

RESOLUTION NO. 3700

A RESOLUTION ADOPTING A NEW INVESTMENT POLICY AND PORTFOLIO GUIDELINES FOR THE CITY OF ALBANY AND REPEALING RESOLUTION NO. 3038.

WHEREAS, ORS 294.135 requires municipalities purchasing securities with a maturity exceeding eighteen months to adopt a written investment policy annually; and

WHEREAS, the Oregon Short Term Fund Board advises that guidelines be approved for all municipalities investing their own funds; and

WHEREAS, the City's Investment Advisory Committee has recommended the approval of revised investment guidelines and has forwarded proposed guidelines to the Oregon Short Term Fund Board for their review and comment.

NOW, THEREFORE, BE IT RESOLVED that the Albany City Council adopts Exhibit A as the investment policy for the City of Albany's excess funds.

BE IT FURTHER RESOLVED that Resolution No. 3038 is hereby repealed.

DATED THIS 9TH DAY OF OCTOBER, 1996.



Mayor

ATTEST:




City Recorder

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**CITY OF ALBANY
INVESTMENT POLICY AND PORTFOLIO GUIDELINES**

The Investment Policy for the City of Albany shall apply to all funds with the exception of the Deferred Compensation Fund which is an accumulation of employee designated payroll funds. The Deferred Compensation Fund is managed for the City through contractual agreements with other parties. The Financial Services Coordinator (Deputy Recorder) is the portfolio manager and is under the supervision of the Finance Director.

INVESTMENT OBJECTIVES

The primary objectives to consider when investing the City's funds are listed below and are in priority order:

1. **Safety (preservation of capital)** - Each investment purchase shall be made so as to avoid unreasonable investment risk. This shall be obtained through diversification in securities deemed appropriate under Oregon Revised Statutes and by use of 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."
2. **Liquidity** - The investment portfolio shall remain sufficiently liquid to enable the City to meet all operating, capital, and debt service requirements which may be anticipated.
3. **Return on invested capital** - The target rate of return of the invested portion of the City portfolio shall be the 90-day U.S. Treasury Bill, although the portfolio manager shall strive to achieve a rate of return better than that of the Local Government Investment Pool.

While using the investment objectives as a framework for investments, the portfolio manager and all other participants in the investment of City funds, shall strive to act responsibly as custodians of the public trust.

DELEGATION OF AUTHORITY

The Financial Services Coordinator, as portfolio manager, will invest excess cash in accordance with the investment objectives and serve as staff representative to the City's Investment Advisory Committee. In the Financial Services Coordinator's absence, the Finance Director will manage the City's funds. If both are absent, the Finance Director will designate certain City staff to transfer funds between the City's general bank account and the Local Government Investment Pool.

INDEMNITY CLAUSE

The portfolio manager and other authorized investment personnel shall be relieved of personal responsibility for losses that may occur in the administration of this investment policy.

INTERNAL CONTROLS

Internal controls shall be reviewed annually by the City's independent auditors. These controls are designed to prevent loss of public funds due to fraud, error, misrepresentation by third parties, or imprudent actions by employees or officers of the City.

INVESTMENT ADVISORY COMMITTEE

A four-member investment advisory committee was established to assist the portfolio manager in the development of an overall strategy using such factors as the current economic outlook, the City's current Investment Policy, and the potential risks to the City's funds. The Committee, in accordance with Resolution No. 2553 which established the Investment Advisory Committee, will review and recommend changes to this policy, review daily investment procedures, and be notified of additions and deletions to the list of approved securities for investment.

REPORTING REQUIREMENTS

In accordance with ORS 294.155, the portfolio manager will present to the City's Finance/Municipal Court Committee a Portfolio and Earnings Report which lists holdings of securities at month-end, the average return on investment (yield), and a percentage breakdown of investment instruments. The Portfolio and Earnings Report will also be submitted to the Investment Advisory Committee at its semi-annual meeting. The Albany City Council will receive this same report along with minutes from the most recent Investment Advisory Committee meeting. Investments are reviewed by the City's independent auditors and a report of their findings is included in the Comprehensive Annual Financial Report.

INVESTMENT LIMITATIONS

Investments listed below shall not exceed the percentages of the total portfolio as indicated. Each investment type shall be restricted to the list of approved investments under ORS 294.035, which is maintained by the State Treasurer.

