund. Earnings from the pool are allocated among the County funds and other jurisdictions, based upon their average daily cash balance for the month.

Treasury is also responsible for debt issuance and management. The Treasury Manager works with the Finance Manager in preparing documents and reports needed for the County's long-term and short-term borrowing. Treasury is responsible for repayment of debt and monitoring Federal legal requirements related to tax-exempt debt. Treasury also administers the contracts for Gasoline Tax collections, and the collection of the Transient Lodging Tax, Vehicle Rental Tax and Probation Fees.

Audit Scope

An audit of Treasury was requested by the Finance Manager and was included in our FY92-93 audit schedule. Our objective was to review cash handling practices, including the cash flow and investments of cash until it is needed in county operations. The audit was limited to the treasury functions of cash management, banking, and investing. We did not review revenue control, debt management, or collection of excise taxes, income taxes, or probation fees under the administration of Treasury. We reviewed state laws and county policies and procedures relating to cash handling and investments. We interviewed management and staff in Finance and Treasury and in other government treasury offices for the areas of banking, investments and cash management. We also reviewed the general controls for cash receipting and banking.

We analyzed investments and cash flow in more detail and tested investments for compliance with County policy and with State laws. We reviewed controls for investments and verified some investment accounting transactions in the County's automated accounting system (LGFS). We tested Treasury's computerized investment management program and reviewed documentation for specific investments. We reviewed investment transactions over the last two fiscal years, from July 1, 1991, through June 30, 1993. We reviewed daily cash records for the last fiscal year, July 1, 1992 through June 30, 1993.

This audit was conducted according to generally accepted government auditing standards, except the new requirement for periodic external quality control review. This office will have its new procedures reviewed by the National Association of Local Government Auditors for compliance with audit standards in 1993.

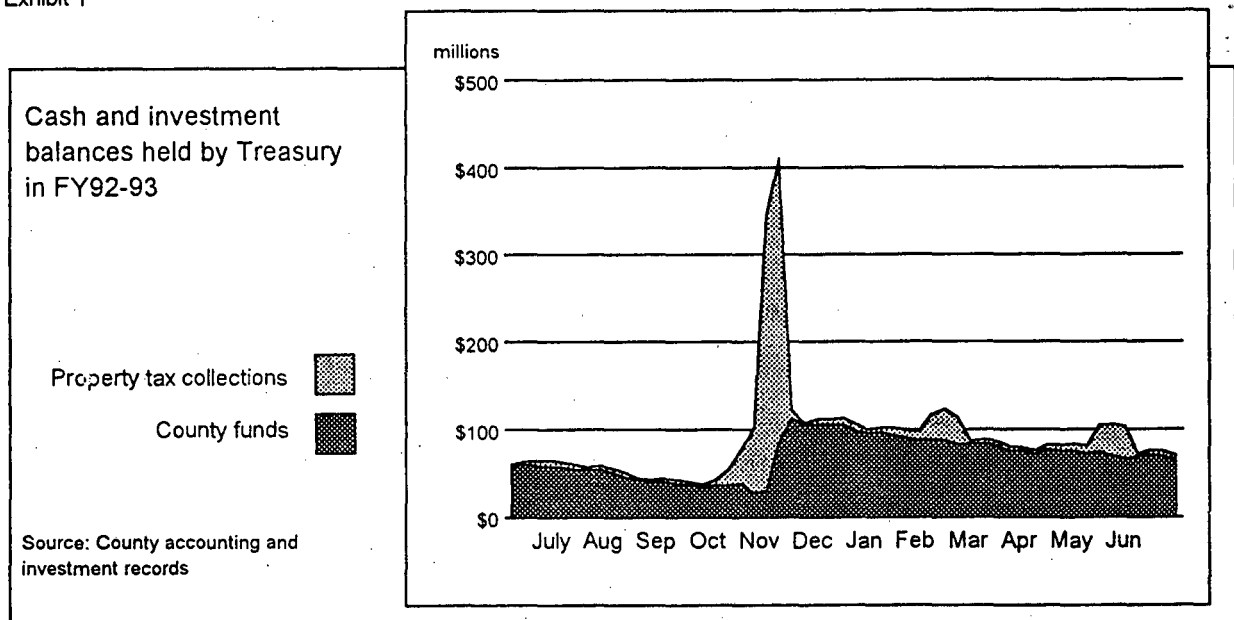
CHAPTER ONE

Cash and investments

County revenues and expenditures follow a predictable annual cycle. State and Federal shared revenues, property taxes, and business income taxes are received by the County at scheduled intervals. County expenditures for payroll and purchases also occur regularly. As a result, County cash and investment balances generally decline steadily from November through the following October, when they are again replenished by November property taxes.

The exhibit below shows the County's average weekly balance of cash and investments for the last fiscal year, distinguishing the County's funds and the property tax funds awaiting distribution. Because the County collects property taxes on behalf of the other jurisdictions in the County, investment activity differs significantly during November.

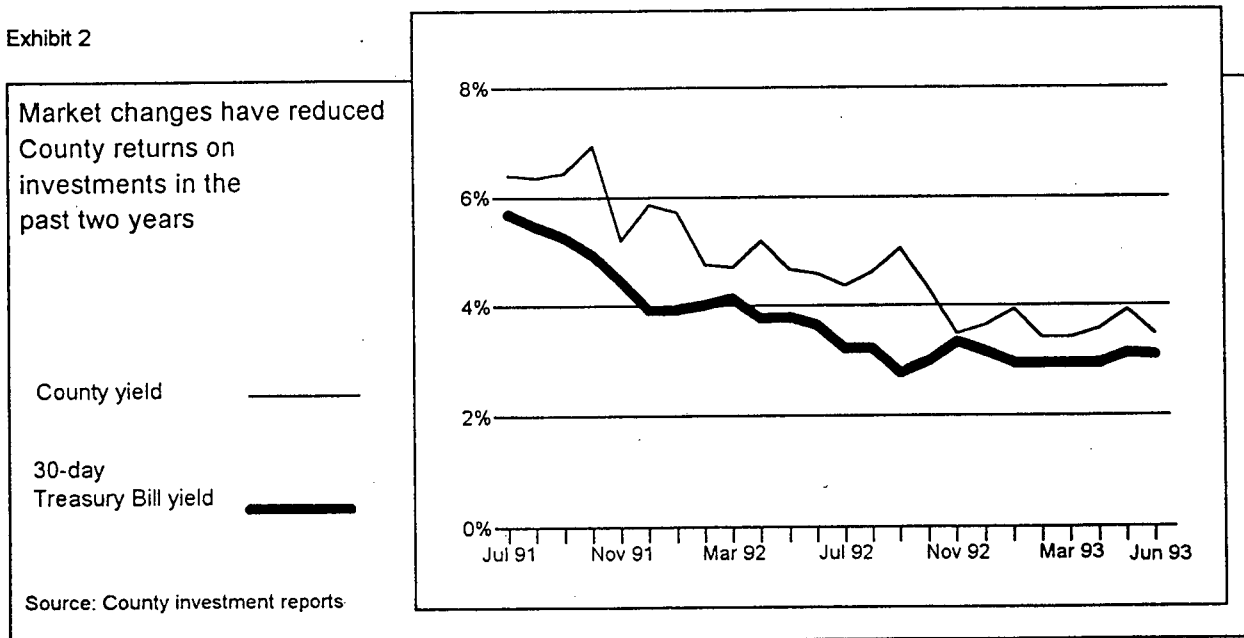
Exhibit 1



In FY92-93 Treasury maintained a cash balance of about \$3.5 million in the County's bank account to cover fluctuations in cash flows and to earn credits which pay for the costs of banking services such as processing deposits and checks. The annual banking credits covered by this minimum balance are about \$92,000 per year.

Treasury also earns interest on investments of idle cash, reserve funds, and tax collection receipts awaiting distribution. According to Treasury Investment Pool records, FY92-93 earnings on investments totaled \$3.4 million, down from \$4.3 million for FY91-92 due to a general decline in interest rates. Interest earnings are generally measured in terms of interest rate or yield. The yield is calculated by dividing the total interest received by the amount paid for the investment, and expressed as an annual rate. Treasury's yield was much higher than the average 90-day Treasury Bill yield, and close to the yield of the State Local Government Investment Pool, which benefits from a significantly higher volume in larger investment markets. The following exhibit shows the earnings yield for the last two years.

Exhibit 2



Investments are limited by State Law and the County's Investment Policy. The County's Investment Policy is prepared by the Treasury Manager and approved annually by the Board of County Commissioners. The County Investment Policy sets the following objectives:

- ▶ protecting investment principal,
- ▶ avoiding unreasonable risks,
- ▶ maintaining adequate liquidity,
- ▶ diversifying investments,
- ▶ conforming to legal requirements,
- ▶ attaining a market rate of return.

The policy is also reviewed by the County's Investment Advisory Board, appointed by the Multnomah County Chair, which has the responsibility for reviewing and advising on the County's investment performance and investment plan. Because Treasury makes

investments with a duration of more than 18 months, the policy is also reviewed annually by the Oregon Short Term Fund Board as required by State law.

Investments are made with the State Treasurer in the Local Government Investment Pool and in various debt instruments as described below.

State Local Government Investment Pool combines funds of Oregon local governments to obtain better interest earnings than each could achieve individually. The State pool limits the participation of individual local governments to \$20 million, however, Oregon counties may invest all the unsegregated property tax collections in the State pool. This pool makes the same kinds of investments as the County but, because it invests in larger markets, it generally has a better return.

Treasury also purchases various debt instruments from registered security dealers. A debt security or instrument is a loan of cash for a specific period of time. Following are the most commonly used debt instruments:

U.S. Treasury bills, notes, and bonds are obligations of the U.S. government. Treasury bills mature in a year or less. U.S. Treasury notes have maturities of one to ten years. U.S. Treasury bonds have maturities of over ten years.

U.S. Government Agency includes debt instruments issued by Federal government agencies, departments, or by a government-sponsored corporation, or are secured by a U.S. Government guarantee. Agency securities have a range of features from short-term discount instruments of a few days up to long-term 30-year bonds.

