

BEFORE THE BOARD OF COUNTY COMMISSIONERS

FOR MULTNOMAH COUNTY, OREGON

ADOPTING MULTNOMAH)	RESOLUTION
COUNTY'S INVESTMENT)	96-187
POLICY)	

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

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

IT IS HEREBY RESOLVED that Multnomah County, Oregon adopts the Investment Policy set forth as attached; and

IT IS FURTHER RESOLVED that the Finance Director or the Treasury Manager is authorized to administer the Investment Policy; and

IT IS FURTHER RESOLVED that this Resolution replaces Resolution 95-236 adopted November 9, 1995.

DATED this 17th day of October, 1996.



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON



Beverly Stein, Chair

REVIEWED:

LAURENCE KRESSEL, COUNTY COUNSEL
MULTNOMAH COUNTY, OREGON



Sandra N. Duffy, Chief Assistant

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY
For Fiscal Year 1996-1997

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 average daily balance of funds invested is \$140,000,000, with a high of about \$425,000,000 in November and a low of about \$70,000,000 in October.

(b) Funds will be invested in compliance with ORS 294, other applicable statutes, this policy, and other 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 preference for liquidity will be considered basic to investment decisions.

(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 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:

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

(b) The Treasury Manager and Treasury staff, acting in accordance with

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

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

5. Investment Diversification:

(a) The County will diversify its investments across security type and institution. No more than 20 percent (20%) at market value of the County's total investment portfolio will be invested in a single security type as defined in Paragraph 8, or in instruments of a single issuer, or as limited by ORS 294.035, whichever is less. Exceptions to this twenty percent limit are:

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

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

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

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

(b) If due to unanticipated cash needs or investment maturities, the investment in any security type or any financial issuer exceeds the guidelines in this policy, the Treasury Manager is responsible for bringing the investment portfolio back into compliance as soon as practicable. The Treasury Manager will also advise the Finance Director and Advisory Board members of the occurrence.

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 diversification of security maturity dates for the short-term investment portfolio will be measured at market value against average monthly portfolio balances as follows:

1. Less than 30 days	10% Minimum
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2. Less than 90 days	25%	"
3. Less than 270 days	50%	"
4. Less than 1 year	70%	"
5. Less than 3 years	100%	"

(c) If the goals for diversification of security maturity dates are exceeded by 5% or more for 5 successive days, the Treasury Manager is responsible for promptly notifying the Finance Director and Advisory Board members.

- (2) Long-term Investments (Maturities over 3 years and 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 allow for long-term investments.

(b) Self-Insurance Fund monies in the amount not to exceed \$8,000,000 (face 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. Treasury securities or securities of U.S. Government Agencies and Instrumentalities.

7. Investment of Bond Proceeds:

The Treasury Manager will work with the Finance Director, the financial advisor, and the bond counsel to determine how best to invest bond proceeds. Bond proceeds will be segregated within the County's investment portfolio, and invested in a manner consistent with Internal Revenue Service limitations on tax-exempt issuers, as well as the trust indenture, if any, and the expectations of drawdown of proceeds.

8. Investment Limitations:

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

(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:

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

(3) Municipal Bonds:

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

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

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 for insuring that a Certificate of Participation, Collateral Pool has been issued by the institution to cover County deposits.

(5) Repurchase Agreements (Repo's):

All repurchase agreements will be collateralized at margin ratios prescribed by written policy of the Oregon Short Term Fund Board. A signed master repurchase agreement will first be obtained from financial institutions. The collateral securing the repo will be delivered to the County's appropriate portfolio custodian. The County will not enter into term repo's with maturities exceeding 90 days.

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

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

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

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

(8) Local Government Investment Pool (LGIP):

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

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

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

(10) Interest-Bearing Accounts:

All such deposits shall be FDIC-insured to \$100,000.

(11) Cash Deposits in Demand Accounts:

All cash deposits will be collateralized in accordance with ORS 295.

9. Delivery of Securities:

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 custodian.

10. Authorized Financial Institutions and Securities Dealers:

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

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

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

(d) Before the County purchases securities over \$100,000 from any bank or brokerage firm, the County must have on file the firm's most recent audited financial report. The Treasury Manager is responsible for keeping current files indicating the necessary licenses and professional credentials of broker/dealers with whom the County transacts business. The files will be reviewed annually by the Treasury Manager.

11. 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 periodically. 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.

12. Accounting Method:

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

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

13. 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 and Revenue Bond 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) Property Tax Trust Funds and Accounts
- (g) Funds accounting for serial levy and bond funds
- (h) Inmate Welfare Fund
- (i) Justice Services Special Operations Fund

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

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

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

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

- (a) Capital 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 (float).
- (2) The average monthly yield of the County's investment portfolio.
- (3) The yield is calculated on a 365-day basis.
- (4) An administrative fee of 1% of the earnings will be deducted from the interest earnings allocation prior to distribution.
- (5) If the average daily cash balance in a fund is negative and the fund has interest income received, the fund will be debited interest income for the period or periods that the cash balance is negative.
- (6) Each month the General Ledger Section is responsible for computing and recording the amount of interest income that is to be allocated to various Funds.

14. 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.
- (b) 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."
- (c) After each meeting of the Investment Advisory Board, the Treasury Manager will prepare and distribute a written report summarizing the meeting to the Chair of the Board, the Board of County Commissioners, the Investment Advisory Board and the Finance Director.

