



RESOLUTION NO. 6838

A RESOLUTION ADOPTING AN INVESTMENT POLICY, AND REPEALING RESOLUTION NO. 6745

WHEREAS, ORS Section 294. 135 requires cities to periodically review their written investment policies; and

WHEREAS, changes previously suggested by GFOA and OSTFB have been incorporated into the City's Investment Policy; and

WHEREAS, the City Council received an annual report from the City's investment advisor, Government Portfolio Advisors, on November 4, 2019, and discussed language and recommended changes in the policy; and

WHEREAS, the investment policy was updated.

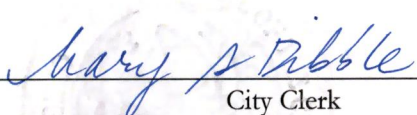
NOW, THEREFORE, BE IT RESOLVED by the Albany City Council that Exhibit A is adopted as the Investment Policy for the City of Albany; and

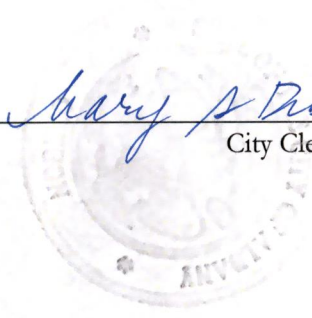
BE IT FURTHER RESOLVED that Resolution No. 6745 is hereby repealed.

DATED AND EFFECTIVE THIS 6<sup>TH</sup> DAY OF NOVEMBER 2019.

  
\_\_\_\_\_  
Mayor


ATTEST:

  
\_\_\_\_\_  
City Clerk



# City of Albany Investment Policy



	<p><b>City of Albany</b> Finance Policy Policy #: F-06-08-010 Title: Investment Policy</p>	
---	--	--

# TABLE OF CONTENTS

- I. INTRODUCTION .....3
- II. GOVERNING BODY.....3
- III. SCOPE .....3
- IV. OBJECTIVES AND STRATEGY .....4
  - 1. Safety of Principal
  - 2. Liquidity
  - 3. Yield-Return
- V. STANDARDS OF CARE .....4
  - 1. Delegation of Investment Authority
  - 2. Prudence
  - 3. Ethics and Conflict of Interest
- VI. AUTHORIZED FINANCIAL INSTITUTIONS .....5
  - 1. Broker/Dealer Approval Process
  - 2. Investment Advisor Process
  - 3. Financial bank Institutions
  - 4. Competitive Transactions
- VII. SAFEKEEPING AND CUSTODY, CONTROLS.....7
  - 1. Safekeeping and Custody Securities
  - 2. Safekeeping of Funds at Bank Depositories
  - 3. Accounting Methods
  - 4. Pooling of Funds
  - 5. Internal Controls
- VIII. AUTHORIZED AND SUITABLE INVESTMENTS .....8
  - 1. Authorized Investments
  - 2. Suitable Investments
  - 3. Collateralization
- IX. INVESTMENT PARAMETERS .....10
  - 1. Diversification
  - 2. Investment Maturity
  - 3. Prohibited Investments
- X. INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE .....12
- XI. INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENTS .....13
- XII. POLICY COMPLIANCE AND PERFORMANCE EVALUATION.....13
  - 1. Compliance Report
  - 2. Compliance Measurement and Adherence
  - 3. Performance Measurement
- XIII. REPORTING REQUIREMENTS.....14
- XIV. INVESTMENT POLICY ADOPTION BY GOVERNING BOARD .....14

## **I. POLICY STATEMENT**

It is the policy of the City of Albany to proactively identify and manage the inherent risks of providing municipal services. Potential losses will be mitigated through employee safety committees, loss prevention programs, property and liability insurances, workers' compensation, and employee health, life, and disability benefits.

## **II. GENERAL RESPONSIBILITIES**

The City Council has responsibility to set the control environment for the organization based on integrity and ethical values. The internal controls that support the control environment are tested on an annual basis by an independent auditor and reported to the City's Audit Committee.

Each employee of the City is responsible to contribute to a safe environment for all employees and the public. Employees should help identify and correct unsafe conditions and should follow all established safety laws, policies, and practices. In addition, employees have a responsibility to report any instance of fraud, waste, abuse, or unethical behavior to management or to the City Council.

The City Manager and department directors are responsible to protect the City of Albany's assets by identifying and managing risks. Primary objectives include containing costs, minimizing accidents and injuries to employees and the public, reducing the frequency and severity of property loss, and promoting a healthy employee workforce and working environment.

Department directors are responsible for managing the risks of operations in their respective departments. They ensure that effective safety and loss prevention programs are implemented and oversee the investigation of claims and losses.

