SECTION:	**Financial Management**			**POLICY #:**	**496**
TITLE:	**Investment of Public Funds - Procedures**			**PROCEDURE #:**	**496 -A**
				ORDER #:	**12-63**
DEPT:	**Treasurer's Office**			**DIVISION:**	**NA**
ADOPTED:	**12/10**	**REVISED:**	**10/23**	**READOPTED:**	**3/26**

OBJECTIVES: To establish a procedure for creating new, amending or rescinding county policies and procedures.

REFERENCE: Policy #496

POLICY STATEMENT: It is the policy of the Marion County Board of Commissioners to invest public funds in a manner that will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of Marion County. The policy and these related procedures conform to federal, state and local statutes, regulations and standards governing the investment of public funds.

APPLICABILITY: These investment procedures apply to portfolio activities of Marion County with regards to investing the financial assets of all funds, including but not limited to the following:

General funds
Special revenue funds
Internal service funds
Capital project funds
Enterprise funds
Debt service funds
Unsegregated tax funds
Trust and agency funds
Development agency funds
Taxing districts
Special district funds

AUTHORITY: Funds of Marion County will be invested and accounted for in compliance with the provisions of ORS Chapters 244, 294 and 295; federal and state laws; IRS regulations; GAAP and GASB guidelines; and all other applicable statutes, policies and written procedures.

SUBJECT: INVESTMENT OF PUBLIC FUNDS

The Marion County Board of Commissioners may establish rules and regulations in reference to managing the interest and business of the county under ORS Chapters 203.010, 203.035 and 203.111.

OBJECTIVES

The primary objectives of Marion County Treasurer's investment activities, in priority order, shall be:

A. **Safety and preservation of capital and protection of principal:** Safety of principal is the foremost objective of the investment program. Investments of Marion County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

B. **Liquidity:** Marion County's investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.

C. **Return on investment:** Marion County's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with Marion County's risk constraints and cash flow requirements of the portfolio.

STANDARDS OF CARE

A. **Prudence:**
The standard of prudence to be used by the Treasurer and Finance staff shall be the prudent person standard, i.e., investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The Treasurer and Finance staff, acting in accordance with these written procedures and the related investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security risk or market price fluctuations, provided deviations from expectations are reported in a timely manner, and that investment transactions are carried out in accordance with these procedures and the related investment policy.

B. **Ethics and Conflicts of Interest:**
County employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to

make impartial decisions. Such employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Such employees shall at all times comply with the State of Oregon Government Ethics Commission guidelines set forth in ORS Chapter 244 and the Marion County Public Official Ethics policy.

C. Delegation of Authority:

The Treasurer is the designated investment officer of the County and is responsible for daily cash management and all investment decisions and activities. No person is authorized to engage in an investment transaction for the county, except as provided under the terms of the board adopted policy and these procedures established by the investment officer. The Treasurer may authorize Finance staff to act as his/her designee.

1. Governing Body: The ultimate fiduciary responsibility and authority for the investment of County funds resides with the Board of Commissioners. The County hereby designates the Treasurer as the Investment Officer for the County's funds. The Treasurer shall invest County funds in accordance with ORS Chapter 294, Public Financial Administration, and with the county Investment Policy and these procedures. Both the Investment Policy and related procedures shall constitute a "written order" from the Board of Commissioners per ORS 294.035.
2. 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 the county Investment Policy. The Advisor shall provide non-discretionary advisory services, which requires prior approval from the Treasurer.

   In order to optimize total return through active portfolio management, resources shall be allocated to the cash management program.

TRANSACTION COUNTERPARTIES, INVESTMENT ADVISORS, DEPOSITORIES

A. Broker/Dealers:

The Investment 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 Investment Officer may impose more stringent criteria.

1. Broker/Dealer firms must meet the following 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.

2. 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.

3. If an investment advisor is contracted to provide securities transactions on behalf of the County, the advisor's approved broker/dealer list will be provided to the County for approval. Buys and sells may be transacted with any dealers on the advisor's approved list. The Investment Officer may assign the responsibility of broker/dealer due diligence and licensing documentation to the Advisor; it must be 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.

B. Investment Advisors:

An Investment Advisor may be utilized to manage funds and will be selected through a competitive RFP process or cooperative purchasing agreement. The Advisor must meet the following criteria:

1. 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);
2. All investment advisor firm representatives conducting investment transactions on behalf of the County must be registered representatives with FINRA;
3. All investment advisor firm representatives conducting investment transactions on behalf of the County must be licensed by the state of Oregon;
4. Contract terms will include that the Investment advisor will comply with the County's Investment Policy.

A periodic (at least annual) review of all authorized investment advisors under contract will be conducted by the Investment 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:

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

C. Qualified Institutions – Financial Institutions – Banks:

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.

D. 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 and/or the Investment Advisor 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 for 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 County's investment advisor that is providing investment management services must provide documentation of competitive pricing execution on each transaction. The investment advisor will retain documentation and provide upon request.

SAFEKEEPING, CUSTODY AND CONTROLS

A. Safekeeping of Securities and Funds:
Securities will be held by an independent third-party safekeeping institution selected by the County in the County's segregated account. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

All trades of marketable securities will be executed on a delivery versus 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.

B. Bank Deposits and Certificates of Deposit:
The County may hold bank deposits or certificates of deposits at banks qualified under ORS 295.

C. Accounting Method:
The County will comply with required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including, but not necessarily limited to, the American Institute of

Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB). As required by accounting standards, the portfolio will be marked to market monthly, with any resulting gain or loss noted in the county's financial statements at year-end.

D. Internal Controls:

The Treasurer, through the Finance Department staff, is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of Marion County from loss, theft or misuse.