Bankers' acceptances are used to pay for international shipments of goods, with the value of the goods pledged as collateral as well as a pledge of credit from both the issuing corporation and accepting institution. Bankers' acceptances generally have maturity dates of 30 to 180 days.

Commercial paper is short-term, unsecured promissory notes issued by corporations and are limited to a maximum of 270 days.

Other investments are in debt obligations of local governments and in certificates of deposit. Some debt obligations may have maturity dates of up to 30 years. Certificates of deposit may be from 14 days to 5 years.

Each week Treasury distributes a list of the County's current investments to investment brokers. The brokers advise the Treasury Manager on investment opportunities. The Treasury Manager evaluates the opportunities for possible purchase. Current

investments may also be traded for other investments. Most investment transactions are made by telephone, with written confirmations received the next day. All investments are made at the discretion of the Treasury Manager. Treasury staff and the Finance Manager are also authorized to make investments when the Treasury Manager is absent.

Treasury's investments are recorded in the County's general ledger and in an investment management program developed for a personal computer by Treasury. The program appears to meet Treasury's day-to-day investment needs, and the formulas appear to accurately calculate amortizations, interest, and yields. This computerized investment system can be accessed by Treasury staff, the Treasury Manager, and the Finance Manager. Treasury staff update the investment records daily or as needed. Total investment balances are verified to the general ledger monthly.

There was an average of 10 investment purchases per month during the last two years, except during the tax collection period of November and December when there was an average of 26 purchases per month. During the last fiscal year, Treasury invested nearly \$500 million, with individual investments averaging about \$3.2 million, ranging from a low of \$100,000 in a certificate of deposit to a high of \$62 million in a U.S. Treasury Note. The County held funds in the State Local Government Investment Pool ranging from a monthly average of \$7 million in October to \$51 million in November, 1992.

Investment policy should clarify risk and yield expectations

Treasury manages substantial tax receipts of other governments during several weeks in the year, as well as for its own funds throughout the year. Although the County Investment Policy has the objectives of avoiding unreasonable risks and attaining a market yield, the policy does not provide clear measurable guidelines for balancing those two objectives. More can be done to evaluate the kinds of risk and estimated yields of alternate investments and investment strategies.

Investments are subject to various kinds of risks. There are risks associated with the financial health of the institutions holding the investments, as well as risks in the types of investments purchased. Major risks are in the areas of default, market rates, liquidity, and safekeeping.

Generally, higher risk investments produce greater investment yields. Investments are purchased based upon promised earnings over the maturity of the instrument. Investments may also be sold before the maturity date, resulting in a gain or loss, depending upon the prevailing market conditions. Finally, there is a risk the investor may lose all or part of the investment if the issuing institution cannot repay the debt. The yield on investments is related to the various risk characteristics of the investment.

Default Risk relates to the issuer's ability to repay the debt. U.S. Government securities are considered to have the least risk compared to more risk for debt issued by a corporation. The Government Finance Officers Association has the following general scale of risk for each type of investment:

Exhibit 3

| | | | |
|--|--------|--|--------|
| Relative risk and yield of investments | Risk | Investment | Yield |
| | Higher | Investment Grade Commercial Paper Bank CDs (uninsured/uncollateralized) Commercial Paper A/P-1 Bankers' Acceptances U.S. Government Instrumentalities U.S. Treasury Repos U.S. Government Agencies U.S. Government Guaranteed | Higher |
| | None | U.S. Treasury (Bills, Notes, Bonds) | Lower |

Source: Government Finance Officers Association

State law does not allow local governments to purchase investments which have high default risks. Treasury invests across the full range of risks shown above, which are allowed by State law. We evaluated the default risk of the County's investments over the last two years. The mix of investments appears to be balanced. However, we could not evaluate some commercial paper and other local government notes and bonds, which did not show ratings in the investment records.

The risk of losses from defaults is also affected by the amount of investment in one entity. For example, in July 1992, the County had 27% of all investments in commercial paper and banker's acceptances issued by one financial institution. On July 31, 1992, the Oregon Short Term Fund Board recommended that the County diversify by issuer name regardless of investment type.

Market Risk is the possibility that a loss will occur due to changes in the market. This risk increases with the length of maturity of the investment. Although the County has increased yields with early sales of long-term securities, this type of investment strategy may result in losses if the money is needed when market conditions are unfavorable.

The current Investment Policy does not require diversified maturity lengths among investments. Greater diversification of maturity dates can reduce the risk of losses from changes in the market. The diversity of Multnomah County's maturity dates did not match the examples suggested by the Oregon Short Term Fund Board, or the Government Finance Officers Association. The Oregon Short Term Fund Board suggested Treasury diversify according to maturity lengths. The Government Finance Officers Association also advises local governments to maintain diversity of maturity length as illustrated in the following exhibit.

Exhibit 4

| Examples of diversified maturity dates compared to County investments on June 30, 1993 | Oregon Short Fund Board | | | Gov't Finance Officers Assn | County Investments on June 30, 1993 |
|--|----------------------------|--------------|--|--------------------------------|--|
| | | | | | |
| | Less than 30 days | at least 10% | | at least 10% | 38% |
| | Less than 90 days | at least 25% | | at least 25% | 55% |
| | Less than 270 days | at least 50% | | at least 50% | 61% |
| | Less than 1 year | at least 85% | | at least 90% | 66% |
| | Less than 3 years | 100% | | 100% | 100% |

Source: Oregon Short Term Fund Board, Government Finance Officers Association, and County investment records.

On June 30, 1993, Treasury had only 66% of its investments maturing in less than 1 year compared to the suggested examples of 85% to 90%.

Our review of investments for the last two fiscal years indicated that most of the longer term investments are purchased and re-sold prior to maturity. Treasury has increased earnings by selling long-term securities when market conditions are favorable, rather than waiting for the maturity date. Sales of investments with maturity dates of over 360 days resulted in an accounting gain of \$224,400 for 55 sales and a loss of \$62,658 for 16 sales, with a net gain of \$161,742 for the two-year period. These investments had an average maturity length of 582 days, and were held an average of 69 days.

Liquidity Risk is relatively low in Multnomah County because Treasury directs a large portion of its funds to the State's Local Government Investment Pool. Our review indicated that Treasury generally maintained the maximum allowable investment of \$20 million in the State Investment Pool. County funds can be withdrawn from the State Pool relatively quickly which provides good liquidity without a loss in earnings. Generally, more liquid investments are those which are highly marketable and have shorter maturity dates. Liquidity also relates to the marketability of an investment. Some investments such as

treasury bills and notes have an open market and can be liquidated within a day. Other investments in the bonds of smaller jurisdictions are not as easily marketable.

For the County, the best measure of liquidity is the amount of investments maturing in less than 30 days. As noted in Exhibit 4 above, the County had 38% in this category. However, the County Investment Policy does not adequately address liquidity risk to ensure that current practices are continued in the future.

Safekeeping risk is the possibility that securities are lost due to theft or insolvency of the bank holding the security. The Investment Policy does not adequately address safekeeping risks. Treasury allows the brokers or selling institutions to hold most of the investments they sell to the County. Although these are held in the County's name, there is less security than if the investments were held by a third party in trust for the County. Treasury pays a third party to hold some investments for safekeeping. The State of Oregon has 90% of its classified investments in third party safekeeping, and the City of Portland has 100%, compared to the County's average of 15%. Often County securities such as bankers' acceptances and commercial paper are held by the same institution issuing the investments. For example, in July 1992, U.S. Bank of Oregon was holding \$16 million in U.S. Bank commercial paper and banker's acceptances for the County. We estimate it would have cost less than \$3,000 to put nearly \$400 million of County investments in safekeeping with a third party.

In response to audit findings, the Finance Manager has revised the Investment Policy to address diversification of the County's investments, and to require third party safekeeping for all investments which exceed five days.

Some areas of Investment Policy need to be clarified

In some areas the County's Investment Policy is not clear or may be contrary to State investment laws. The Policy does not clearly define the financial funds it addresses. For example, the Policy states that it is applicable to investments of all funds. However, we were told that the County's Library Retirement and Deferred Compensation funds are not affected by the Investment Policy. The County also has funds in the custody of Trustees, such as capital construction funds, which may or may not be covered by the Policy.

The County Investment Policy also lacks a description of the method for allocating earnings. A clear policy can ensure that earnings will be appropriately allocated. The County Investment Policy may be contrary to Oregon law regarding investments in commercial paper. In one section the Policy allows the County to have up to 30% of its investments in commercial paper. However, Oregon law appears to limit this type of investment to only 10% of the value of total investments.

The Finance Manager has revised the Investment Policy to clarify the applicable funds and the method for allocating earnings. In addition, the Policy has been revised to conform to Oregon law.

Better cash flow planning needed

Treasury appears to do a good job of managing cash on a daily basis, but there is no formal annual and long-range cash management budget or plan. A cash flow plan is a detailed budget which would schedule cash sources such as expected revenues and matured investments, as well as expected expenses such as debt payments and payroll. Such a plan would be monitored and updated on a weekly basis. Treasury only prepares an annual cash flow plan for the General Fund, which represents 15% of all invested funds. As a result, this cash flow plan would not be useful for investment management.

One major purpose of a cash flow plan is to obtain projections of cash balances for investment purposes. A cash flow plan provides a picture of future cash needs and surpluses with which to plan an investment strategy. By comparing the cash flow plan to current and projected market conditions, Treasury could better plan the types of investments needed, ensure compliance with policy and legal constraints, and maintain a mix of investments that balances the types of risks.

The cash flow plan can also serve as an early test of the operating budget. If cash flows do not materialize in accordance with earlier projections, the operating budget probably will experience variances also. In times of scarce resources, early warning signals would be very useful.

The Finance Manager has proposed development of an annual cash flow plan to assist investment decision-making.