Department directors coordinate their efforts with the Accounting Supervisor who acts as the City's Risk Manager. The Risk Manager is responsible for facilitating claims processing and working closely with third party property and liability insurers.

The City Manager may choose to retain professional advisors, consultants, insurers, brokers, and agents of record to assist the City in placing appropriate insurances and developing effective safety and loss prevention programs.

## **III. SPECIFIC RESPONSIBILITIES**

1. **Human Resources Director.**
  - a. Coordinate and promote city-wide employee wellness programs.
  - b. Manage the City's worker's compensation and health insurance programs to contain costs and promote safety and wellness for employees and their families.
2. **Finance Director.**
  - a. Recommend appropriate levels of property and general liability insurance to the City Manager and City Council.
  - b. Coordinate periodic inventories of all property, buildings, equipment, vehicles, and other capital assets and verify that appropriate insurance is in place.
  - c. Maintain policies, bonds, and other legal documentation of insurance.
  - d. Provide an annual report to the City Council showing claims experience and the costs of insurance programs.

## **I. INTRODUCTION**

The City of Albany, (hereinafter referred to as "Albany" or "City") was founded in 1848. Albany is the eleventh largest city in the state of Oregon, and is the county seat of Linn County. Albany has a home rule charter and is a Council-Manager form of government where the full time appointed City Manager administers the day-to-day operations and is the chief administrative officer of the City.

The average monthly balance of funds invested in the City's general portfolio and project funds is between \$70,000,000 and \$90,000,000. The highest balances occur when taxes are collected.

## **II. GOVERNING BODY**

It is the policy of the City of Albany that the administration of its funds and the investment of those funds shall be handled with the highest public trust. Investments shall be made in a manner that will assure security of principal. Parameters will be set to limit maturities and increase diversification of the portfolio while meeting the daily cash flow needs of the City and conforming to all applicable state and City requirements governing the investment of public funds. The receipt of a market rate of return will be secondary to safety and liquidity requirements. It is the intent of the City to be in complete compliance with local, state, and federal law. The earnings from investments will be used in a manner that best serves the public trust and interests of the City.

All funds within the scope of this policy are subject to regulations established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

## **III. SCOPE**

This policy applies to activities of the City of Albany with regard to investing the financial assets of all funds. Funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the state of Oregon.

The City commingles its daily cash into one pooled investment fund for investment purposes of efficiency and maximum investment opportunity. The following funds, and any new funds created by the City, unless specifically exempted by the City Council and this policy, are defined in the City's Comprehensive Annual Financial Report:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Enterprise Funds
- Internal Service Funds
- Permanent Funds

These funds will be invested in compliance with the provisions of all applicable Oregon Revised Statutes (ORS). Investments of any tax-exempt borrowing proceeds and any related Debt Service funds will comply with the arbitrage restrictions in all applicable Internal Revenue Codes.

#### **IV. OBJECTIVES AND STRATEGY**

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in the following order of priority:

**1. Safety of Principal**

- Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- Diversification of the portfolio will include diversification by maturity and market sector and will include the use of multiple broker/dealers for diversification and market coverage.

**2. Liquidity**

The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.

**3. Yield-Return**

The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow of the portfolio. "Market rate of return" may be defined as the average yield of the current three-month U.S. Treasury bill or any other index that most closely matches the average maturity of the portfolio.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

#### **V. STANDARDS OF CARE**

**1. Delegation of Investment Authority**

- a. Investment Officer. The Finance Director, acting on behalf of the City Council, is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. The Council is responsible for considering the quality and capability of investment advisors and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy, and in accord with the

Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio.

- b. Investment Advisor. The City may enter into contracts with external investment management firms on a non-discretionary basis.

If an investment advisor is hired, the adviser will serve as a fiduciary for the City and comply with all requirements of this Investment Policy. Exceptions to the Investment Policy must be disclosed and agreed upon in writing by both parties. The Investment Officer remains the person ultimately responsible for the prudent management of the portfolio.

- c. Staff Designation. The Investment Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

## **2. Prudence**

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard 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 expected income to be derived."*

## **3. Ethics and Conflict of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers, and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with the state of Oregon Government Ethics as set forth in ORS 244.

# **VI. AUTHORIZED FINANCIAL INSTITUTIONS**

## **1. Broker/Dealer Approval Process**

The Investment Officer shall maintain a list of all authorized brokers/dealers and financial institutions that are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the City of Albany and upon due consideration and approval will be added to the list. Additions and deletions to the list will be made at the discretion of the Investment Officer.

