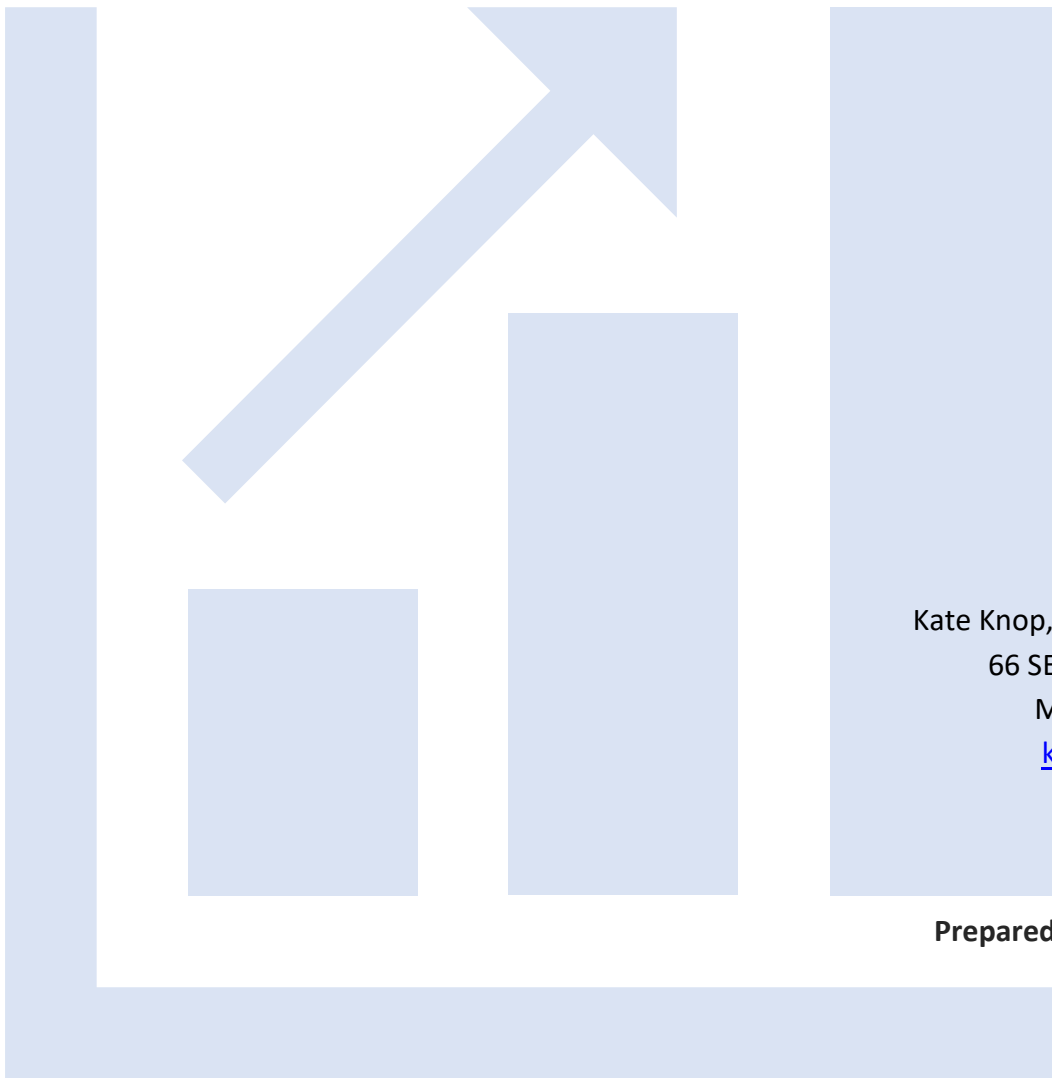


# Jefferson County

## Investment Policy

Fiscal Year 2023 - 2024



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## **1. INTRODUCTION**

Jefferson County, Oregon (hereinafter referred to as the County) was incorporated in 1914 and operates under the Board of Commissioners form of government. The Board is responsible, among other things, for passing ordinances, adopting the budget and appointing committees. Jefferson County has a population of 24,790 and may invest funds voluntarily for public bodies (ORS 294.035) (hereinafter referred to as Participants) that are within the County.