Make better use of advisory boards

One organization that advises Multnomah County on its investment policy is the Oregon Short-Term Fund Board. Oregon law requires that this Board annually evaluate the County Investment Policy and make recommendations to the Board of County Commissioners. Although Treasury has implemented some of these recommendations, it has also chosen not to follow some of the Board's recommendations. In 1991 and 1992, the Short-Term Fund Board made a number of recommendations, such as increasing the diversity of investment maturity dates and reducing the amount of investments in one corporation, which were not adopted. Treasury did not provide any formal explanation to the Board of County Commissioners regarding these recommendations or the reasons why these suggestions were not adopted. We were told that the County's Advisory Board had reviewed the recommendations with Treasury.

The County also has an Investment Advisory Board appointed by the Multnomah County Chair and approved by the Board of County Commissioners. The Advisory Board is intended to review and advise on the County's investment performance and investment plan. However, the Advisory Board could function more effectively with greater involvement in investment planning and monitoring. Currently, the Advisory Board only meets twice a year and receives no interim reports describing investment transactions, analysis of investment risks, or descriptions of investment strategy. The Advisory Board could provide additional perspective to the County's investment policies and strategy.

The Finance and Treasury Managers will provide more detailed quarterly reports on investments to the Investment Advisory Board. Comments of the Oregon Short Term Fund Board will be formally addressed by Treasury.

Better monitoring of investments is needed

The Treasury Manager has responsibility for developing a County investment strategy and for purchasing securities. Individual investment purchases of \$100,000 to \$62 million are made without a second signature or documentation showing alternative investment instruments or offers from other brokers.

Currently, there are limited means of assuring that the total investments maintain diversification of risk or are coordinated with future cash needs. Other than informal meetings with the Finance Manager, a monthly report is the primary means of monitoring Treasury's investment activity. However, reporting errors for investment income indicate that the report has not been properly scrutinized. The errors went unnoticed and uncorrected until we brought the problems to the attention of Treasury in the course of our audit.

The present monthly reports do not provide enough information to adequately evaluate the County's investment position, trends or the markets, and they are not regularly distributed to the Investment Advisory Board. The reports list the County's investments held during the month. However, they do not measure any of the investment risks, such as default, liquidity, market, or safekeeping risks.

A more meaningful report is necessary to better evaluate investment practices. To provide more meaningful information, the reports should list all purchases, sales, and trades during the month and summarize the month's activities by types of investments and risk categories, as well as interest earning yields. The reports should also explain any unusual activity or losses. The reports could also provide an assessment of the current condition of the investment market, and the County's investment strategy for responding to the market condition.

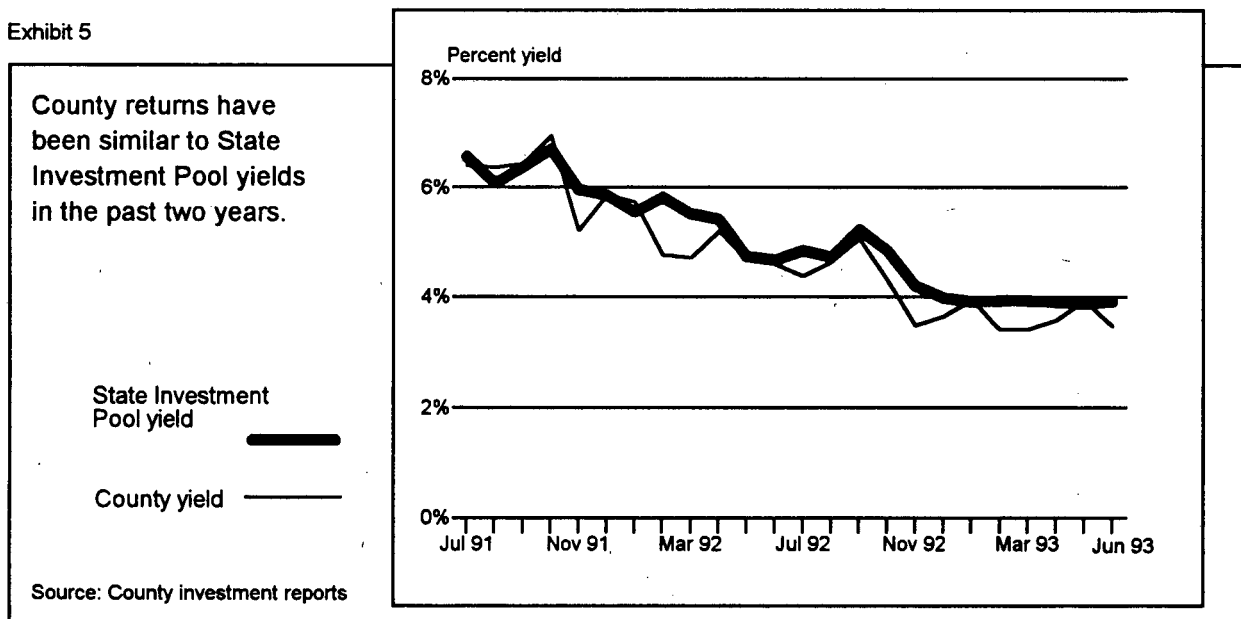
The Finance Manager has developed a monthly reporting form to include a summary of investments by risk categories which will insure the accuracy of investment income.

Review investment practices of collected property taxes

State law assigns counties the responsibility of collecting and distributing property taxes to the jurisdictions within its borders. The County holds the property taxes until they are distributed, as frequently as weekly during November of each year. As a result, for 14 days in November 1992, Treasury held an average of over \$300 million in unsegregated property tax funds, most of which belonged to other jurisdictions. The State Treasurer allows counties to exceed the \$20 million limit and deposit all collected property taxes in the State Investment Pool before they are distributed to the other jurisdictions.

In FY91-92 and FY92-93, Treasury invested some of the collected property taxes in other investment securities, rather than leaving them in the State Investment Pool. While the County obtained a relatively good return on investments, in both years the rate of return in November was less than the return from the State Investment Pool. Exhibit 5 below shows the earnings percent for County investments compared to the State Investment Pool.

Exhibit 5



If Treasury had placed the collected property taxes in the State Investment Pool in FY92-93, rather than investing in other securities, the earnings would have been about \$148,000 more. The County would have distributed an additional \$84,000 to other jurisdictions and received an additional \$64,000 for County funds. These investments may also have been exposed to a higher level of risk than if they had remained in the State Investment Pool.

The Finance and Treasury managers will take corrective action to invest the maximum allowable amounts in the State Pool whenever its yield exceeds alternative investments.

Some investments may have violated Oregon Laws and County Policy

While there were no apparent financial losses, Treasury purchased investments which may not be allowed under Oregon Statutes or the County's Investment Policy. Oregon Revised Statutes 294.035 limits the investments that can be purchased by counties. For example, investments in cities outside Oregon are not listed among those allowed by law. However, Treasury purchased investments from cities in Idaho and California. Treasury also purchased notes from an irrigation district and from a housing authority, neither of which appear to be allowed by Statutes. State laws also limit purchases of investments in U.S. agencies to a list provided by the State Treasurer. Treasury purchased an investment to construct a U.S. Judiciary Office Building, which was not included on this list.

Oregon law limits the percent of commercial paper in an Oregon institution or corporation to no more than 10% of all investments. In July 1991, Treasury purchased commercial paper of one corporation representing 11.5% of the total investments at the time of purchase. The share increased to 22% because the maturity date extended into October when the County's balance of cash declined. In February 1992, Treasury also purchased \$15 million in commercial paper of one corporation which was 20% of total County investments at the time of purchase.

The Statute also limits purchases of a single corporation's commercial paper to no more than 5% of total investments. In July 1991, and again in November 1992, Treasury bought commercial paper from one corporation representing approximately 10% of the total investments.

We also believe Treasury did not comply with the County's Investment Policy. County Policy lists the U.S. agencies whose debt instruments may be purchased. During the two years reviewed, we found 35 investments totaling \$190 million in various U.S. agencies which were not on the Policy list.

Treasury has disposed of the investments which were not in compliance with State Law and County Policy. The Finance Manager has requested an opinion from County Counsel to determine whether some of these investments meet State law or County policy. An independent review will be regularly performed to insure that investments are in compliance with County policy.

Treasury used interest earnings to purchase software

Treasury purchased computer software without going through the County purchasing process. The two software packages were designed to monitor cash balances and to manage

investments. The purchase was made as part of the County's banking services contract and was paid for with credits for cash balances. Neither the software nor the banking services were approved by the Board of Commissioners as part of the annual budget process.

The Finance Manager and Treasury Manager stated that the software was included as part of the banking services contract which had undergone a competitive bid process. This practice may be appropriate for the software package used to monitor cash balances because it can only be obtained from the bank which received the banking services contract. However, the \$20,000 investment management software is also available from sources other than local banks. We could find no documentation showing that the software had been evaluated or justified. A more competitive purchasing process for this type of software may have identified a similar product at less cost. One possible alternative could be the software package prepared for the Government Finance Officers Association, which costs approximately \$1,300.

The purchase of banking services and software were not budgeted County expenditures. Instead, the purchases were made with a "compensating balance." A compensating balance is a credit the bank gives a customer to maintain a cash balance. In Multnomah County's banking services contract, the credit is calculated using average Treasury Bill interest rates. The bank offsets banking service charges with the credit earned on the balance. Treasury's practice has been to exclude these bank credits and service charges from the budget process. Bank services charges for FY92-93 totaled about \$92,000 which were paid by compensating balance credits earned throughout the year on an average daily balance of \$3.5 million. Similarly, the software was purchased from the bank by holding from \$30 million to \$100 million of tax receipts as cash in the bank for 10 days to earn sufficient credit to pay for the software.

Treasury has used compensating balances to cover the cost of banking services for a number of years. When asked by the Finance Manager, the County's external financial auditors stated that using compensating balances in this way was acceptable for financial reporting purposes. We believe that Oregon Local Budget Law, which requires all expenditures and all revenues to be included in a local government's budget, should also be applied to this use of compensating balances. Budgeting for this expenditure also provides a management control over the use of credit earned with the County's banks.

