

Portland, Oregon  
**FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT**  
**For Council Action Items**

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Jennifer Cooperman <i>JK</i>	2. Telephone No. 3-6851	3. Bureau/Office/Dept. OMF-Public Finance and Treasury
4a. To be filed (hearing date): September 26, 2013 (October 2, 2013)	4b. Calendar (Check One) Regular   Consent   4/5ths <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	5. Date Submitted to Commissioner's office and CBO Budget Analyst: September 19, 2013
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed	6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

**1) Legislation Title:**

Adopt City of Portland Investment Policy (Resolution)

**2) Purpose of the Proposed Legislation:**

Oregon law pertaining to the investment of public funds requires the adoption of an Investment Policy. Exhibit A is the City's Investment Policy as developed by the Public Finance and Treasury Division of OMF. It is presented to council for adoption annually. Material changes to the City's current Investment Policy are: increases maximum maturity for US Agency obligations from three years to five years; allows investments in A- or A3 rated corporate securities issued by Oregon entities. The Oregon State Treasury's Short Term Fund Board and the City's Investment Advisory Committee have each reviewed and approved these policy adjustments and other clarifications that align the policy with state statutes and with the Oregon State Treasury's model policy language. The Investment Policy continues to reflect prudent strategies the City has utilized in the past, which are to protect the City's financial assets, provide liquidity to meet the City's cash needs, and enable the City to generate a market rate of return from its investment activities.

**3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?**

- |   |                                    |                                    |                                |
|---|------------------------------------|------------------------------------|--------------------------------|
| <input type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast  | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East  |
| <input type="checkbox"/> Central City       |                                    |                                    |                                |

## FINANCIAL IMPACT

**4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.**

The proposed changes to the Investment Policy will increase the City's flexibility to respond to investment opportunities available in the marketplace.

Today, investments in US Agency securities are limited to obligations of three years or less. Allowing investments in longer maturity US Agency securities (between three and five years) could potentially increase the portfolio's investment earnings when the yield curve is positively sloped and when there is room to extend the portfolio's weighted average maturity (WAM) within the Policy's 18-month WAM limit. In today's US Agency market, the yield pick up going from three to five years is approximately 75 basis points, which is an additional \$7,500 in earnings per \$1,000,000 invested.

Today, investments in corporate securities are limited to obligations rated AA- or Aa3 (or better). Allowing investments in corporate securities issued by Oregon entities that are rated A- or A3 (or better) will offer increased opportunities to diversify the portfolio and may potentially increase the portfolio's investment earnings.

**5) Expense: What are the costs to the City as a result of this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the *level of confidence*.)**

No expense impact.

**6) Staffing Requirements:**

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

No.

- **Will positions be created or eliminated in *future years* as a result of this legislation?**

No.

*(Complete the following section only if an amendment to the budget is proposed.)*

7) **Change in Appropriations** *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- YES: Please proceed to Question #9.  
 NO: Please, explain why below; and proceed to Question #10.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

No direct community impact from this item.

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

The Oregon State Treasury's Short Term Fund Board provided a review of the submitted Investment Policy. The City's Investment Advisory Committee provided a review of the submitted Investment Policy. Both entities have approved the policy content.

c) How did public involvement shape the outcome of this Council item?

Comments from both of the groups listed above were incorporated into the policy.

d) Who designed and implemented the public involvement related to this Council item?

Public Finance and Treasury Division of the Office of Management and Finance.

e) Primary contact for more information on this public involvement process (name, title, phone, email):

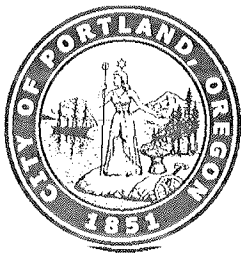
Jennifer Cooperman, City Treasurer, 503-823-6851

Jennifer.cooperman@portlandoregon.gov

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

Yes. The Investment Policy is reviewed annually by the City's Investment Advisory Committee. Any future changes require review by the Oregon Short Term Fund Board.

APPROPRIATION UNIT HEAD (Typed name and signature) Jack D. Graham, CAO



**CITY OF PORTLAND**  
 OFFICE OF MANAGEMENT AND FINANCE  
 Charlie Hales, Mayor  
 Jack D. Graham, Chief Administrative Officer

**Office of Management and Finance**  
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 (503) 823-5288  
 FAX (503) 823-5384  
 TDD (503) 823-6868

**DATE:** September 19, 2013  
**TO:** Mayor Charlie Hales  
**FROM:** Jennifer Cooperman, City Treasurer *JC*  
**RE:** Adopt City of Portland Investment Policy (Resolution)

<b>FOR MAYOR'S OFFICE USE ONLY</b>
Reviewed by Bureau Liaison _____

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1. **INTENDED THURSDAY FILING DATE:** September 26, 2013
2. **REQUESTED COUNCIL AGENDA DATE:** October 2, 2013
3. **CONTACT NAME & NUMBER:** Jennifer Cooperman, City Treasurer, x3-6851
4. **PLACE ON:**  CONSENT  REGULAR
5. **FINANCIAL IMPACT/PUBLIC INVOLVMENT STATEMENT ATTACHED:**  
 Yes  No  N/A
6. **(3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY ATTACHED:**  Yes  No  N/A

