

RESOLUTION NO. 32-1993

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON,
ADOPTING INVESTMENT POLICIES.**

WHEREAS, There is a need for a written investment policy to establish guidelines and standards within which to invest available funds, and

WHEREAS, The existing investment policy for the City of Milwaukie is not considered adequate, and

WHEREAS, The City of Milwaukie is proposing an investment policy which has been reviewed for statutory compliance by the Oregon Short Term Fund Board.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Milwaukie, Oregon adopts the attached investment policies as the approved investment policies for the City:

Introduced and adopted by the City Council of the City of Milwaukie, Oregon on November 2, 1993.


Craig Lomnicki, Mayor

ATTEST:


Pat DuVal, City Recorder

APPROVED AS TO FORM

O'DONNELL, RAMIS, CREW & CORRIGAN


City Attorney



CITY OF MILWAUKIE INVESTMENT POLICY

The following Investment Policies are intended to meet the requirements of ORS 294.035 and to provide the framework within which City of Milwaukie funds may be invested. A copy of ORS 294.035 is attached at the end of this investment policy.

Scope

These investment policies apply to excess cash related to all activities and funds under the direction of the Milwaukie City Council. These excess cash amounts are normally greatest during the period November through January of each year to coincide with turnover of property tax collections by the county tax assessor/collector. The amount expected to be available for investment normally does not exceed \$4,000,000, exclusive of bond proceeds or short term borrowing. Cash accumulations related to bond proceeds or short-term borrowing are included unless more restrictive state or federal regulations are applicable. (Investments which are pledged in conjunction with bond defeasance are specifically excluded from these policies.)

Deferred compensation funds are placed with a third party for investment and are therefore excluded from the restrictions set forth in these guidelines.

Excess cash shall be defined as all liquid assets not necessary to meet current obligations.

Authority

The Finance Director shall serve as the Investment Officer of the City. The Investment Officer is responsible to ensure that funds are invested in a manner to assure that necessary cash is available to meet current obligations and to invest excess cash in accordance with ORS 294.035 through 294.048; 294.125 through 294.155; and ORS 294.810 in addition to these Investment Policies. Investment of any tax exempt borrowing proceeds and of any debt service funds will comply with the 1986 Tax Reform Bill provisions and any subsequent amendments thereto.

In the absence of the Finance Director, the Senior Accountant may act as Investment Officer with prior specific approval of the City Manager.

Objectives

The primary objectives, in order of priority, of the City of Milwaukie's investment activities are as follows:

Legality: The City's investments will be in compliance with all statutes governing the investment of public funds.

Safety: Investments of the City will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments.

Liquidity: The City's investments will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.

Yield: The City's investments will be designated with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics.

Prudent Investor

Investments shall be made under the prudent investors 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."

Internal Controls

The investment officer shall maintain a system of written internal controls, which will be reviewed annually by the independent auditor.

Cash Flow Analysis

The investment officer shall maintain a historical cash flow record and a cash flow projection which extends twelve months into the future. The projection shall be reviewed and updated on a regular basis. No fixed maturity securities shall be purchased unless the cash flow projection indicates that the funds invested will not be required until the maturity date of the investment.

Bond Proceeds

Surplus funds resulting from debt issuance shall be considered as a separate portfolio and shall not be restricted by the maturity and instrument diversification section of these policies. Such maturities shall coincide with the projected cash flow needs resulting from the projected construction schedule.

Selection of Investment Instruments

Before the investment officer invests any surplus funds, a competitive bid process shall be conducted. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments which meet the maturity requirement. If no specific maturity is required, a market trend (yield curve) analysis will be conducted to determine which maturities would be most advantageous. Selection of bids will be made so as to provide the highest rate of return within the parameters of these policies.

Authorized Investment Instruments

- ◆ Legally issued general obligations of the United States, its agencies and instrumentalities, and those of the states of Oregon, California, Washington, and Idaho.
- ◆ Time deposit open accounts, certificates of deposit and savings accounts in banks, mutual savings banks, and savings and loan associations which maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank or savings and loan association.

- ◆ Banker's acceptances that are guaranteed by a qualified financial institution. A qualified financial institution being one which is located in the State of Oregon licensed to do a banking business and not required under ORS 295.018 to maintain a reserve deposit of collateral for 110 percent of its public fund deposits.
- ◆ Deposits in the Oregon State Treasury, Local Government Investment Pool.
- ◆ Repurchase agreements involving legally issued general obligations of the United States and its agencies and instrumentality's. The seller must agree to repurchase the securities within 90 days following the date of the investment. If the maturity of the underlying security exceeds 18 months, the price paid shall not exceed 98 percent of the current market value. If there is a material decline in market value of the underlying collateral, the seller will pledge additional collateral to maintain not less than 100% collateral coverage at all times.

Investment in repurchase agreements must be accompanied by a signed agreement with the seller and a confirmation including a full description of securities held in safe-keeping.

Qualified Institutions

Written procedures and criteria for selection of financial institution will be established by the investment officer.