Budgeting for banking services will also reduce the cost to the General Fund for banking services. By adding banking services to indirect costs, other County funds would begin paying a share of the cost for these services. Approximately \$20,000 of General Fund costs would be assumed by other County funds. The General Fund would continue to pay the share of banking costs for other taxing jurisdictions. By agreement, the County cannot charge other jurisdictions for banking costs it incurs in the collection of property taxes.

As a result of this audit, the Treasury Manager has canceled the investment software package, and the bank has agreed to credit the County's account for the \$20,000 cost of the package. Beginning in FY94-95, Finance will include the total bank service costs in its budget.

RECOMMENDATIONS

As noted in the audit report, Treasury has already resolved, or initiated actions to resolve, some of the audit recommendations listed below.

- A. To better balance the County Investment Policy goals of avoiding unreasonable risks and attaining a market yield, Treasury should work with the Investment Advisory Board and the Board of County Commissioners to:
 - 1. Develop and adopt specific guidelines that describe the degree of investment diversity needed to ensure an acceptable level of default, market, and liquidity risks.
 - 2. Adopt guidelines to ensure an acceptable level of safekeeping risk.
 - 3. Develop a cash flow plan for all County funds and the funds it holds on behalf of other jurisdictions. The plan should be used for evaluating investment alternatives, maximizing use of the State Investment Pool, and assist in reviewing the accuracy of operating budget forecasts.
- B. To ensure that County investments comply with Oregon law, Treasury should request an opinion from County Counsel which clarifies the appropriateness of specific investments.
- C. To ensure consistency in County guidelines and practices, Treasury should work with the Investment Advisory Board and the Board of County Commissioners where appropriate to:
 - 1. Modify the County Investment Policy to specify the funds to be included in the County's investment pool.
 - 2. Modify the County Investment Policy to clarify the methods for calculating and allocating investments earnings.
 - 3. Modify the County Investment Policy to conform to Oregon statutes pertaining to investments of commercial paper.
 - 4. Review and evaluate all recommendations made by the State Short Term Fund Board.

- D. To best perform the County's responsibility of managing collected property taxes, Treasury should:
1. Invest all collected property taxes in the State Investment Pool unless the County adopts a specific policy which addresses the allowable risk and expected return on collected property taxes.
 2. Segregate collected property tax investments in a separate account.
- E. To improve monitoring of investment activities Treasury should work with the Investment Advisory Committee and the Board of County Commissioners to:
1. Verify investment receipts to expected income.
 2. Expand investment reports to include listings of all investment transactions and reasoning behind the decision, analysis of risk in comparison to County Investment Policy, and assessment of current market conditions and investment strategy.
 3. Distribute the monthly reports to the Finance Manager, and quarterly reports to the members of the Investment Advisory Committee, and other interested persons. Invite review and comment from the members of the Investment Advisory Committee.
 4. Advocate for an increase to the \$20 million limit on County cash which can be held in the State Investment Pool.
- F. To ensure that Treasury complies with budget and purchasing requirements, banking services costs and all related expenditures should be explicitly budgeted and accounted for.

CHAPTER TWO

Need for additional cash handling guidelines

Cash handling county-wide could be improved if Department managers and the persons directly responsible for handling cash were given additional detailed procedures and guidelines from Finance. There may be as many as 70 sites in the County which handle cash, including cash receipting, imprest checking accounts, change funds, and petty cash. There is written policy for these areas, but the policy is not specific in some cases.

Because cash handling is not under direct supervision of Finance or Treasury, clear written procedures would provide County departments with direction needed to safeguard assets from loss, and to help insure public resources are being used as intended.

There are currently no detailed procedures for handling imprest checking accounts which serve as petty cash funds or are used to make refunds for various County departments. A checking account requires different controls from petty cash. For example, controls are needed for bank reconciliations, safeguarding of check stock, restricting use of checking accounts for deposits, among others.

Additional detailed procedures for cash receipting on the department and division levels are also needed. Some examples include procedures for handling checks in mail versus "over the counter", restrictive endorsement of checks, maintaining receipts or cash-receipt journals or logs, counting and reconciling cash, among others.

Examples of "segregation of duties" described in finance policies could be provided so that people not otherwise familiar with internal control concepts would understand those controls for cash management. Perhaps Finance Division or the Treasurer could review job duties of County employees who handle cash, and the need for controls with department managers.

Change some duties to improve cash management controls

The manager in charge of the General Ledger section should not have signature authority on the County's major bank accounts. The General Ledger Accounting section does all the bank reconciliations and accounting for all transactions. The Manager handles all

accounting transactions prior to input into the automated accounting system. Good controls would segregate the functions of accounting and bank reconciliations from the functions of having custody of assets.

County procedures do not make clear which section in Finance is responsible for Imprest, Petty cash, and change funds. Presently General Ledger, Accounts Payable, and Treasury are all involved; but no one section is responsible for the cash management of these funds. Cash management and controls over these liquid funds would be improved if only one position was responsible for establishing the funds and monitoring use of the funds. The Treasurer would be most logical in terms of segregation of duties since General Ledger does the recording and Accounts Payable reviews and reimburses the funds.

Monitor timeliness of deposits

County policy requires daily deposit of cash. However, due to the decentralized cash receipts system, it is difficult for Treasury to monitor to insure this is being done. There are several steps Treasury could take to increase compliance for prompt deposits of receipts. The Auditor's office could work with the Treasurer in examining these areas. These steps are:

- Perform random on-site cash counts to determine which departments are not in compliance with deposit rules. These on-site visits might also include some tests of cash controls.

- Investigate advantages for use of lock box services for receipts which meet some specified requirements for that service. Use of lock box services would additionally provide for increased internal controls for cash handling as well as speed up deposits to banks.

- Investigate use of armored car service, which not only would facilitate daily or more frequent deposits, but also would provide safety to County employees and save employee time for taking deposits directly to the bank.

- Investigate the use of a "suspense account" to deposit all checks or funds which require an additional day of investigation in determining ultimate recording for accounting.

RECOMMENDATIONS

As noted in the audit report, Treasury has already resolved, or initiated actions to resolve, some of the audit recommendations listed below.

- A. To improve controls for cash handling, the Finance and Treasury managers should:
 - 1. Improve written procedures to address checking accounts used for petty cash and refunds, cash receipting procedures, and segregation of duties as a control for cash handling.
 - 2. Remove check signature authority from the General Ledger manager.
 - 3. Clarify which Finance section has responsibility for imprest, petty cash and change funds.

- B. To improve cash handling practices, Treasury should:
 - 1. Monitor the timeliness that departments make deposits to banks.
 - 2. Perform random cash counts at department cash-handling sites.
 - 3. Investigate increased opportunities to use lock box services and armored car services.
 - 4. Consider use of a suspense account to increase the timeliness of deposits.

RESPONSES TO THE AUDIT



Beverly Stein, Multnomah County Chair

Room 1410, Portland Building
1120 S.W. Fifth Avenue
P.O. Box 14700
Portland, Oregon 97204
(503) 248-3308

December 13, 1993

Gary Blackmer
County Auditor
1021 SW 4th, Room 136
Portland, Oregon 97204

Dear Gary,

Thank you for your audit on the County Treasury. I appreciate your diligence and care in reviewing this area and your careful work with the Finance Division to deal with the issues raised.

I was appalled by your findings. While there is no evidence of personal gain by any employee or financial loss to the County, your audit indicated the need for decisive action to insure that the funds that the County manages are prudently invested in compliance with state law and county policy. I am pleased to report that we are taking those actions.

Specifically, I have directed the following actions:

1. Expand oversight and accountability through revised policies.

I will propose an amendment to the ordinance creating the County Investment Advisory Board to add two new members and require them to meet at least four times a year. This Advisory Board will review the new investment policies which the Finance Manager has developed in response to the issues raised in the audit.

Following this review, the Board of County Commissioners will take official action regarding these policies.

2. Accept the resignation of the Treasury Manager.

The Treasury Manager will resign December 31, 1993. She is currently on leave and will not return. The Finance Manager will temporarily assume the management of the Treasury in addition to

his current duties. He ran the Treasury operation for six years prior to being selected Finance Manager and has swiftly and expertly moved to remedy the cited problems.

The Finance Manager will restructure the Division to allow more concentrated effort in cash and investment management and greater administrative oversight. He will begin the process of recruiting a new Treasury Manager based on the new structure.

3. Implement the recommendations of the Auditor NOW.

Unlike most audits, the recommendations contained in this audit will all be implemented by the time it is issued. There is no six month follow up or ongoing debate.

Each one of these three actions is being implemented by the Finance Manager and is based on his recommendations to me. He has my full support in resolving this difficult situation.

The consolation here is that our corrective system worked. These problems were discovered during an audit which had been requested by the Finance Division Manager. He has responded promptly to correct mistakes. While we will never have error free government, we can have government that is open to review and responsive to the need to change.

Please convey my appreciation to your staff for their efforts in uncovering and examining these problems.

Sincerely,

Beverly Stein
Beverly Stein



MULTNOMAH COUNTY OREGON

BEVERLY STEIN
COUNTY CHAIR

EMPLOYEE SERVICES
FINANCE
LABOR RELATIONS
PLANNING & BUDGET
RISK MANAGEMENT

(503) 248-5015
(503) 248-3312
(503) 248-5135
(503) 248-3883
(503) 248-3797

(503) 248-5170 TDD

PORTLAND BUILDING
1120 S.W. FIFTH, 14TH FLOOR
P.O. BOX 14700
PORTLAND, OREGON 97214

PURCHASING, CONTRACTS
& CENTRAL STORES

(503) 248-5111

2505 S.E. 11TH, 1ST FLOOR
PORTLAND, OREGON 97202

MEMORANDUM

TO: Beverly Stein, Multnomah County Chair
FROM: David Boyer, Finance Director *DB*
DATE: December 10, 1993
RE: Response to Audit on Multnomah County Treasury

I requested this audit because of the sensitivity surrounding the Treasury functions and an audit of Treasury had not been undertaken since 1985. This audit provides a comprehensive review of the cash management and investment activities performed by Treasury. The findings in the audit are of great concern to me and corrective action has been taken. The recommendations presented by the auditor have been very valuable in improving the management and monitoring of the Treasury activities.