It is the policy of the Jefferson County appointed Custodial Officer to invest public funds in a manner which will provide the County with a market rate of return, while preserving principal and meeting the daily cash flow demands of Jefferson County. This policy conforms to federal, state and local statutes governing the investment of public funds.

## **2. GOVERNING AUTHORITY**

The County Custodial Officer is entrusted under Oregon Law with the investment of funds for the County and public bodies (as defined in ORS 287A.001) within the County, when so directed by written order from the governing body. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145 and 294.810. 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. These guidelines and policies further define investment procedures for the Jefferson County Custodial Officer.

## **3. SCOPE**

The purpose of this policy is to provide mandatory rules and specific guidelines for the County Custodial Officer and County Investment Committee to follow in the managing, investing and making available the monies of Jefferson County. This policy provides a safeguard that investment management of money will conform to Federal and State regulations and Standards.

- a) The County will pool funds with the exception of cash in certain restricted and special funds.
- b) The County will consolidate balances from all funds to achieve market rates of investment earnings, share in costs of investment management and provide for a disciplined investment program.
- c) Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. The goal of the County pool is to enable participants to earn market yields from prudent investments, while minimizing risks and maintaining sufficient liquidity to meet cash demands. Pooling of smaller sums of cash for investment purposes enables greater flexibility for investment decisions and higher net interest earnings.
- d) The Custodial Officer will have written authorization from the governing body of all pool participants allowing the County to manage and invest funds.

## 4. OBJECTIVES

The County's principal investment objectives in order of priority are:

### 4.1 Safety:

- Preservation of capital and protection of investment principal.
- Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.

### 4.2 Liquidity:

- Maintenance of sufficient liquidity to meet operating requirements that are reasonably anticipated.

### 4.3 Yield – Return:

- Attainment of a market value rate of return throughout budgetary and economic cycles.

The Custodial Officer will routinely monitor the portfolio holdings and evaluate overall market conditions. The portfolio may be periodically adjusted as market conditions change to comply with the County's objectives of safety, liquidity and achievement of market rates of return.

## 5. STANDARDS OF CARE

### 5.1 Delegation of Authority

- Governing Body:* The ultimate responsibility and authority for the investment of County funds resides with the Board of Commissioners. The Board hereby designates the Custodial Officer to manage the investment program and ensure compliance with this investment policy, designate eligible investment institutions, review periodic reports and monitor investment transactions, subject to restrictions in subsection (c). The Custodial Officer shall invest County funds in accordance with ORS Chapter 294 and with this Investment Policy. This Policy shall constitute a "written order" from the Board of Commissions per ORS 294.035.
- Investment Committee:* The Investment Committee shall consist of the three (3) County Commissioners, County Administrative Officer, and the Custodial Officer.
- The Custodial Officer is limited to authorize discretion in all investment purchases under \$1,000,000 par value and redeeming investments under \$3,000,000 par value. The purchases must be aligned with the Investment Committee's approved investment strategy and be a proposed option by the Investment Advisor. All transactions will be reported at the next scheduled Investment Committee meeting. Investment strategic purchases relating to maturity and issuers greater than \$1,000,000 and redeeming investments greater than \$3,000,000 requires a majority vote of the Investment Committee.
- Investment Advisor:* Subject to required procurement procedures, the County may engage the support services of outside professionals in regard to its financial program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage or necessary financial protection of the County's resources. External investment advisors shall be subject to Oregon Revised Statutes and the provisions of this Investment Policy. The Custodial Officer can delegate certain roles of the investment program to the investment advisor through contracted scope of service.

- e. In order to optimize total return through active portfolio management, resources shall be allocated to the cash management program. This commitment of resources shall include financial and staffing considerations.
- f. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Custodial Officer.

## **5.2 Prudence:**

The standard of prudence to be used, by the Custodial Officer and Investment Committee, in the context of managing the overall portfolio is the prudent investor rule which states:

“Investments will 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 Custodial Officer and Investment Committee and staff acting in accordance with this Investment Policy, written procedures, and Oregon Revised Statutes 294.035 and 294.040 and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change or other loss in accordance with ORS 294.047.