	<u>Maximum % of Portfolio</u>	<u>Maximum Maturity</u>
U.S. Treasury Bills, Notes, Strips, and Bonds (and obligations secured by U.S. Treasury)	100%	18 months
U.S. Government Agency Discount Notes and Bonds	75	18 months
Bankers Acceptances (Oregon Issued) (1)	50	18 months
Corporate Indebtedness (A1/P1, AA, Nat'l Mkt.) (2)	25*	9 months
Single issuer	5	9 months
Corporate Indebtedness (A2/P2, A or better, Oregon Issue) (3)	25*	9 months
Single issuer	10	9 months
Time Certificates of Deposit - Commercial Banks (4)	25	One year
Repurchase Agreements (5)	25	10 days
Local Government Investment Pool (6) (up to statutory limit of \$20,000,000)	90	

Bankers Acceptances

All Bankers Acceptances will be purchased from Oregon institutions and must be eligible for discount by the Federal Reserve System. The combination of Bankers Acceptances and Time Certificates of Deposit with any one financial institution shall not exceed 35% of the portfolio.

Corporate Indebtedness - (National Market)

Investment in commercial paper and bonds of an issuer not in Oregon (National Market) must not exceed 25% of total portfolio, must not exceed 5% of portfolio in any one issuer, must mature within nine months, and must be rated AA/Aa (bonds) or A1/P1 (commercial paper) or better.

Corporate Indebtedness - (Oregon issuer)

Investment in Oregon issued commercial paper and bonds must not exceed 25% of the total portfolio, must not exceed 10% of portfolio in any one issuer, must mature within nine months, and must be rated "A" (bonds) or A2/P2 (commercial paper) or better.

Corporate indebtedness in both Oregon issuer and the national market may not exceed 35% of the portfolio.

Time Certificates of Deposit - (Commercial Banks)

All Time Certificates of Deposit will be purchased from Oregon institutions. Investment in any one institution shall not exceed 15% of portfolio. As required in ORS 295, the portfolio manager is responsible for ensuring

that Collateral Pool Certificates have been issued by the institution which are sufficient to cover deposits exceeding FDIC insurance coverage.

Repurchase Agreements

Repurchase Agreements shall be secured by U.S. Government and U.S. Agency Debt Obligations, and will be held in safekeeping at the issuing institution's trust department.

Local Government Investment Pool

The maximum amount of funds to be invested will be \$20,000,000 as allowed by Oregon Revised Statutes.

MATURITY STRUCTURE

Investment maturities will be staggered so as to coincide with projected cash flow needs (payroll, bond payments, accounts payable, etc.) as well as considering cash collections (taxes, franchise fees). The portfolio manager shall also consider current market conditions when considering the average length of maturity of the portfolio. Maturities shall not exceed 18 months, unless otherwise approved by the Albany City Council. The following maturity schedule may also assist the portfolio manager when considering a securities maturity date.

Under 30 days	10% maximum
31-90 days	25% maximum
91-180 days	50% maximum
181-360 days	80% maximum
under 18 months	100%

AUTHORIZED FINANCIAL INSTITUTIONS

A list of authorized financial institutions shall be maintained by the portfolio manager. Additions to this list may be made by the portfolio manager after notification to the Finance Director. Deletions from this list may be made for continued lack of competitiveness or inadequate service to the City.

COLLATERAL AND SAFEKEEPING REQUIREMENTS

Time Certificates of Deposit will be held in the vault of the City of Albany. Securities purchased from financial institutions will be held in third party safekeeping by the institution's trust department. Repurchase agreements longer than five business days will require third party safekeeping. All repurchase agreements require a master repo agreement. Certificates of Deposit must be collateralized through the State collateral pool in accordance with Oregon Revised Statutes.

ACCOUNTING METHOD

All investments will be carried at cost. Gains or losses from investment sales will be credited or debited to investment income at the time of sale. All other procedures will comply with Government Accounting Standards board requirements.

REVIEW OF POLICY

The Investment Advisory Committee will review this policy as changes are required and then refer it to the Oregon Short Term Fund Board for review and the Albany City Council for adoption.

Appendix A

List of Authorized Financial Institutions

- 1. First Interstate Bank of Oregon**
- 2. U.S. National Bank of Oregon**
- 3. Bank of America, Oregon**
- 4. Key Bank of Oregon**
- 5. Seafirst National Bank of Washington**