At the request of the City of Albany, the firms performing investment services shall provide their most recent financial statements or Consolidated Report of Condition for review. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of the brokers/dealers who will have contact with the City of Albany as specified by, but not necessarily limited to the Financial Industry Regulatory Authority (FINRA), Securities and Exchange Commission

(SEC), etc. The Investment Officer shall conduct an annual evaluation of each firm's credit worthiness to determine if it should remain on the list.

- a. Broker/Dealer firms must meet the following minimum criteria:
  - i. Be registered with the Securities and Exchange Commission (SEC);
  - ii. Be registered with the Financial Industry Regulatory Authority (FINRA).
  - iii. Provide most recent audited financials.
  - iv. Provide FINRA Focus Report filings.
- b. Approved broker/dealer employees who execute transactions with the City must meet the following minimum criteria:
  - i. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
  - ii. Be licensed by the state of Oregon;
  - iii. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.

If the City hires an investment advisor to provide investment management services, the Advisor is authorized to transact with its direct dealer relationships on behalf of the City. A list of approved dealers must be submitted to the investment officer prior to transacting business. The investment officer can assign the responsibility of broker/dealer due diligence process to the Advisor, and all licensing information on the counterparties will be maintained by the Advisor and available upon request.

The advisor broker/dealer review should include:

- i. FINRA Certification check
- ii. Firm Profile
- iii. Firm History
- iv. Firm Operations
- v. Disclosures of Arbitration Awards, Disciplinary and Regulatory Events
- vi. State Registration Verification
- vii. Financial review of acceptable FINRA capital requirements or letter of credit for clearing settlements.

The advisors must provide the City with any changes to the list prior to transacting on behalf of the City.

## **2. Investment Advisor**

An Investment Advisor may be selected through a competitive RFP process and must meet the following criteria:

- a. The investment advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon if assets under management are less than \$100 million.
- b. All investment advisor firm representatives conducting investment transactions on behalf of the City must be registered representatives with FINRA.
- c. All investment advisor firm representatives conducting investment transactions on behalf of the City must be licensed by the state of Oregon. Factors to be considered when hiring an investment advisory firm may include, but are not limited to:
  - i. The firm's major business



- ii. Ownership and organization of the firm
- iii. The background and experience of key members of the firm, including the portfolio manager expected to be responsible for the City's account
- iv. The size of the firm's asset base, and the portion of that base which would be made up by the City's portfolio if the firm were hired
- v. Management fees
- vi. Cost analysis of the adviser
- vii. Performance of the investment advisory firm, net of all fees, versus the Local Government Investment Pool over a given period of time

A periodic (at least annual) review of all authorized investment advisors will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. The Investment Advisor must notify the City immediately if any of the following issues arise while serving under a City contract:

- a. Pending investigations by securities regulators.
- b. Significant changes in net capital.
- c. Pending customer arbitration cases.
- d. Regulatory enforcement actions.

### **3. Financial Bank Institutions**

All financial banks that provide bank deposits, certificates of deposits or any other deposit of the bank to the City must either be fully covered by the FDIC or the bank must be a participant of the Public Funds Collateralization Program (PFCP). ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the PFCP. Bank depositories are required to pledge collateral against any public fund deposits in excess of deposit insurance amounts. The PFCP provides additional protection for public funds in the event of a bank loss.

### **4. Competitive Transactions**

The Investment Officer will obtain telephone, faxed or emailed quotes before purchasing or selling an investment. The Investment Officer will select the quote which best satisfies the investment objectives of the investment portfolio within the parameters of this policy. The Investment Officer will maintain a written record of each bidding process including the name and prices offered by each participating financial institution.

In the instance of a security which there is no readily available competitive bid or offering on the same specific issue, the Investment Officer shall document quotations for comparable or alternative securities.

The investment advisor must provide documentation of competitive pricing execution on each transaction. The advisor will retain documentation and provide upon request.

## **VII. SAFEKEEPING AND CUSTODY, CONTROLS**

### **1. Safekeeping and Custody Securities**

The laws of the state and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by the City, an independent third-party financial institution, or the City's designated depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The approved broker/dealer or investment advisor shall provide the City with a confirmation ticket listing the specific instrument, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, and other pertinent information. The broker/dealer which executes the transaction on the City's behalf shall deliver all securities on a delivery versus payment method to the designated third party trustee at the direction of the Investment Officer. The City will have online access through the safekeeping bank for verification of the account holdings and transactions.

**2. Safekeeping of Funds at Bank Depositories**

The City may hold bank deposits or certificates of deposits at banks qualified under ORS 295.

**3. Accounting Methods**

The City 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 Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).