**7. BACKGROUND/ANALYSIS**

**Introduction and History** – Oregon law pertaining to the investment of public funds requires the adoption of an Investment Policy. Exhibit A to the Resolution is the City's Investment Policy as developed by the Public Finance and Treasury Division of OMF. It is presented to council for adoption annually. Material changes to the City's current Investment Policy are: increases maximum maturity for US Agency obligations from three years to five years; allows investments in A- or A3 rated corporate securities issued by Oregon entities. Attachment A to this memorandum summarizes key changes to the Investment Policy.

The Oregon State Treasury's Short Term Fund Board and the City's Investment Advisory Committee have each reviewed and approved these policy adjustments and other clarifications that align the policy with state statutes and with the Oregon State Treasury's model policy language. The Investment Policy continues to reflect prudent strategies the City has utilized in the past, which are to protect the City's financial assets, provide liquidity to meet the City's cash needs, and enable the City to generate a market rate of return from its investment activities.

**Legal Issues** – None.

**Link to Current City Policies** – If adopted, this Investment Policy will replace the City's current Investment Policy (FIN 2.14).

**Controversial Issues** – None.

Citizen Participation – Not Applicable

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Other Government Participation – None.

**8. FINANCIAL IMPACT**

The proposed changes to the Investment Policy will increase the City's flexibility to respond to investment opportunities available in the marketplace.

Today, investments in US Agency securities are limited to obligations of three years or less. Allowing investments in longer maturity US Agency securities (between three and five years) could potentially increase the portfolio's investment earnings when the yield curve is positively sloped and when there is room to extend the portfolio's weighted average maturity (WAM) within the Policy's 18-month WAM limit. In today's US Agency market, the yield pick up going from three to five years is approximately 75 basis points, which is an additional \$7,500 in earnings per \$1,000,000 invested.

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**9. RECOMMENDATION/ACTION REQUESTED**

It is recommended that the City Council adopt the Investment Policy Resolution.

## Attachment A to Council Memorandum

## City of Portland Investment Policy

October 2013 update

## What's Changed and Why

(Bolded items are policy changes as opposed to housekeeping changes)

Section	What's Changed	Why
I. Scope and Objectives	Prioritizes investment objectives.	Reflects current practice. Oregon State Treasury (OST) model policy language.
	Replaces "fair rate of return" with "market rate of return".	OST model policy language.
	Clarifies that Investment Policy applies to all funds over which City has control.	Consistent language with ORS 295.
II. Responsibilities, Governing Authority, Standards of Care, Indemnification, Conflicts of Interest and Ethics	Adds compliance with ORS.	Reflects current practice. OST model policy language.
	Adds indemnification for investment staff acting in accordance with Investment Policy and written procedures.	OST model policy language.
	Adds definition of prudent person standard of care.	Reflects current practice. OST model policy language.
	Adds conflict of interest language.	Reflects current practice. OST model policy language.
	Adds ethics language.	Reflects current practice. OST model policy language.
	Adds reference to Oregon Short Term Fund Board.	Reflects current practice.
III. Types of Investment and Diversification	Deletes references to <i>successor bank</i> for safekeeping securities.	Reflects current practice. Securities will always be held at City's custodian bank.
<b>III B. US Agency Debt Obligations</b>	<b>Changes maximum maturity from three years to five years.</b>	<b>To enhance yield opportunities. No change to portfolio's maximum weighted average maturity of 18 months.</b>
III F.1. Corporate Indebtedness Issued by US Corporations – Commercial Paper	Deletes reference to ratings that are <i>equivalent to the securities maturity</i> .	Reflects current practice. Only short term ratings apply to commercial paper.

III F.2. Corporate Indebtedness Issued by US Corporations – Corporate Bonds	Allows A- or A3 ratings on securities issued by Oregon entities.	Allowed under ORS 294.035. Enhances portfolio diversification.
IV. Policy Compliance	Updates name of Public Finance and Treasury Division.	Reflects current practice.
VI. Qualified Financial Depositories and Broker/Dealer Counterparties	Adds specificity regarding the City's depositories and broker/dealer counterparties.	OST model policy language.
	Adds conflict of interest language for Investment Advisory Committee members.	Reflects current practice.
VIII. Reporting Requirements	Adds monthly posting of Investment Report summary to City's website.	Reflects current practice.
IX. Internal Controls	Updates name of Public Finance and Treasury Division.	Reflects current practice.
	Adds specificity regarding City's independent third-party custodian.	Reflects current practice.
XI. Analysis of Investment Risks	Adds references that maximum weighted average maturity of portfolio will not exceed 18 months.	Reflects current practice.
	Adds definition of weighted average maturity.	Reflects current practice.