The investment officer shall maintain a list of all authorized institutions which are approved for investment purposes. The investment officer will request, analyze, and keep on file, periodic financial statements and related information to satisfy himself as to the creditworthiness of each institution on the approved list.

Diversification

The investment officer will diversify the investment portfolio to avoid unreasonable risks within the following parameters:

- Maturity Diversification

Maturity limitations shall depend upon whether the funds being invested are considered short term or long term funds. All funds shall be considered short term except those reserved for capital projects, (i.e., bond sale proceeds). Except for funds reserved for capital projects, investments shall be limited to maturities not exceeding 18 months.

Short Term Portfolio

Investment maturities shall be scheduled to coincide with projected cash flow needs. However, market conditions may make it advantageous to dispose of investments before their maturity dates. The majority of the portfolio will mature in less than 90 days. No investments will be made for a period to exceed 18 months.

Long Term Portfolio

Instruments and diversification for the long term portfolio shall be the same as for the short term portfolio.

Maturity scheduling shall be timed according to anticipated need. For example, investment of capital project funds shall be timed to meet projected contractor payments, usually for a term not to exceed three years.

•Instrument Diversification

| | | |
|------|--|--------------|
| | U.S. Government Treasury Bills, Notes and Bonds Maturity less than eighteen months | 100% maximum |
| | U.S. Government Agency Discount Notes and Bonds Maturity less than twelve months | 75% maximum |
| Pool | Oregon State Treasury, Local Government Investment Considered as one day liquidity | 100% maximum |
| | State and local government securities of the states of Oregon, Washington, California and Idaho. Includes bonds issued in Oregon by any City, County or School District subject to ORS 294.035 | 25% maximum |
| | Bankers Acceptances Issued by Oregon based bank | 50% maximum |
| | Non Negotiable Time Certificates of Deposit Commercial Banks | 25% maximum |
| | Savings Institutions | 10% maximum |
| | Repurchase Agreements If maturity is greater than next business day, collateral must be at 102% | 10% maximum |

•Institution Diversification

Bank liabilities with any one qualified financial institution shall not exceed 20 percent of the portfolio. Bank liabilities of any one qualified financial institution shall not exceed one percent of the institution's total assets.

(The combination of CD's and BA's, may not exceed 33% with any one financial institution.)

Bankers' Acceptances (BA's)

No more than 25% of the total portfolio with any one financial institution.

Certificates of Deposit (CD's) - Commercial Banks

No more than 8% of the total portfolio with any one financial institution.

Certificates of Deposit (CD's) - Saving and Loan Associations

Amount per institution based on capital adequacy guidelines; in any case not to exceed 10% of the total portfolio with any one institution.

Repurchase Agreements (Repo's)

No more than 10% of the total portfolio with any one institution; a master repurchase agreement is required.

State and Local Government Securities
No more than 25% of the total portfolio

State of Oregon Investment Pool - State Pool
With the exception of pass-through funds (in and out within 10 days), no more than \$20 million total (\$10 million per account).

Reporting

The investment officer shall submit to the City Council a quarterly investment report that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter, description of the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment return, compare the return with target rate of return projections and budgetary expectations.

Amendments

These investment policies may be amended at the request of the investment officer, the City Manager, or City Council. Such amendments shall be approved by the City Council in the same manner as the investment policies.

Safekeeping

Certificates of Deposit will be placed in a secured area within the vault on the premises at the City of Milwaukie or within a city maintained safe deposit box in a banking facility located within the city limits of the City of Milwaukie. All investment securities, including bearer instruments, treasury and agency securities, and bankers acceptances shall be held by the City or placed in third party safekeeping or placed in the trust department of the bank where the securities were purchased which will be considered as a third party for the purposes of safekeeping those securities.

Collateralization

Collateralization will be required on all repurchase agreements. In order to anticipate market changes and provide an adequate level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the city has a current custodial agreement.

Accounting Method

Investments will be carried at the lower of cost or market value. Gains or losses from investments will be credited or charged to investment income at the time of write-down, sale, or maturity. Interest on non-matured investments will be accrued as earned. Premiums or discounts on securities will be amortized over the life of the securities. The City will comply with Government Accounting Standards Board (GASB) requirements.

Performance Evaluation

The performance of the City's portfolio shall be measured against the performance of the Oregon Local Government Investment Pool and the 90 day U.S. Treasury Bill rate, using the monthly net yields of both portfolios as the measuring tool.

Policy Review

This investment policy was written for the capabilities of the Finance staff employed by the City of Milwaukie. If a change in personnel in either the position of Finance Director or City Manager occurs, this policy must be reviewed and revised if necessary. If the policy is revised, it must be resubmitted to the Oregon Short Term Fund Board for review and comment and to the Milwaukie City Council for approval in a timely manner.

Savings Clause

In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated in this policy.

If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this policy only after written notification to the City Council and their subsequent approval of said changes.

Ethics And Conflicts Of Interest

Officers and employees in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor and City Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City.