## **5.3 Ethics:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244. Jefferson County also maintains written policies on standards of conduct and conflicts of interest.

# **6. AUTHORIZED FINANCIAL INSTITUTIONS**

The County shall maintain a list of all authorized financial institutions and dealers that are approved for investment purposes of transacting investment purchases and sales. Any firm is eligible to make an application to the Custodial Officer and upon due consideration and approval, will be added to the list. Additions and deletions to the list will be made at the Custodial Officer's discretion. All qualified institutions shall provide insurance covering invested County funds. Such insurance may include FDIC, FSLIC and SIPC. 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 Jefferson County as specified by, but not necessarily limited to the Financial Industry Regulatory Authority (FINRA), Securities and Exchange Commission (SEC), etc.

## **6.1 Broker/Dealers:**

Primary and secondary dealers must be registered with FINRA and meet the Securities and Exchange Commission (SEC) rule 15c3-1 (uniform net capital rule). The Custodial Officer will periodically review the approved list for due diligence regarding financial condition, registration and ethical conduct. If

the County's investment advisor is contracted to provide securities transactions on behalf of the County, the advisor's broker/dealer list must be provided to the Custodial Officer for approval.

The Custodial Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives. The following minimum criteria must be met prior to authorizing investment transactions. The Custodial Officer may impose more stringent criteria.

- 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 County 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.
  
- c. If the County's investment advisor is contracted to provide securities transactions on behalf of the County, the advisor's broker/dealer list must be provided to the Custodial Officer for approval. The Custodial 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 County with any changes to the list prior to transacting on behalf of the County.

## **6.2 Financial Bank Institutions:**

All financial banks that provide bank deposits, certificates of deposits or any other deposit of the bank to the County must either be fully covered by the FDIC or the bank must be a participant of the Public Funds Collateralization Program (PFCP) program. ORS Chapter 295 governs the collateralization of

Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Bank depositories are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss. ORS Chapter 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS Chapter 295 creates a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected.

### **6.3 Investment Advisors:**

- a. The investment advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon; (Note: Investment advisor firms with assets under management > \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon);
- b. All investment advisor firm representatives conducting investment transactions on behalf of County must be registered representatives with FINRA;
- c. All investment advisor firm representatives conducting investment transactions on behalf of County must be licensed by the state of Oregon;

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

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

### **6.4 Competitive Transactions:**

The Custodial Officer will obtain telephone, faxed or emailed quotes before purchasing or selling an investment, subject to the restrictions in 5.1.c. The Custodial Officer and Investment Advisor will select the quote which best satisfies the investment objectives of the investment portfolio within the parameters of this policy. The Custodial Officer will maintain a written record of each bidding process including the name and prices offered by each participating financial institution.

If the County hires an investment advisor to provide transactional services, the advisor must provide documentation of competitive pricing execution on each transaction to the Custodial Officer. The investment advisor will retain historical documentation and provide upon request.

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

## **7. SAFEKEEPING AND CUSTODY**

### **7.1 Safekeeping of Securities and Delivery vs. Payment:**

Securities purchased by the County shall be held in a segregated account for the County's benefit at a third party trustee as safekeeping agent. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16. The approved broker/dealer or the investment advisor shall provide the County 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 that executes the transaction on the County's behalf shall deliver all securities on a delivery versus payment method to the designated third party trustee at the direction of the Custodial Officer.

All trades of marketable securities will be executed on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the County's safekeeping institution prior to the release of funds. The County will have online access through the safekeeping bank for verification of the account holdings and transactions.

### **7.2 Bank Deposits and Certificates of Deposit:**

The County may hold bank deposits or certificates of deposits at banks that participate in the Public Funds Collateralization Program (PFCP) which ORS Chapter 295 governs and provides the statutory Requirements for the PFCP.

### **7.3 Accounting Method:**

The County 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).

### **7.4 Internal Controls:**

The Custodial Officer shall maintain a system of written internal controls designed to reasonably assure that invested funds are invested within the parameters of this investment policy and, protected from loss, theft or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated periodically by the [Investment Committee or Board of Commissioners?].