**4. Pooling of Funds**

Except for cash in certain restricted and special funds, the City will consolidate balances from all funds to maximize investment opportunities. Investment income will be allocated to the various funds based on their respective participation and in accordance with Generally Accepted Accounting Principles.

**5. Internal Controls**

The City will maintain a structure of internal controls sufficient to assure the safekeeping and security of all investments. All out of compliance situations under this policy will be corrected and brought into compliance as soon as prudently possible.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, wire transfers, banking services contracts, and other investment-related activities.

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the Council.

## **VIII. AUTHORIZED AND SUITABLE INVESTMENTS**

**1. Authorized Investments**

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.052 (Definitions; investment

by municipality of proceeds of bonds), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

## **2. Suitable Investments**

The City will diversify investments across maturities, security types and institutions to avoid incurring unreasonable risks.

This policy recognizes S&P and Moody's as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).

In the case of split ratings, where the major NRSROs issue different ratings, the lower rating shall apply. Minimum credit ratings and percentage limitations apply to the time of purchase.

The City has further defined the eligible types of securities and transactions as follows:

**U.S. Treasury Obligations:** Direct obligations of the United States Treasury whose payment is guaranteed by the United States. [ORS Section 294.035(3)(a)]

**US Agency Obligations - Primary:** Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE) that have actively traded markets and provide a higher level of liquidity. These include: Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and the Federal Farm Credit Bureau (FFCB).

**US Agency Obligations - Secondary:** Other US government sponsored enterprises that are less marketable are considered secondary GSEs. They include, but are not limited to: Private Export Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation, (Farmer Mac).

**Municipal Bonds:** Lawfully insured debt obligations of the States of Oregon, California, Idaho, and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by S&P or Aa3 or better by Moody's.

**Corporate Bonds:** Corporate indebtedness must be rated on the settlement date Aa3 or better by Moody's Investors Service or AA- or better by S&P [ORS Section 294.035 (3) (B)].

**Commercial Paper:** Commercial Paper that is rated A1+/P1 and has long term bonds which have a minimum rating of AA- by Standard and Poor's and Aa3 by Moody's. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer.

**Bank Time Deposit/Savings Account:** Time deposit open accounts or savings accounts in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

**Certificates of Deposit:** Certificates of deposit in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006, or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

**Bankers' Acceptance:** A short-term credit investment created by a non-financial firm and guaranteed by a qualified financial institution\* whose long-term letter of credit rating is at least AA- by Standard and Poor's or Aa3 by Moody's at the time of purchase. [ORS 294.035(3)(h)(A)]

**Oregon Intermediate Fund:** The Oregon Local Government Intermediate Fund (OLGIF) is a commingled investment pool for local governments offered by Oregon State Treasury due to Legislation HB2140 and pursuant to ORS Chapter 294. OLGIF provides qualified local government participants with a vehicle to invest assets over an intermediate time horizon (three to five years).

**Local Government Investment Pool:** State Treasurer's local short-term investment fund up to the statutory limit per ORS Section 294.810.

\*For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon [ORS Section 294.035(3)(h)].

### **3. Collateralization**

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the Public Funds Collateralization Program in accordance with ORS Section 295.018. All depositories must be on the State of Oregon's qualified list. Additional collateral requirements may be required if the Investment Officer deems increased collateral is beneficial to the protection of the monies under the City's management.

## **IX. INVESTMENT PARAMETERS**

### **1. Diversification**

The City will diversify the investment portfolio to avoid incurring unreasonable risks, both credit and interest rate risk, inherent in over investing in specific instruments, individual financial institutions or maturities.

**DIVERSIFICATION CONSTRAINTS ON TOTAL HOLDINGS:  
LIQUIDITY AND CORE FUNDS**

<b>Issue Type</b>	<b>Maximum % Holdings</b>	<b>Maximum % per Issuer</b>	<b>Ratings S&amp;P</b>	<b>Ratings Moody's</b>
US Treasury Obligations	100%	None	N/A	N/A
US Agency Primary Securities FHLB, FNMA, FHLMC, FFCB	100%	33%	N/A	N/A
US Agency Secondary Securities FICO, FARMER MAC etc.	10%	10%	Security must be rated	Security must be rated
Municipal Bonds (OR, CA, ID, WA)	10%	5%	AA-	Aa3
Corporate Bonds	35%*	5%**	AA-	Aa3
Commercial Paper			A1+	P1
Bank Time Deposits/Savings Accounts	20%	10%	Oregon Public Depository	Oregon Public Depository
Certificates of Deposit	10%	5%	Oregon Public Depository	Oregon Public Depository
Banker's Acceptance	10%	5%	A1+ AA-Underlying	P1 Aa3 Underlying
Oregon Intermediate Fund	10%	None	N/A	N/A
Oregon Short Term Fund	Maximum allowed per ORS 294.810	None	N/A	N/A

\*35% maximum combined corporate and commercial paper per ORS.