Accordingly, Finance Department staff shall establish a process for an annual review by an external auditor to assure compliance with Oregon state law and Marion County policies and procedures. This audit will generally coincide with the annual external financial audit.

AUTHORIZED AND SUITABLE INVESTMENTS

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

B. Suitable Investments:

US 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: Federal agency and instrumentalities of the United States or enterprises sponsored by the United States Government (GSE) 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)(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) of the Securities Act of 1933. Corporate indebtedness must be rated on the settlement date AA- or better by S&P 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 Section 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)(e)].

Bankers' Acceptances: A short-term credit investment created by a non-financial firm and guaranteed by a qualified financial institution whose short-term letter of credit rating is rated in the highest category without any refinement or gradation by one or more nationally recognized statistical rating organization. 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 294.035(3)(h)]

Repurchase Agreements: Purchased under the terms if the County approved Master Repurchase Agreement. The repurchase agreement must be in writing and executed in advance of the initial purchase of the securities that are the subject of the repurchase agreement. Repurchase agreement collateral is limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short-Term Fund Board. Acceptable collateral includes: (i) US Treasury Securities: 102% and (ii) US Agency Discount and Coupon Securities: 102%. The maximum term of any repurchase agreement to 90 days.

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

As of the date of this policy, all of the above securities, deposits and transactions are permitted under Oregon Revised Statutes. Any deviation from this list must be pre-approved in writing by the Chief Financial Officer.

The total amount of funds falling within the scope of this policy over the next three years is expected to range between $200 million and $350 million.

C. Collateralization:

All bank deposits, time deposits, Certificates of Deposit and savings accounts shall be held in qualified Oregon depositories in accordance with ORS Chapter 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 County's management.

INVESTMENT PARAMETERS

A. Diversification

To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, assets shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment officer for all funds. The portfolio shall further be diversified by

limiting investments to avoid overconcentration from a specific issuer or business sector (excluding U.S. Treasury securities), investing in securities with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as the local government investment pool (LGIP) or accounts in insured institutions as defined in ORS Chapter 723.006 to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Credit risk: is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt.

Liquidity risk: is the risk that an investment may not be easily marketable or redeemable.

Interest rate risk: longer term investments have the potential to achieve higher returns but are also likely to exhibit higher market value price volatility due to the changes in the general level of interest rates.

B. Investment Parameters

The County will utilize S&P, Moody's, and Fitch as recognized rating agencies and issuers must be rated by at least one with the following minimum of AA- / Aa3 / AA- or above at the issuer level. The minimum average credit rating for the total portfolio will be in the AA category.

Diversification Constraints on Total Holdings

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 Notes	35%**	5%***	AA- / Aa3	5.25 years
Commercial Paper			A1 / P1	270 days
Bank Time Deposits/Savings	20%	20%	Oregon Public Depository	N/A
Certificates of Deposit	20%	10%	Oregon Public Depository	5.25 years
Banker's Acceptance	25%	10%	A1 / P1	180 days
Repurchase Agreements	10%	5%	A1 / P1	90 days
Oregon Short Term Fund	Maximum allowed per ORS 294.810	None	N/A	N/A

**Short Term Ratings: Moody's – P1/MIG1/VMIG1. S&P – A-1/SP-1, FitchF1

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

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

C. Investment Maturity:

- The maximum stated final maturity of individual securities in the portfolio shall be five and a quarter (5.25) years, except as otherwise stated in this policy.
- Liquidity funds will be held in the State Pool or accounts in insured institutions as defined in ORS Chapter 723.006.
- Longer term/Core funds will be the 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.
- The weighted average maturity of the portfolio should not exceed 3 years.

Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5.25 years	100%
Maturity Constraints	**Maximum of Total Portfolio in Years**
Weighted Average Maturity	3.00
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

C. Prohibited Investments:

- The County 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
- 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.
- The County will not purchase, per ORS 294.040, any bonds of issuers listed in ORS 294.035(3)(a) to (c) that have a prior default history.
- No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date or receive a fee other than interest for future deliveries.

D. Sale of Securities:

The investment officer may elect to liquidate a security at any time. In cases where the ratings of a security currently held are downgraded, the investment officer may hold the security to maturity or sell the security to maintain the overall credit quality of the portfolio but in all cases will inform the board of commissioners of the downgraded investment within thirty days.

INVESTMENT 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. 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.

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 5.25 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.

POLICY COMPLIANCE AND PERFORMANCE STANDARDS

A. Compliance Measurement and Procedures:

1. Compliance Report: A compliance report documenting the portfolio versus the investment policy shall be maintained quarterly.
2. Compliance Measurement: Guideline measurements will use market value of investments.
3. Compliance Procedures:
    i. 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.
    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 Treasurer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Treasurer will apply the general objectives of Safety, Liquidity, Yield and Legality to make the decision. If the County has hired the services of an Investment Advisor, the Treasurer will act on the recommendation of the Advisor.

B. Performance Indicators:

1. The County yields will be compared to the Local Government Investment Pool rates.
2. 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 the 0-3 year or 0-5 year standard market index and will be calculated monthly and reported to the Board of Commissioners in the monthly investment reports created by the Treasurer.
3. 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.
4. The mark to market pricing will be calculated monthly and provided in a monthly report.

REPORTING REQUIREMENTS

The Marion County Treasurer will provide a monthly report to the County Commissioners which provides details of the investment portfolio. This report will be sufficient to document conformance with the provisions of statutes and this investment policy and shall include a listing of individual securities held at the end of the reporting period as per ORS Chapter 208.090.

INVESTMENT POLICY ADOPTION

These procedures and any amendments to these procedures are to be reviewed annually.

SUBJECT: INVESTMENT OF PUBLIC FUNDS

Adopted: 12/10

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Readopted: 6/12, 09/14

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Readopted: 10/23, 2/25, 3/26