

BEFORE THE BOARD OF COUNTY COMMISSIONERS

MULTNOMAH COUNTY, OREGON

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

RESOLUTION NO. 94-155

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

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

THEREFORE, BE IT RESOLVED:

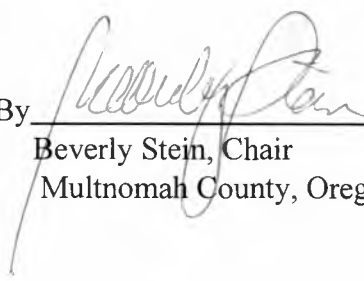
1. Multnomah County, Oregon adopts the Investment Policy set forth in Exhibit A.
2. The Finance Director or Treasury Manager is authorized to administer the Investment Policy.

This Resolution replaces Resolution No. 92-152.

Adopted this 25th day of August, 1994.



By


Beverly Stein, Chair
Multnomah County, Oregon

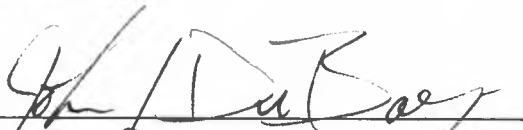

John DuBay, County Counsel
of Multnomah County, Oregon

EXHIBIT A
MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY

1. Scope:

(a) This investment policy applies to investing the financial assets of all funds included in Multnomah County's Investment Pool as defined in Section 12 of this policy. The County's approximate daily average balance of funds invested is \$75,000,000, with a high of about \$400,000,000 in November and a low of about \$60,000,000 in June.

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

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

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

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

3. Delegation of Authority:

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

4. Prudence:

(a) The standard of prudence 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 judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

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

5. Investment Diversification:

(a) The County will diversify its investments across security type and institution. No more than 20 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 20 percent limit are:

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

(2) The County may invest 50 percent of its portfolio in U.S. Agency and Instrumentalities securities.

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

(4) The County may invest more than 20 percent of its funds in short-term government backed investments during property tax collection periods. Under this section short-term government backed investments mean investments with maturities of 5 days or less, to the extent allowed under ORS 294.810.

(b) 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.

6. Investment Maturity:

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

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

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

(b) The County may collateralize its repurchase agreements using longer-maturing investments, as long as collateral with a maturity longer than 18 months be priced in conformance with OTS 294.135 (b) (2).

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

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

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

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

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

7. Investment Limitations:

(a) The following investment securities are allowed to be purchased. Additional investments are allowed by State law ORS 294.035 but are not allowed to be purchased by the County investment policy.

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

(1) U. S. Treasury Issues:

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

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

(a) U.S. Government and Agency Securities for Local Government Securities under ORS 294.035 and 294.040 Provided Pursuant to ORS 294.046 (Current revision).

(3) Municipal Bonds:

(a) Legally issued general obligations of the states of Oregon, Washington, Idaho, and California. Lawfully issued general obligation and revenue bonds of Oregon counties, cities, ports and school districts

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

(a) In purchasing time certificates of deposit, the County will not invest an amount which is more than 1 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 of Participation has been issued by the institution to cover outstanding deposits.

(5) Repurchase Agreements (REPO's):

(a) All repurchase agreements will be collateralized at 102% by U.S. Government and U.S. Agency obligations marked to market daily. Additionally, if the maturity of the security purchased exceeds 18 months, the price paid by the County may not exceed 98%. A signed master repurchase agreement will be obtained from financial institutions. 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.

(6) Reverse Repurchase Agreements:

(a) Before entering into a reverse repurchase agreement, the County will obtain a signed repurchase agreement from the brokerage firm. The firm's current net worth must be over \$50 million. Reverse 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 agreements must be approved by the Finance Director.

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

(a) All bankers' acceptances will be purchased from Oregon qualified financial institutions.

(8) Local Government Investment Pool (LGIP):

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

(9) Commercial Paper (CP):

(a) All commercial paper will be purchased in accordance with ORS 294.035 (12) and (13). Other corporate debt is not allowable at the present time.

(10) Money Market Accounts/Savings Accounts:

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

8. **Delivery of Securities:**

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

9. Authorized Financial Institutions and Securities Dealers:

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

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

(c) Additions to the list of authorized financial institutions may be made at the discretion of the Finance Director with written notification to the County Chair, the Board of County Commissioners and the Investment Advisory Board.

(d) Before the County purchases securities over \$100,000 from banks or savings and loans, the County must have on file the most recent audited financial report.

10. Cash Flow Planning:

(a) The Treasury Manager is responsible for preparing an annual projected cash flow schedule of all funds that are included in the County's Investment Pool. The projected cash flow schedule will be based on the previous two years actual cash flows. The Finance Director will review the schedule 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 and County Policy, interest earnings will be allocated to the following funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

13. The Investment Advisory Board:

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

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

14. Reporting Requirements:

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

15. Indemnity Clause:

(a) The County shall indemnify County Officials and Advisory Board personnel from personal liability for losses that might occur pursuant to administering this investment policy.

16. Internal Controls:

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

17. Performance Evaluation and Goals:

(a) The performance of the County's portfolio shall be measured against 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. The County will attempt to compare its yield to Washington County and Clackamas County portfolios.

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 25th DAY OF August, 1994.

**ADDENDUM A
INVESTMENT POLICY
FINANCIAL INSTITUTIONS**

Brokerage Firms:

1. Bank America Securities, Inc
2. Chemical Securities, Inc.
3. Dain Bosworth, Inc.
4. Dean Witter Reynolds Inc.
5. Donaldson, Lufkin, and Jenrette
6. Kidder Peabody & Co.
7. Lehman Brothers, Inc.
8. Merrill Lynch Capital Markets, Inc
9. Paine Webber Incorporated
10. Prudential Securities, Inc.
11. Seattle Northwest Securities Corp.
12. Smith Barney

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:

1. None at this time.

Other:

1. Oregon Local Government Investment Pool

ADDENDUM B
INVESTMENT POLICY
INVESTMENT ADVISORY BOARD

Judy Homer
Budget Analyst II
City of Gresham
501 NE Hood Avenue, Suite 100
Gresham, OR 97030
(503) 669-2371

Appointed: June 17, 1993
First Term

George Scherzer
Executive Vice President
Smith Barney
200 SW Market, Suite 1200
Portland, OR 97201
(503) 221-7640
(503) 221-7627

Appointed: June 17, 1993
Third Term

Richard Harris
CPA
Harris & Kalberg
825 NE Multnomah, Suite 1285
Portland, OR 97232
(503) 233-5417

Appointed: June 17, 1993
Second Term

Thomas Landye
Senior Partner
Copeland, Landye, Bennett and Wolf
300 First Interstate Tower
Portland, OR 97201
(503) 224-4100

Appointed: February 24, 1994
First Term

Howard Shapiro
American Bank Building
621 SW Morrison #600
Portland, OR 97205
(503) 222-6613

Appointed: February 24, 1994
First Term

Staff: Harry Morton, Treasury Manager (503) 248-3290
 David Boyer, Finance Director (503) 248-3903