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

16. Indemnity Clause:

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

17. Internal Controls:

The Treasury Manager and Treasury staff shall follow the internal controls outlined in the Financial and Budget Policy, Finance Division policies and

procedures, and any policies adopted after this policy is adopted.

18. 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 of 90-day Treasury Bill yields. It is the goal of the County to maintain a yield that is not more than 1/2 percent (.5%) lower than that of the Local Government Investment Pool, and is not less than 1/4 percent (.25%) higher than the 90-day Treasury Bill yield. The County will attempt to compare its yield to Washington County and Clackamas County portfolios.

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

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

ADOPTED THIS 17th DAY OF October, 1996 by BOARD OF
COMMISSIONERS, MULTNOMAH COUNTY, OREGON.

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY

Financial Institutions
Addendum "A"

Brokerage Firms:

1. BA Securities, Inc
2. Bear Stearns Inc.
3. Chase Securities, Inc.
4. Dain Bosworth Incorporated
5. Dean Witter Reynolds Inc.
6. Donaldson, Lufkin and Jenrette
7. Merrill Lynch Capital Markets, Inc.
8. Paine Webber Incorporated
9. Prudential Securities, Inc.
10. Sanwa Securities (USA) Co.
11. Seattle Northwest Securities Corp.
12. Smith Barney*
13. US Bancorp Brokerage

**Trading approval for Smith Barney is suspended while an affiliated person serves on the Investment Advisory Board*

Banks:

1. Bank of America NT&SA
2. Bank of Tokyo
3. Key Bank
4. Union Bank of California
5. US National Bank of Oregon
6. Wells Fargo Bank NA
7. Albina Community Bank (\$100,000 maximum)
8. American State Bank (\$100,000 maximum)

Savings and Loans:

1. None at this time.

Other:

1. Oregon Local Government Investment Pool (LGIP)

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY

Investment Advisory Board
Addendum "B"

Marc Gonzales , Finance Director Clackamas County 902 Abernethy Road Oregon City, OR 97045 (503) 655-8666, 650-3319 (503) 650-3478 (Fax)	Term Expires: 6/30/99 First Term
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Judy Homer Cash & Debt Management, City of Gresham 1333 NW Eastman Parkway Gresham, OR 97030 (503) 669-2371 (503) 661-6073 (Fax)	Term Expires: 6/30/99 Second Term
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Thomas Landye , Senior Partner Copeland, Landye, Bennett and Wolf 300 First Interstate Tower Portland, OR 97201 (503) 224-4100 (503) 224-4133 (Fax)	Term Expires: 6/30/97 First Term
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George Scherzer , First Vice President Smith Barney 200 SW Market, Suite 1200 Portland, OR 97201 (503) 221-7640, 221-7627 (503) 221-7647 (Fax)	Term Expires: 6/30/99 Fourth Term
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Howard Shapiro American Bank Building 621 SW Morrison #600 Portland, OR 97205 (503) 222-6613	Term Expires: 6/30/97 First Term
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Staff:	David Boyer, Finance Director	(503) 248-3903
	Harry Morton, Treasury Manager	(503) 248-3290

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY

Staff Authorizations
Addendum "C"

Single Signature

David A. Boyer, Finance Director (Full Authorization)

Harry S. Morton, Treasury Manager (Full Authorization)

Dual Signature (Requires Second Signature)

Cliff Pengra, Treasury Specialist 2 (Dual Authorization)

Calvin J. Smith, Treasury Specialist 2 (Dual Authorization)

August 12, 1996

TO: Harry Morton
Treasury Manager
Multnomah County

FROM: James M. Yasutome
Senior Investment Officer
Short-Term Investments

RE: Preliminary comments, Multnomah County Investment Policy

These preliminary comments are provided so that the County may respond with explanations or clarifications to exceptions we have noted before the County's policy together with our final comments are forwarded on to the OSTF Board members.

We suggest that the most recent adoption date become part of the Title.

Page 3: Paragraph 6: Investment Maturity (1b) This line is obsolete, see below discussion of (b)(5).

Page 4: Paragraph 8. Investment Limitations: (b)(5) Repurchase Agreements

We suggest changing the language prescribing the minimum margin ratios for repurchase collateral so it paraphrases the applicable ORS i.e. "may not exceed amounts or percentages prescribed by written policy of theOregon Short Term Fund Board.....". Further, such pricing margins apply to all collateral regardless of maturity. Originally, ORS 294.135 required pricing of collateral only when over 18 months maturity and to minimum margins of 98% of market value. These specifications have been deleted by the 1995 revised ORS's. For your information, on March 12, 1996, the OSTF Board adopted the following margins:

US Treasury securities:	102%
US Agency discount and coupon securities:	102%
Mortgage backed or other:	103%*
*Limited to those described in ORS 294.035(1)	

Page 5: Paragraph 9. Delivery of Securities:

As an observation, the more common term for a safekeeping agent is "custodian".

Paragraph 10: Authorized Financial Institutions and Securities Dealers:

We suggest that language requiring some periodic review of such lists be added and that the County have in place proof as to all the necessary licenses and credentials of the broker/dealer contact.

Page 6: Paragraph 12. Accounting Method (a) :

We suggest that specific language about accounting practices be placed in an appendix or addendum. Paragraph (b) is all encompassing enough to encumber the County to do whatever any authoritative body dictates.

Page 8: Paragraph 17. Internal Controls:

We suggest adding language for periodic review of these controls by an independent third party i.e. the County's auditors.

Paragraph 19. Investment Policy Adoption:

We suggest the County add language requiring annual readoption (ORS 294.135a).