Following is a response to the specific audit recommendations. Audit recommendations appear below in bold type; responses follow each recommendation.

CHAPTER ONE RECOMMENDATIONS

RECOMMENDATION A. To better balance the County's Investment Policy goals of avoiding unreasonable risks and attaining a market yield, Treasury should work with the Investment Advisory Board and the Board of County Commissioners.

I have revised the County's Investment Policy. The attached draft investment policy will be reviewed by the Investment Advisory Board and Oregon Short Term Fund Board before being presented to the Board of County Commissioners for adoption. Included in the policy are the following specific guidelines:

1. Default Risk: The investment policy restricts the diversity of the County's investments across security type and institution to no more than 10 percent of its total portfolio. Exceptions to the 10 percent limit are U.S. Treasury securities, U.S. Government Agencies and the Oregon Local Government Investment Pool. The

policy allows the County to place 50 percent of its investments in U. S. Treasury securities and 25 percent in U. S. Agencies and Instrumentalities securities. The other exception allows the County to place more than 10 percent of its investments in the State's Oregon Local Government Investment Pool and/or in short-term investment securities. The short-term investments that exceed the 10% limit are not to be invested for more than 5 days.

The exceptions for U.S. Treasury securities and U. S. Agencies and Instrumentalities are because these securities have very low risk. The Oregon Local Government Pool is also a low risk investment and will meet the County's liquidity needs. The exception for investing in short-term securities allows the County to invest large property tax collections deposited after the deadline to transfer funds to the State Pool occurs. The 5 day maximum allows for overnight, holiday and weekend transactions.

2. Market Risk and Liquidity Risk: The investment policy has been revised to categorize the County's investments into the following three categories:

A. The short-term investment portfolio will be used for the County's liquid cash needs of between 1 day to 3 years.

B. The long-term investment portfolio will be used for investing monies that are being held for bond sinking monies or certificate of participation reserves if the legal documents authorizing the financings allow for longer term investments. The long-term investment portfolio also allows the County to invest up to a maximum of \$8,000,000, par value, of Self-Insurance funds that are being held for long term liabilities that are recorded in the Insurance Fund. To avoid unreasonable market risk the maximum maturity length will be limited to 5 years.

C. Provisional short-term investment account will be used for investing property tax collections during the months of October and November.

D. The following diversification of maturity dates is recommended for the total investment portfolio:

- Less than 30 days, 10% minimum
- Less than 90 days, 25% minimum
- Less than 270 days, 50% minimum
- Less than 1 year, 85% minimum
- Less than 3 years, 90% minimum
- Less than 5 years, 100% minimum

3. Safekeeping Risk: The investment policy requires that all investments, except investments that are to be held for less than 5 days, be placed in a third party safekeeping account. Investments held for less than 5 days are to be placed in a trust account of a financial institution in the name of the County. The

Treasury Manager is responsible for ensuring that appropriate safekeeping agreements have been executed.

4. Better Cash Flow Planning: The Treasury Manager will be responsible for preparing an annual cash flow schedule of all funds. The cash flow schedule will be based on the previous two years actual cash flows. The cash flow schedule will be reviewed by the Finance Manager on October 15 of each year and each quarter thereafter. The Treasury manager will be responsible for comparing the cash flow projections to actual cash flows each month and will revise the schedule, if necessary, based on actual cash flows. This schedule will be used by the Treasury Manager to assist in evaluating investment alternatives that will meet the projected cash flow schedules.

5. County Investment Pool and Interest Allocation: The policy includes a section which specifies which funds are included in the County's Investment Pool, which funds are not included, how interest is allocated and what criteria is used to determine why a fund is to receive interest allocations.

RECOMMENDATION B. To ensure that County investments comply with Oregon law, Treasury should request an opinion from County Counsel which clarifies the appropriateness of specific investments.

To ensure that the investments being purchased are appropriate, I have instructed the General Ledger Section to perform an additional step in the cash and investment reconciliation process. General Ledger is now verifying that the securities listed in the investment portfolio are included on the approved list contained in the investment policy. Any deviations are to be reported to me immediately.

RECOMMENDATION C. To ensure consistency in County guidelines and practices, Treasury should work with the Investment Advisory Board and Board of County Commissioners where appropriate to review and evaluate all recommendations made by the State Short Term Fund Board.

As stated in Recommendation A, I have proposed a revised County Investment Policy. The investment policy will be fully explained to the Investment Advisory Board and their comments or suggestions will be addressed. The policy will be sent to the Oregon Short Term Fund Board for their review. All comments made by the Oregon Short Term Fund Board will be either incorporated in the policy or the rationale for not including their suggestions will be presented to the Board of County Commissioners.

RECOMMENDATION D. To best perform the County's responsibility of managing collected taxes.

Because the State Investment Pool yields are currently higher than short-term investments, I have instructed the Treasury Manager to invest the property taxes received in fiscal year 1993-94 into the

State Local Government Investment Pool.

The State pool may not always be the best place for short-term funds and therefore this practice should not be required in our investment policy. To illustrate, in the early to mid 80's short-term U.S. Government backed investment yields were higher than the State pool. During that time period it was more prudent to purchase U.S. Treasury securities rather than place the funds in the State Pool. The Treasury Manager is responsible for knowing which investments options are available and making investment decisions based on our liquidity needs and the prudent person rule.

During the months of October and November, this time period represents about 75% of the annual property tax collections, Treasury will maintain a separate account for property tax collections. We will work with the State Treasurers office to set up a separate Local Government Investment Pool account to invest property tax collections. If approved this account will be used if the yields are higher than other short term investment options. Other short-term investments options will be allowable if they are low risk investments that meet the property tax turnover liquidity needs and the yield is higher than the State Pool.

RECOMMENDATION E. To improve monitoring of investment activities Treasury should work with the Investment Advisory Committee and Board of County Commissioners.

The County's investment Policy section related to the Investment Advisory Board and reporting requirements has been expanded to include investment income goals and to include reporting requirements. These reports are to be provided to the Board of County Commissioners, Investment Advisory Board and the Finance Manager. As you have recommended, the investment policy has been amended to require the Investment Advisory Board to meet quarterly. The policy also requires that a quarterly written report be provided to the Board of County Commissioners, Investment Advisory Board and Finance Manager. This report will include the rationale for investment decisions, brief description of the investment holdings and the Treasury Managers plan for future investments based on the County's cash flow plan.

I will review the portfolio in detail to ensure the County's investments are being managed appropriately and interest calculations are accurate. I have also instructed the Treasury Manager to provide me a detailed listing of all securities sold or traded during the month and the rationale for the decision.

The County's investment portfolio currently captures all investment transactions made during the month and provides a summary of Investments held as of the end of the month. To improve the reporting, the portfolio has been revised to provide a schedule, in summary format, of the investment risk measures as developed by the Government Finance Officers Association. Investment risk reporting is required by the Governmental Accounting Standards Board and has

been included in the County's Comprehensive Annual Financial Report but has not been included in the monthly investment portfolio.

The investment portfolio has also been expanded to provide a schedule of liquidity risk with a comparison to the liquidity schedule contained in the response to Recommendation A above.

RECOMMENDATION F: To ensure that Treasury complies with budget and purchasing requirements, banking services cost and all related expenditures should be budgeted.

The Treasury Manager has canceled the treasury management software package and the bank will be crediting our account analysis \$20,000, the cost of the package.

Beginning in fiscal year 1994-95, Finance will include the total bank service costs in its budget and all costs will be charged accordingly with the earnings credit recorded as an interest credit revenue source.

CHAPTER TWO RECOMMENDATIONS

RECOMMENDATION A. Improve controls for cash handling.

Treasury has completed a Treasury Manual which addresses proper controls for checking and petty cash accounts and segregation of duties. The manual will be sent to appropriate County personnel and the first training session is scheduled for mid December.

The General Ledger Manager has been removed as an authorized check signer.

I have prepared and distributed a written policy detailing which section in Finance is responsible for petty cash and change funds.

RECOMMENDATION B. Improve cash handling practices.

Treasury is monitoring the timeliness of cash deposits more closely and as time allows will perform random cash counts. As offered by the County Auditor, we will ask for assistance from the Auditors Office in performing these cash counts.

A couple of years ago an investigation was conducted for the potential use of lock box services. As a result, in July of this year we have implemented the use of a bank collection services for assessment district collections. We are also using a lock box service for the collection of probation fees. We will continue exploring both the use of lock box services and armored car services.

The General Ledger Accounting Manager is evaluating the number of occurrences that have caused delays in deposits to determine if a suspense account would be the appropriate method to ensure the timeliness of deposits. If the number of occurrences and amounts

not deposited warrant such an account, we will establish the suspense account.

The Finance Division acknowledges the efforts of the Auditor's Office and appreciate the manner in which the audit was performed and the recommendations presented.

EXHIBIT A**MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY****1. SCOPE:**

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 \$75,000,000, with a high of about \$400,000,000 in November and a low of about \$60,000,000 in June. Funds will be invested in compliance with ORS 294, other applicable statutes, 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. In investing public funds, the County will not assume unreasonable investment risk to obtain current investment income.
- c. The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated. This need for investment liquidity will be tempered to the extent that the County is able to issue short-term notes to meet its operating requirements.
- d. The County will diversify its investments to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.
- e. The County will conform with Federal and State law and other legal requirements.
- f. The County will attain a market rate of return throughout budgeting and economic cycles.

3. DELEGATION OF AUTHORITY:

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

4. PRUDENCE:

The standard of prudence will be used by the Investment Officer and Treasury staff in the context of managing the overall portfolio shall be the prudent investor rule, which states, "Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercises 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."

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.

5. INVESTMENT DIVERSIFICATION:

The County will diversify its investments across security type and institution. No more than 10 percent of the County's total investment portfolio will be invested in a single security type or with a single financial institution or as limited by ORS 294.035, whichever is less. Exceptions to this 10 percent limit are as follows:

- a. The County may invest 50 percent of its portfolio in U. S. Treasury securities.
- b. The County may invest 25 percent of its portfolio in U. S. Agency and Instrumentalities securities.
- c. The funds invested in the Local Government Investment Pool may exceed 10 percent.
- d. The County may invest more than 10 percent of its funds in short-term government backed investments during property tax collection periods. Under this Section (d) short-term government backed investments mean investments with maturities of 5 days or less.

