

Investment of Funds

Scope

This investment policy applies to activities of the district with regard to investing the financial assets of all funds. Funds held and invested by trustees or fiscal agents are excluded from these rules; however, such funds are subject to the regulations established by the state of Oregon. This policy provides direction for the following funds:

1. General Fund;
2. Capital Projects Funds.

Funds of the district will be invested in compliance with the provisions of, but not necessarily limited to, Oregon Revised Statutes (ORS) 294.035 through 294.048, ORS 294.125 through 294.160, ORS 294.810 and other applicable statutes. Investments will be in accordance with these administrative regulations. Investment of any tax-exempt borrowing proceeds and any debt service funds will comply with the “arbitrage” restrictions of Section 148 of the Internal Revenue Code of 1986.

Objectives

The district’s investment objectives are:

1. Preservation of capital and the protection of investment principal;
2. Conformance with federal, state and other legal requirements;
3. Maintenance of sufficient liquidity to meet operating requirements;
4. Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions;
5. Attainment of a market rate of return throughout budgetary and economic cycles.

Delegation of Authority

The business manager is the designated investment officer of the district and is responsible for investment decisions, under the review of the Board. In the absence of the investment officer, the superintendent shall perform the duties. The investment officer is responsible for setting investment policy and guidelines subject to review and adoption by the Board and, if required, review and comment by the Oregon Short-Term Fund Board. Further, the business manager will be responsible for the day-to-day operations

of the investment process which includes, but is not limited to, choosing what to buy or sell, from whom investments will be purchased, executing the buy/sell orders, producing necessary reports and supervising staff. In addition to the active management of the investment portfolio, the business manager is responsible for the maintenance of other written administrative regulations consistent with Board policy and the requisite compliance. To further optimize the total return of the investment portfolio, the business manager will administer an active cash management program, the goal of which will maintain historical cash flow information, i.e., debt service, payroll, revenue receipts and any extraordinary expenditures. Finally, the business manager shall be responsible for committing adequate financial support for staffing, training, telecommunications and computer hardware, systems and software and any other necessary resources deemed appropriate for incremental benefit to the investment and cash management programs.

Prudence

The standard of prudence to be used by the business manager 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."

The business manager and 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 as soon as practical and that appropriate action is taken to control adverse developments.

Investment Diversification

The business manager will diversify the portfolio to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities.

Investment Maturity

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 proceeds and special assessment prepayments being held for debt retirement. Except for special situations, as directed by the business manager, investments shall be limited to maturities not exceeding 18 months (ORS 294.135).

Competitive Selection of Bids or Offers

Before the investment officer invests funds or sells securities prior to their maturity, competitive offers or bids will be sought from two institutions. The most favorable offer or bid will be awarded the transaction. No competitive offer will be sought for investment of bond proceeds if an investment firm has been awarded a contract.

Qualified Institutions

The investment officer shall maintain a list of all authorized broker/dealers and financial institutions which are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the district and, upon due consideration and approval, will be added to the list. Additions or deletions to the list will be made at the business manager's discretion. At the request of the district, the firms performing investment services shall provide their most recent financial statement or Consolidated Report of Condition (call report) for review. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with the district as specified by, but not necessarily limited to, the National Association of Securities Dealers (NASD), the Securities and Exchange Commission (SEC), etc. The district shall conduct an annual evaluation of each firm's credit worthiness to determine if it should remain on the list. Securities broker/dealers not affiliated with a bank shall be required to have an office located in Oregon and be classified as reporting dealers affiliated with the Federal Reserve as primary dealers.

Safekeeping and Collateralization

Purchased investment securities will be delivered by either Fed book entry, DTC or physical delivery, and held in third party safekeeping with a designated custodian. The trust department of a bank may be designed as custodian for safekeeping securities purchased from that bank. The purchase and sale of securities will be on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to the district listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, cusip number, purchase or sale price, transaction date and other pertinent information. Demand and time deposits shall be collateralized through the state collateral pool as required by statute for any excess over the amount insured by an agency of the United States government.

Monitoring and Adjusting the Portfolio

The business manager will routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

Internal Controls

The business manager shall maintain a system of written internal controls which shall be reviewed by the independent auditor annually or upon any extraordinary event, i.e., turnover of key personnel or the discovery of inappropriate investments. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation or imprudent actions.

Accounting Method

The district shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those 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).

Reporting Requirements

The investment officer shall generate reports for management purposes. In addition, the Board will be provided quarterly reports which will include, but not necessarily be limited to, portfolio activity, instruments held, market valuation, as well as any narrative necessary for adequate clarification.

Performance Evaluation

The performance of the district's portfolio shall be measured against the performance of the Oregon Local Government Investment Pool, using monthly net yield of both portfolios as the yardstick.

Investment Policy Adoption

This investment policy will be formally adopted by the Board. If investments exceeding a maturity of 18 months are contemplated, further review and comment by the Oregon Short-Term Fund Board will be sought and thereafter this policy will be readopted annually even if there are no changes (ORS 294.135 (1)(a)).