\*\*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

**2. Investment Maturity**

The City will not directly invest in securities maturing more than five (5) years from the date of purchase.

- a. The maximum weighted maturity of the total portfolio shall not exceed 1.5 years. This maximum is established to limit the portfolio to excessive price change exposure.
- b. Liquidity funds will be held in the State Pool or in money market instruments maturing six months and shorter. The liquidity portfolio shall, at a minimum, represent three months budgeted outflows.
- c. Core funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5 years and will be only invested in high quality and liquid securities.

**Total Portfolio Maturity Constraints:**

<b>Maturity Constraints</b>	<b>Minimum % of Total Portfolio</b>
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
<b>Maturity Constraints</b>	<b>Maximum of Total Portfolio in Years</b>
Weighted Average Maturity	1.50
<b>Security Structure Constraint</b>	<b>Maximum % of Total Portfolio</b>
Callable Agency Securities	25%

Reserve or Capital Improvement Project monies may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds

**3. Prohibited Investments**

- **Private Placement or “144A” Securities:** The City shall not invest in “144A” private placement securities, this includes commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.
- **Securities Lending:** The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- **14 Day Settlement:** The City shall not purchase securities with a delayed settlement in excess of 14 business days per ORS statute.
- **Derivates or Reverse Repurchase:** The purchase of derivatives and use of reverse repurchase agreements are specifically prohibited by this policy.
- **Mortgage-Backed Securities:** The City shall not purchase mortgage-backed securities.
- **Equity Securities:** The city is not allowed to buy equity securities by statute.

**X. INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE**

Investments of bond proceeds are restricted further and will not include corporate bonds in the dedicated bond proceed portfolio. All other allowable investments including: US Treasury, US Agency and Commercial Paper may be utilized. The investments will be made in a manner to match cash flow expectations based on managed disbursement schedules.

Liquidity for bond proceeds will be managed through the OSTF Pool or Bank deposit balances.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and maturity matched with expected outflows.

Information will be maintained for arbitrage rebate calculations.

## **XI. INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENTS**

Pursuant to ORS 294.135(1)(b), reserve or capital improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

## **XII. POLICY COMPLIANCE AND PERFORMANCE EVALUATION**

### **1. Compliance Report**

A compliance report shall be maintained quarterly to document the portfolio versus the investment policy.

### **2. Compliance Measurement and Adherence**

- a. Compliance Measurement: Guideline measurements will use [par/market] value of investments.
- b. Compliance Procedures: If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
- c. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the City Council.
- d. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.
- e. As determined on any date that the security is held within the portfolio. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Officer will apply the general objectives of Safety, Liquidity, Yield, and Legality to make the decision. If the City has hired the services of an Investment Advisor, the Investment Officer will act on the recommendation of the Adviser.

### **3. Performance Measurement**

The performance of the City of Albany will be measured against the performance of the Local Government Investment Pool, using monthly net yield of both portfolios as the yardstick. Preservation of capital and maintenance of sufficient liquidity will be considered prior to attainment of market return performance. Given these considerations, the City's portfolio should provide a net yield that is equal or better to that attained by the Local Government Investment Pool over interest rate cycles.

Additionally, a market benchmark will be determined that is appropriate for longer term investments based on the City's risk and return profile. The benchmark used will be a 0-3 year or 0-5 year standard market index and comparisons will be calculated monthly and reported

quarterly. The investment advisor will provide return comparisons of the portfolio to the benchmark on a monthly basis. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return. This would include any in-house management of the funds, as well as outside management.

### **XIII. REPORTING REQUIREMENTS**

The Investment Officer shall submit quarterly and annual reports to the local governing board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. More frequent reports may be provided when market conditions merit or if requested by the governing board.

Minimum quarterly reporting requirements for total portfolio:

- Earnings Yield
- Holdings Report (including mark to market)
- Transactions Report
- Weighted Average Maturity or Duration
- Compliance Report

### **XIV. INVESTMENT POLICY ADOPTION BY GOVERNING BOARD**

This investment policy will be formally adopted by the Albany City Council. The policy shall be reviewed on an annual basis by the Investment Officer and the Albany City Council. Material revisions to this policy will require a review by the Oregon Short Term Fund Board, pursuant to ORS.

Supersedes: Res No. 6745	Created/Amended by/date: November 4, 2019	Effective Date: November 6, 2019	Reviewed by Council: November 4, 2019
-----------------------------	---	-------------------------------------	--