If due to unanticipated cash needs or investment maturities, the investment in any security type or financial institution exceeds the limitations in this policy, the Investment Officer is responsible for bringing the investment portfolio back into compliance as soon as practicable. In bringing the investment portfolio back into compliance, the Investment Officer will not sell securities which will result in a loss.

6. INVESTMENT MATURITY:

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

- a. Short-term Investment Portfolio (Maturities up to 3 years):
 1. Using the projected cash flow schedule the County will attempt to match its investments with anticipated cash flow requirements. The County will not directly invest in securities maturing more than three years from the date of purchase. The County may collateralize its repurchase agreements using longer-maturing investments.
- b. Long-term Investments (Maturities over 3 years up to 5 years):
 1. Bond Sinking Fund or Certificate of Participation reserve monies may be

invested in securities exceeding three years if the maturity 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.

2. Self-Insurance Fund monies, in the amount not to exceed \$8,000,000 (par value) or 10% of the total investment portfolio, may be invested in securities that exceed three years up to a maximum of five years. Securities purchased under this section are to be U.S. Government Treasury Bonds and Notes or U.S. Agency and Instrumentalities Bonds or Notes.

c. Provisional short-term investment account (held for October and November property tax collections):

1. During October and November the County will maintain a separate short-term investment account for property tax collections. The County will invest these funds to match property tax turnover dates.

d. The diversification of security maturity dates for the short-term investment portfolio will be as follows:

- Less than 30 days, 10% minimum
- Less than 90 days, 25% minimum
- Less than 270 days, 50% minimum
- Less than 1 year, 85% minimum
- Less than 3 years, 90% minimum
- Less than 5 years, 100% minimum

7. **INVESTMENT LIMITATIONS:**

The following investment securities are allowed to be purchased under this policy. (Note: additional investments are allowed by State law ORS 294.035 but if they are not listed below they are not allowed to be purchased by the County):

a. U. S. Treasury Issues:

1. U. S. Treasury Bills
2. U. S. Treasury Notes
3. U. S. Treasury Bonds
4. U. S. Treasury Strips

b. U. S. Government Agency and Instrumentalities securities:

1. Student Loan Marketing Association ("Sallie Mae") - Discount Notes, Fixed and Floating Rate Notes, and Zero Coupon Notes

2. Federal Home Loan Banks (FHLB) - Discount Notes, Fixed and Floating Rate Notes, and Bonds
3. Federal Farm Credit Banks (FFCB) - Discount Notes, Fixed and Floating Rate Notes and Bonds
4. Federal National Mortgage Association ("Fannie Mae") - Discount Notes, Fixed Rate Notes, Debentures, Capital Notes, Residential Financing Securities, Mortgage Backed Securities
5. Federal Home Loan Mortgage Corporation ("Freddie Mac") - Discount Notes, Debentures, Mortgage Participation Certificates (PC's), Collateralized Mortgage Obligations (CMO's)
6. Financing Corporation (FICO) - Bonds - Principal repayment defeased by Zero coupon Treasury's
7. Resolution Funding Corporation (REFCORP) - Strips and Bonds - Principal collateralized by U. S. Treasury's interest payments
8. Tennessee Valley Authority (TVA) - Discount Notes, Strips, Notes & Bonds
9. Farm Credit System Financial Assistance Corporation ("Farmer Mac") - Bonds and Notes
10. Federal Land Bank (FLB) - Bonds - currently issued through FFCB
11. Banks for Cooperative and Federal Intermediate Credit Bank - issued through FFCB
12. Federal Housing Administration (FHA) - Debentures - backed by U. S. Government
13. General Services Administration (GSA) - Participation Certificates - Secured by the full faith and credit of the U.S. Government

c. Municipal Bonds:

Legally issued general obligations of the states of Oregon, Washington, Idaho, and California, their agencies and instrumentalities. Lawfully issued general obligation and revenue bonds of Oregon counties, cities, ports and school districts

d. Time Certificates of Deposits (CD or TCD):

In purchasing time certificates of deposit, the County will not invest an amount which is more than 10 percent of the total deposits of any single institution. As required by ORS Chapter 295, the Treasury Manager will be responsible to ensure

that a Certificate of Collateral Participation has been issued by the institution to cover outstanding deposits.

e. Repurchase Agreements with Dealers and Brokers (REPO's):

All repurchase agreements will be fully collateralized by U.S. Government and U.S. Agency obligations marked to market. A signed master repurchase agreement will be obtained from brokerage firms. The collateral securing the repurchase agreements will be delivered to the County's appropriate custodial safekeeping agent. The County will not enter into repurchase agreements with maturities over 90 days.

f. Reverse Repurchase Agreements:

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 repurchases cannot exceed 2 percent of the firm's liabilities. The County will not enter in reverse repurchase agreements with maturities over 60 days. Reverse repurchase agreement transactions must be approved by the Finance Director.

g. Banker's Acceptance (BA's):

All bankers' acceptances will be purchased in accordance with ORS 294.035.

h. Local Government Investment Pool (LGIP):

With the exception of pass-through funds, the maximum amount to be placed with the LGIP is \$20 million.

i. Commercial Paper (CP):

All commercial paper will be purchased in accordance with ORS 294.035 (12) and (13).

j. Money Market Accounts:

FDIC insured to \$100,000, 25% collateralized and guaranteed by the bank deposit.

8. DELIVERY OF SECURITIES:

Investment securities, eligible for delivery, purchased pursuant to this investment policy with maturities over 5 days will be delivered by either book entry or physical delivery to a third party safekeeping agency. Short term investment securities purchased with maturity dates of 5 days or less may be held by the financial institution where the investments were purchased provided that the investments are delivered to their safekeeping trust department and held in the County's name.

9. AUTHORIZED FINANCIAL AND DEALERS INSTITUTIONS:

- a. Addendum A is the list of financial institutions and primary securities dealers as designated by the Federal Reserve Bank 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 institution 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 banks or savings and loans, the County must have on file the most recent audited financial report.

10. CASH FLOW PLANNING:

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 on October 15 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 accreted or amortized over the life of the securities and be credited or charged to interest income.

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 Investment Interest Allocation

- 1. According to State law, interest earnings will be allocated to the following funds:

- Road Fund (includes Willamette River Bridge Fund)
- Bicycle Path Fund
- County School Fund
- Tax Title Land Sales Fund
- Emergency Communication Fund
- Assessment District Operating Fund

- Property Tax Trust Funds and Accounts
 - Funds accounting for serial levy and bond funds
2. All Internal Service and Enterprise 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:
 - Regional Organized Crime and Narcotics (ROCN)
 - Public Guardian
 - Tibbets Flowers
 - Oxbow Nature
 - Blue Lake Concert Stage
 - Drug Forfeiture
 4. Interest will be allocated to Funds created by the Board that specifically state the funds will earn interest. These include:
 - Natural Areas Acquisition Fund
 - 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 the following:
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 a 30 day month and 360 day year.
 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, the fund will be debited interest income for the period or periods that the cash balance is negative.
6. General Ledger is responsible for computing 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. The Investment Advisory Board will certify that they have no conflict of interest to serve on the Board. These individuals shall be nominated on the basis of their understanding and knowledge of finance or financial markets and will certify. 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 of County Commissioners, Board of County Commissioners, Investment Advisory Board and Finance Director.

14. REPORTING REQUIREMENTS:

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 a monthly detailed listing of all sales and trades with an explanation for the decision to sell or trade.

15. INDEMNITY CLAUSE:

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:

The Treasury Manager and Treasury staff shall follow the internal controls outlined in Executive Order #204, Finance Division policies and procedures and any policies adopted after this policy is adopted.

17. PERFORMANCE EVALUATION AND GOALS:

The performance of the County's portfolio shall be measured against the performance of the Local Government Investment Pool yield and the 90 day Treasury Bill yields. It is the goal of the County to maintain a yield that is not lower than 1/2 percent (.5%) of the

Local Government Investment Pool and that is 1/4 percent (.25%) higher than the 90 day Treasury Bill yield.

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 is to be approved by the Board of County Commissioners.

ADOPTED THIS _____ DAY OF _____, 1993.

ADDENDUM A

MULTNOMAH COUNTY, OREGON INVESTMENT POLICY

FINANCIAL INSTITUTIONS

Brokerage Firms

1. Dean Witter Reynolds Inc.
2. Dain Bosworth, Inc.
3. Paine Webber Incorporated
4. Merrill Lynch Capital Markets
5. Seattle Northwest Securities Corp.
6. Smith Barney
7. Lehman Brothers

Financial Institutions

Banks

1. Bank of America
2. US Bank
3. First Interstate Bank
4. Bank of California
5. Bank of Tokyo
6. Key Bank
7. West One Bank
8. American State Bank (\$100,000 maximum)

Savings and Loans

None at this time.

Other

Oregon Local Government Investment Pool

ORIGINAL

MEETING DATE:

JAN 11 1994

AGENDA NO:

B-2

(Above Space for Board Clerk's Use ONLY)

AGENDA PLACEMENT FORM

SUBJECT: Request for Board direction on River Patrol Willamette Office Relocation

BOARD BRIEFING: Date Requested: _____

Amount of Time Needed: _____

REGULAR MEETING: Date Requested: January X, 1994

Amount of Time Needed: 30 minutes

DEPARTMENT: Sheriff's Office DIVISION: Enforcement

CONTACT: Larry Aab TELEPHONE #: 251-2489
BLDG/ROOM #: 313/231

PERSON(S) MAKING PRESENTATION: Bob Skipper, Sheriff

ACTION REQUESTED:

☐ INFORMATIONAL ONLY ☐ POLICY DIRECTION ☒ APPROVAL ☐ OTHER

SUMMARY (Statement of rationale for action requested, personnel and fiscal/budgetary impacts, if applicable):

SIGNATURES REQUIRED:

This is to request commitment for the Board to fund the County's portion of relocation costs for the Sheriff's Office River Patrol Willamette River Office.