The internal controls shall address the following points at a minimum:

- i. Compliance with Investment Policy
- ii. Control of collusion
- iii. Separation of transaction authority from accounting and record keeping
- iv. Custodial safekeeping
- v. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
- vi. Clear delegation of and limits on authority given to subordinate staff members



- vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
- viii. Dual authorizations of wire and automated clearing house (ACH) transfers
- ix. Staff training
- x. Review, maintenance and monitoring of security procedures both manual and automated

An external auditor shall provide an annual independent review to assure compliance with Oregon state law and County policies and procedures.

## **8. AUTHORIZED AND SUITABLE INVESTMENTS**

### **8.1 Authorized Investments:**

All investments of the County 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 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer including not committing to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement), ORS 294.805 to 294.895 (Local Government Investment Pool). Bond proceeds may be invested under guidance of ORS 294.052.

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Policy has been amended and the amended version adopted by the Board of Commissioners.

### **8.2 Suitable Investments:**

Minimum credit ratings and percentage limitations apply to the time of purchase.

The County is empowered to invest in the following types of securities:

**US Treasury Obligations:** U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest [ORS Section 294.035(3)(a)].

**US Agency Obligations:** Federal agency and instrumentalities of the United States or enterprises sponsored by the United States Government (GSEs) and whose payment is guaranteed by the United States, the agencies and instrumentalities of the United states or enterprises sponsored by the United States Government [ORS Section 294.035(3)(a)].

**Municipal Debt:** Lawfully issued 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 or equivalent rating by any nationally recognized statistical rating organization, or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. [ORS Section 294.035(3)(b)(c)].

**Corporate Indebtedness:** Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)3 of the Securities Act of 1933, as amended. Corporate indebtedness must be rated on the settlement date AA- or better by Standard and Poor's or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization [ORS Section 294.035(3)(i)].

**Commercial Paper:** Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)3 of the Securities Act of 1933, as amended. Commercial Paper must be rated A1 by Standard and Poor's or P1 by Moody's or equivalent rating by any nationally recognized statistical rating organization. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer [ORS 294.035(3)(i)].

**Certificates of Deposit:** Certificates of deposit in insured institutions as defined in ORS 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)].

**Bank Time Deposit/Savings Accounts:** 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)].

**Bankers' Acceptance:** Banker's acceptances, if the banker's acceptances are: (i) Guaranteed by, and carried on the books of, a qualified financial institution\*; (ii) Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category without refinement or gradation by one or more nationally recognized statistical rating organizations [ORS Section 294.035(3)(h)(A)].

**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)].

### **8.3 Collateralization:**

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS Section 295.015 and ORS Section 295.018.

## 9. INVESTMENT PARAMETERS

### 9.1 Diversification:

The County 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. These guidelines may be revised at the direction of the Board of Commissioners.

#### Diversification Constraints on Total Holdings – Liquidity and Core Funds

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's, or equivalent NRSRO	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.25 Years
US Agency Obligations	100%	35%	N/A	5.25 Years
Municipal Bonds (OR, CA, ID, WA)	25%	5%	AA- / Aa3 Short Term*	5.25 Years
Corporate Bonds	35%**	5%***	AA- / Aa3	5.25 Years
Commercial Paper			A1 / P1	270 days
Bank Time Deposits/Savings Accounts	20%	10%	Oregon Public Depository	N/A
Certificates of Deposit	20%	5%	Oregon Public Depository	5.25 Years
Banker's Acceptance	10%	5%	A1 / P1	180 days
Oregon Short Term Fund	75%	None	N/A	N/A

\*Short Term Ratings: Moody's - P1/MIG1/VMIG1, S&P - A-1/SP-1, Fitch - F1

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

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

### 9.2 Investment Maturity:

The County will not directly invest in securities with a stated maturity of more than five and one quarter (5.25) years from the date of purchase.

- The maximum weighted maturity of the total portfolio shall not exceed two (2) years. This maximum is established to limit the portfolio to excessive price change exposure.
- Liquidity funds will be held in the State Pool, Bank Deposits or in money market instruments maturing six months and shorter. The liquidity portfolio shall, at a minimum, represent six month budgeted outflows.

- 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 5.25 years and will be only invested based on the diversification parameters listed in 9.1 of this policy.
- Total Portfolio Maturity Constraints:

<b>Maturity Constraints</b>	<b>Minimum % of Total Portfolio</b>
Under 30 days	10%
Under 1 year	25%
Under 5.25 years	100%
<b>Maturity Constraints</b>	<b>Maximum of Total Portfolio in Years</b>
Weighted Average Maturity	2.00
<b>Security Structure Constraint</b>	<b>Maximum % of Total Portfolio</b>
Callable Agency Securities	25%

- Exception to 5.25 years maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding five and a quarter (5.25) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

### 9.3 Prohibited Investments:

- Private Placement or “144A” Securities are not allowed. For purposes of the policy, SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.
- The County shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- The County shall not purchase mortgage backed securities.

## 10. INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE

Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.

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 are maturity matched with outflows. Consequently, funds within the scope of ORS 294.052 are not subject to this policy’s liquidity risk constraints within section 9.2.

Information will be maintained for arbitrage rebate calculations.

## **11. INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENT FUNDS**

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.

## **12. INVESTMENT POOLING**

Public bodies in Jefferson County may participate in a pooled environment. It will be assumed a public body wants to be a part of the Jefferson County Investment Pool ("County Pool"), unless otherwise directed by written authorization by the public bodies' governing board. Annual authorizations from public bodies are required per ORS 294.035. The County Pool investments will be for daily participation with interest accrued and credited monthly on the average daily balance.

The County Pool is an investment option available to all public bodies who invest, by law, through the Custodial Officer and those public bodies who sign Investment Services Agreements with the Custodial Officer. To participate in the County Pool, a public body must enact an ordinance or adopt a resolution, and sign the Investment Services Agreement. Prior to investing any funds in the County Pool, the Investment Services Agreement must be completed and submitted to the Custodial Officer.

Participants, where the Custodial Officer has direction to manage investments, will have funds invested in the Pool on a next-day basis upon deposit by the Participant to the County's delegated checking account.

The Pool shall operate under the following guidelines:

- *Purchase of County Pool Shares- (Also known as investments):* Participants will invest monies in the County Pool by purchasing shares by giving notice to the Custodial Officer. There are no minimum or maximum shares that must be purchased. The purchase price shall be one-dollar (\$1.00).
- *Earnings:* Interest earnings will be calculated on the accrual method, including amortization and realized gains and losses. Interest will be distributed to participants based on the pro-rata share of average daily balance of each participant. Interest will be credited on the last day of the calendar month and will automatically be reinvested into principal investments.

Should the dollar amount of the realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to participants resulting in a pro-rata reduction in the fund balances for participants.

- *Redemption of Shares- to provide for normal expenditures:* Participants who redeem County Pool shares for normal expenditures will receive one-dollar (\$1.00) per share. Withdrawals will be available one (1) day after the request is submitted.

Participants withdrawing funds from the County Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3%) of the total market value of the Pool, must provide ten (10) business days' notice prior to withdrawal.

- *Investment Fee:* The Custodial Officer shall charge participants an investment fee based on actual expenses in managing the funds. The investment fee is determined by the actual costs of managing the County Pool and is set by the Board of Commissioners during the adoption of the annual fee resolution. The fee will be applied monthly to each participant by taking the interest earnings less pro-rated contractual costs plus the adopted fee resolution rate. For example, if the annual fee resolution rate is 7%, and if interest earnings was \$50,000 the balance of interest allocated to each district would be computed as \$50,000 less contractual expenses less \$3,500.

### **13. POLICY COMPLIANCE AND PERFORMANCE STANDARDS**

#### **13.1 Compliance Measurement and Procedures:**

- a. Compliance Report: A compliance report documenting the portfolio versus the investment policy shall be maintained quarterly.
- b. Compliance Measurement: Guideline measurements will use market value of investments.
- c. Compliance Procedures:
  - i. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Custodial Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible, subject to the restrictions in 5.1.c.
  - ii. 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 Board of Commissioners.
  - iii. 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.
  - iv. 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 Committee shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Committee will notify the Board of Commissioners of the downgrade and apply the general objectives of safety, liquidity, yield and legality to make the decision.