BOARD OF
COUNTY COMMISSIONERS
MULTNOMAH COUNTY
OREGON
1993 DEC 10 AM 10:21

ELECTED OFFICIAL: Bob Skipper Jr.

OR

DEPARTMENT MANAGER: _____

ALL ACCOMPANYING DOCUMENTS MUST HAVE REQUIRED SIGNATURES

Any Questions: Call the Office of the Board Clerk 248-3277/5222

**BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM BRIEFING
STAFF REPORT SUPPLEMENT**

TO: BOARD OF COUNTY COMMISSIONERS

FROM: LARRY AAB, Fiscal Manager

TODAY'S DATE: December 8, 1993

REQUESTED PLACEMENT DATE: January 6, 1994

RE: REQUEST FOR BOARD DIRECTION ON RIVER PATROL WILLAMETTE
OFFICE RELOCATION

I. Recommendation/Action Requested: Request commitment from the Board to fund the County's portion of relocation costs for the Sheriff's Office River Patrol Willamette River Office.

II. Background/Analysis: The River Patrol Office on the Willamette River is housed at Terminal 4, Pier 2. This location was created in 1980 as a part of a city-county agreement to provide quicker access to the Willamette River areas of Multnomah County. The Office was co-located with Portland Fire Bureau but the Fire Bureau has since relocated to Terminal 2. The facility houses one winter crew and three summer crews.

Several events have occurred which requires relocation of the Office:

1. The sand bank is sloughing off to the extent that the office/boat house is aground at low water (see attached picture and diagram). The facility's sewer hose is constantly being exposed and requires recovering on a frequent basis.
2. Cost to dredge sand from beneath the Office and rebuild the retaining wall along the bank will be between \$50,000 and \$75,000 and is only a temporary fix as the Port of Portland intends to fill in the basin and create a new dock by the end of the decade.
3. The location of the Office is such that damage from the wakes of commercial vessels and large yachts is a continual problem. These wakes rock the facility as much as five feet causing the structures to strike the bottom of the river or collide together. It also creates a dangerous situation for personnel in the buildings. In fiscal year 92-93 over \$2,600 was spent on boathouse repairs primarily from wake damage.

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4. Access and location of the facility is poor. The facility is located eight miles from the Portland Seawall and eleven miles from Willamette Park. These are the two busiest parts on the Willamette River. On the water side, the facility is located deep within the terminal causing delays in accessing the River and minimizing the exposure of the facility to Willamette River boaters. On the land side, access is often blocked by grain or soda ash trains working across the docks and roadways. These blockages often impacts our emergency after hours response times in gaining access to the facility.

A solution to this problem is to move the Willamette River facility to Terminal 1, which is located on the west side of the Willamette River, about 5.5 miles upriver (south) of the Terminal 4 location. The new location will afford more protection from wakes; better and more rapid access for assigned personnel; and a permanent, more visible facility located about 30 boating minutes closer to the majority of the Willamette River activity (see attached map). In addition, future plans for the Terminal 1 area includes shops, restaurants, etc. The Port of Portland has expressed a keen interest in having the River Patrol as a tenant.

In order to make the move, we will need:

1. Approval from the Board to proceed with relocation plans.
2. Approval from the Port of Portland. A representative from tenant relations has given tentative approval contingent upon favorable approval from the Board of County Commissioners. Once approval is given, the Port will begin seeking permits and doing the preliminary work to facilitate the move.

III. Financial Impact: Below is a preliminary budget showing the costs of relocation. This budget is conservative and based upon "worse case" projections. It is anticipated that the Oregon State Marine Board will participate as a 50-50 partner with the county.

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| Item | County OSMB | Port of Portland | Total |
|-----------------------------------|-----------------|---------------------|-----------------|
| 10 x 60 Float/Dock | 8,000 | | 8,000 |
| Mooring piles (@\$1,500) | 7,500 | | 7,500 |
| Electrical Service | 4,000 | | 4,000 |
| Water & Sewer Connection | 2,000 | | 2,000 |
| Fuel tank, pump & piping | 12,000 | | 12,000 |
| Sanitary Sewer connection to main | 3,750 | 3,750 | 7,500 |
| Steel Gangway | | 8,000 | 8,000 |
| Gangway Footings | | 2,250 | 2,250 |
| Float for Foot of Gangway | | 6,100 | 6,100 |
| New Water Service | | 3,500 | 3,500 |
| Contingency, Engineering, Permits | 16,900 | 16,900 | 33,800 |
| Total | \$54,150 | \$40,500 | \$94,650 |

It is the intention of the Sheriff's Office to request the funds for the County portion of expenses be from contingency. It fits the criteria in that it is unanticipated, and one time only in nature. There are not sufficient funds in the Sheriff's budget to cover these costs. A budget modification will be channeled through the Budget Office at the time of contingency request.

IV. Legal Issues: IGA between Multnomah County and the Port of Portland and Oregon State Marine Board.

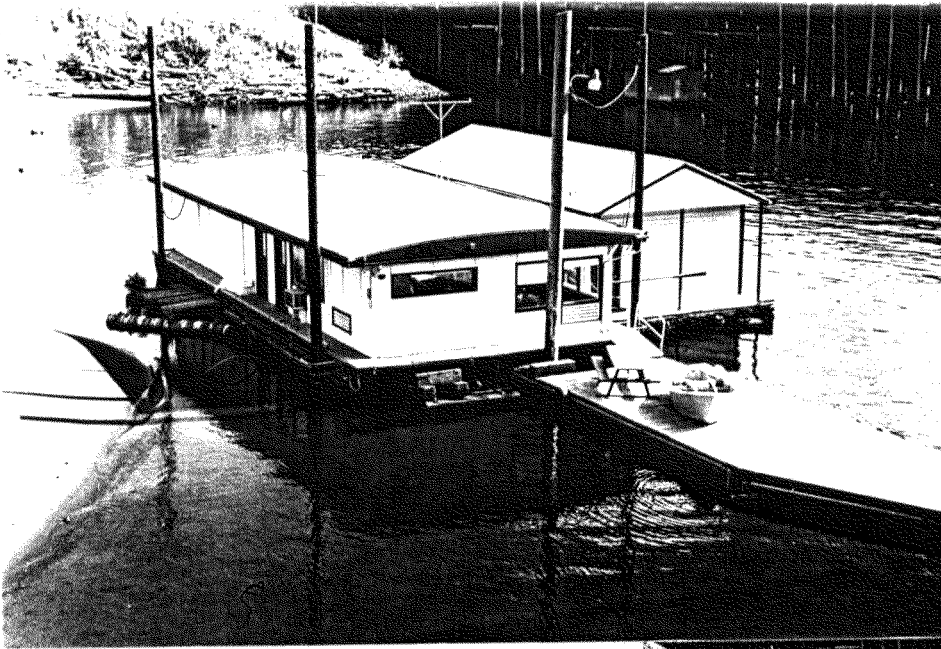
V. Controversial Issues: None known

VI. Link to Current County Policies: N/A

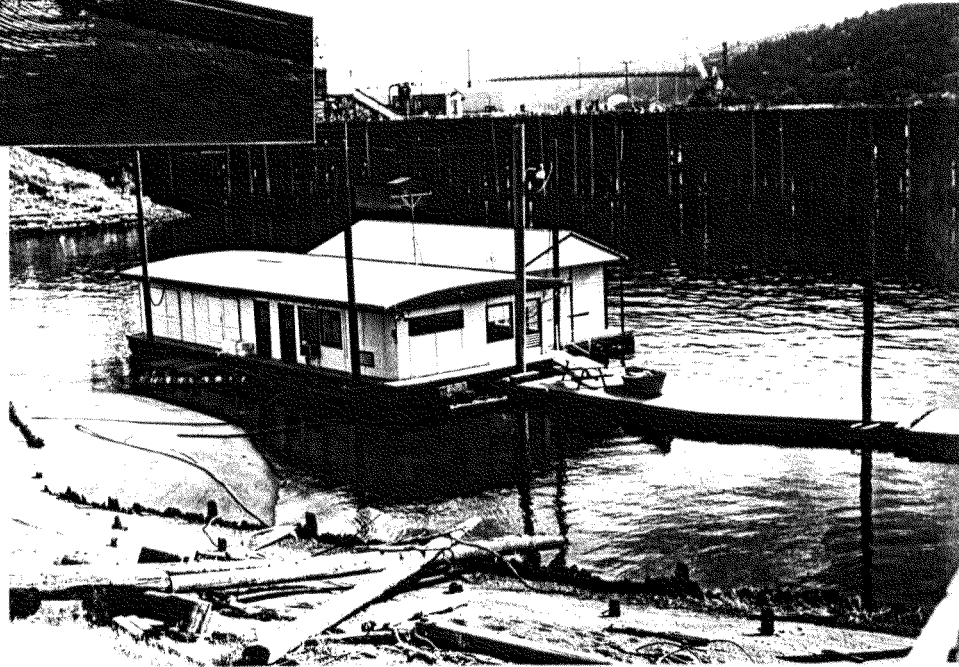
VII. Citizen Participation: N/A

STAFF REPORT SUPPLEMENT
PAGE 4

- VIII. Other Government Participation: Port of Portland, Oregon State Marine Board.
Other County agencies - Facilities Management has been consulted and indicated a need to become involved at the time Board approval is made and relocation begins.



PHOTOS TAKEN OCT, '92
RIVER AT ABOUT 1 FOOT
LEVEL ON GAUGE.