#### **13.2 Performance Measurement:**

- a. The County pool yields will be compared to the OST Pool rates.
- b. The portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a chosen minimum and maximum effective duration and will have the objective to achieve market rates of returns over long investment horizons. The purpose of the benchmark is to appropriately manage the risk in the portfolio given interest rate cycles. The core portfolio is expected to provide

similar returns to the benchmark over interest rate cycles, but may underperform or outperform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. 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.

- c. When comparing the performance of the County's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.
- d. The mark to market pricing will be calculated monthly and be provided in a monthly report.

## **14. REPORTING REQUIREMENTS**

The Custodial Officer will retain and provide monthly investment reports to the Board of County Commissioners in a similar manner as outlined in ORS 208.090. The reports also will be available upon request. Securities holdings and cash balances held in the investment portfolio will be provided on the reports.

The minimum quarterly reporting requirements for total portfolio are as follows:

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

## **15. INVESTMENT POLICY ADOPTION**

The County's investment policy will be reviewed for appropriate modifications and formally adopted by the Board of County Commissioners on an annual basis, regardless of whether any changes are made pursuant to ORS 294.135 (1)(a). Any amendments shall be approved by the Board of County Commissioners.

ADOPTED AND DATED the 28<sup>th</sup> day of June, 2023

\_\_\_\_\_  
Kelly Simmelink, Commission Chair

\_\_\_\_\_  
Wayne Fording, Commissioner

\_\_\_\_\_  
Mark Wunsch, Commissioner

ATTEST:

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Lyndsay Hessel, Administrative Assistant



## GLOSSARY

**ASKED:** The price at which securities are offered. See Offer.

**BANKER'S ACCEPTANCE (BA):** A Draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill; as well as the issuer.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with specific maturity evidenced by a certificate Large denomination CD's are typically negotiable.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COUPON:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**DEALER:** A dealer as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be a discount.

**DISCOUNT SECURITIES:** Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value (e.g. U.S. Treasury Bills.)

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** The institutions that regulate and lend to savings and loan associations. The FHLB play a role similar to that played by the Federal Reserve Banks and commercial banks.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the patronage of the Department of Housing and Urban Development (HUD). It is the largest single provider

of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned Corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve Guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 7,800 commercial banks that are members of the system.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or GinnieMae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Mae's.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's right in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**OFFER:** The price asked by a seller of securities. See Asked and Bid.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PORTFOLIO:** Collection of securities held by an investor.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC), registered securities broker-dealers, banks and a few unregulated firms.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED PUBLIC DEPOSITORIES:** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond, the current income return.

**REPURCHASE AGREEMENT (REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP’s extensively to finance their positions. Exception: When the Fed is said to be doing a RP, it is lending money that is increasing bank reserves. These are the most conservative investments.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vault for protection.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in the securities transactions by administering securities legislation.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or a year.

**TREASURY BOND:** Long-term U.S. Treasury securities having initial maturities of more than 10 years.

**TREASURY NOTES:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or a year.

**UNIFORM NET CAPITAL RULE:** SEC requirement that member firms and nonmember Broker-dealers maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule or net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of the underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

### Ratings Table – Long-Term

Three Highest Rating Categories	S&P	Moody's	Fitch	Definition
	AAA	Aaa	AAA	Highest credit quality
	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	Very high credit quality
	A+, A, A-	A1, A2, A3	A+, A, A-	High credit quality
	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	Good credit quality
	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-	Non-investment grade

### Ratings Table – Short-Term

Highest Rating Category	S&P	Moody's	Fitch	Definition
	A1+, A1	P1+, P1	F1+, F1	Highest credit quality
	<b>Municipal Commercial Paper</b>			
A-1, A-1+, SP-1+, SP-1	P1, MIG1, VMIG1	F1+, F1	Highest credit quality	