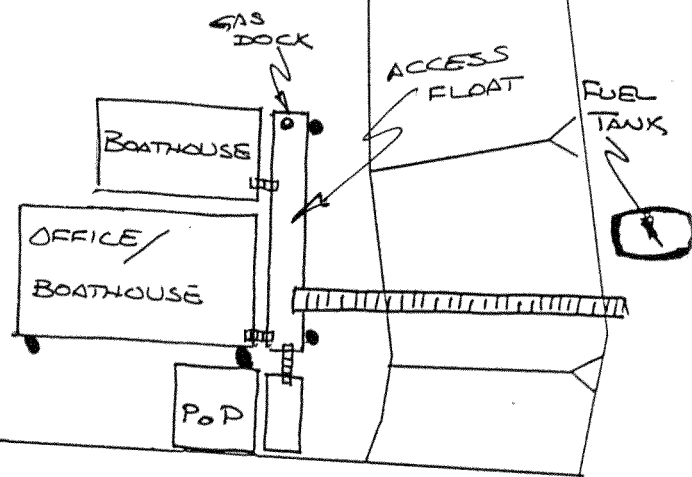


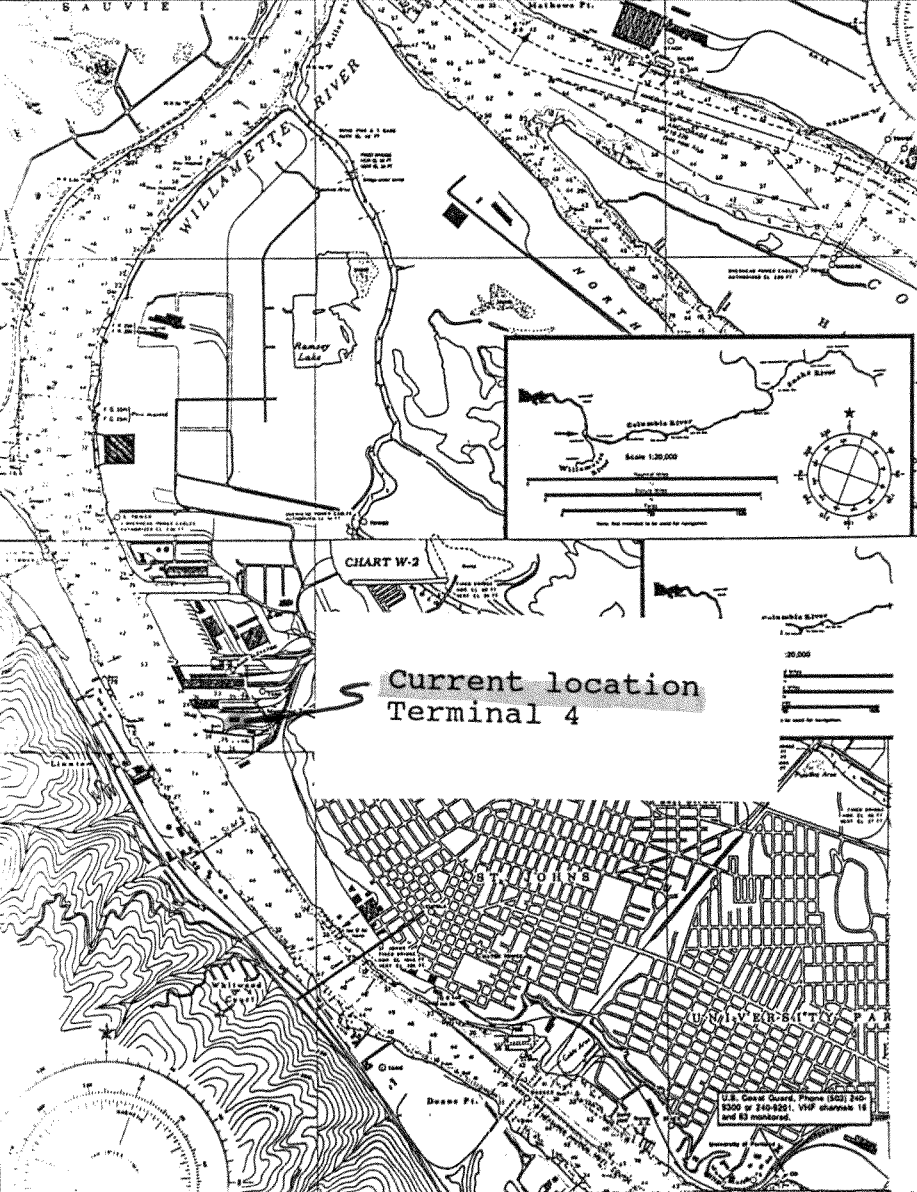
CURRENT LOCATION —
T4, PER 2



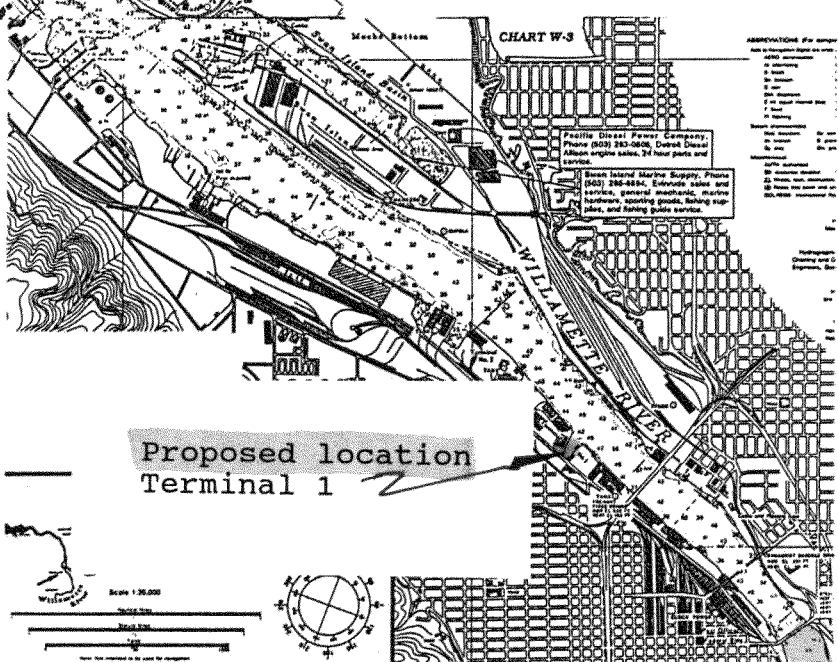
WILLIAMS OFFICE
11-4-92

BERTH 103

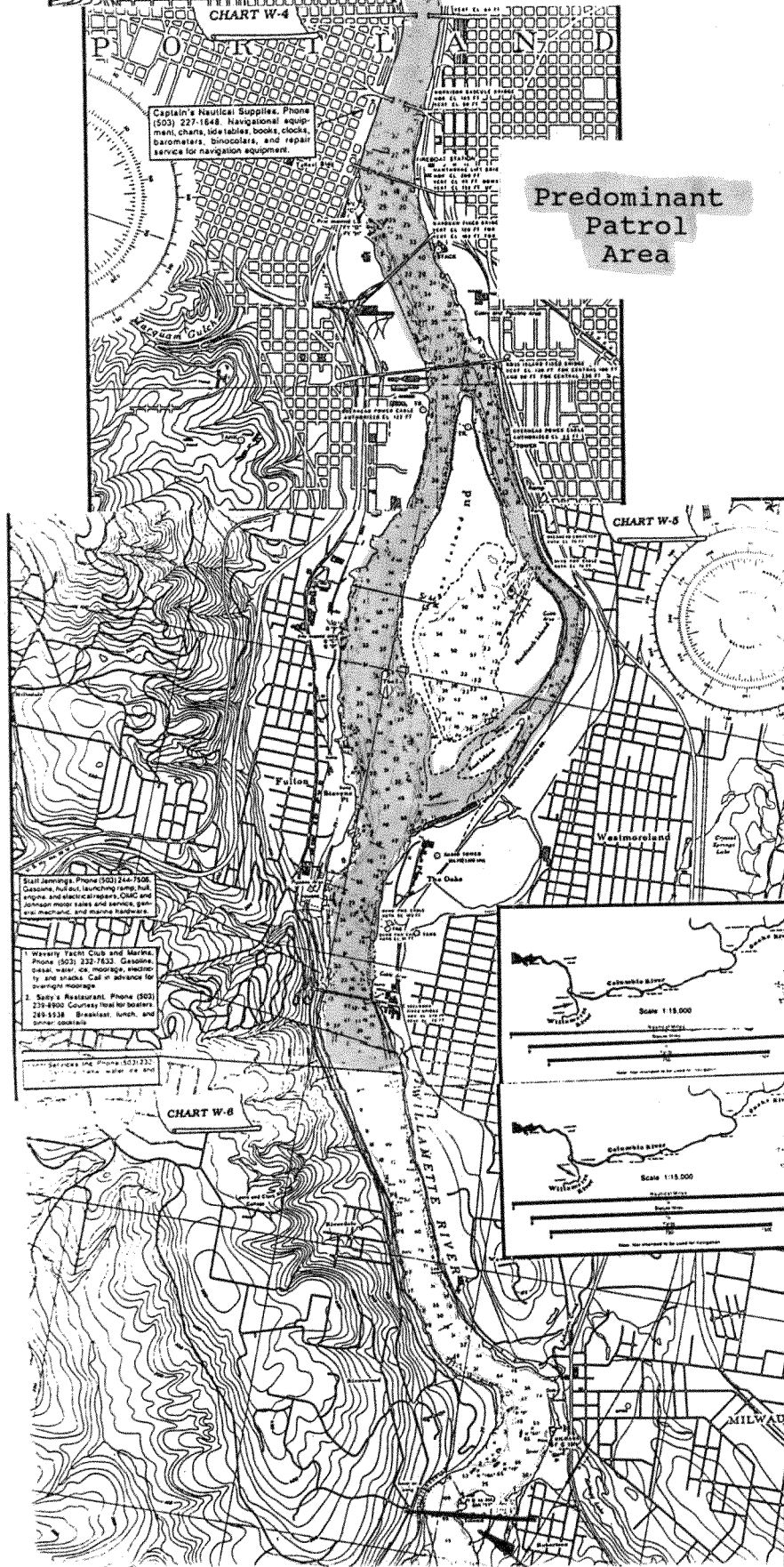




Current location
Terminal 4



Proposed location
Terminal 1



Predominant
Patrol
Area

County