

IMPACT STATEMENT

Legislation title: Adopt City of Portland Investment Policy (Resolution)

Contact name: Brigid O'Callaghan. City Treasurer

Contact phone: 503-823-3104

Presenter name: Brigid O'Callaghan

Purpose of proposed legislation and background information:

Oregon law pertaining to the investment of public funds (ORS 294.135) requires the City to adopt an Investment Policy annually since the City makes investments that exceed 18 months in maturity. This annual adoption requirement is included in Section XIX of the Investment Policy itself, which is attached as Exhibit A-2.

The Investment Policy outlines the framework and criteria for managing the City's investment program.

On April 5, 2017 City Council adopted the City's Investment Policy and eliminated the purchase of corporate securities in the City's Investment Policy.

The changes to the City's current Investment Policy are:

- The policy document was reorganized to improve clarity and readability. These changes are simply housekeeping matters and do not represent material changes to the policy (please see Exhibit A-1 for redline version of the document).
- Section XIII – Corporate Indebtedness: Adds a list of permissible corporate securities issuers in which the City Treasurer may invest the City's cash.
- Section XIII – Securities Lending: Housekeeping matter to clarify that Securities Lending is a permitted investment option (created in *policy guidelines and set forth in Appendix B*).
- Appendix A – provides a list of Allowable Corporate Securities Issuers.
- Appendix B – Securities Lending and Reinvestment of Cash Collateral. This text had previously been included in the body of the investment policy and was moved to an appendix to improve clarity and readability.

Financial and budgetary impacts:

The Investment Policy continues to reflect prudent strategies the City has utilized in the past, which are designed to (1) protect the City's financial assets, (2) provide liquidity to meet the City's cash needs, and (3) enable the City to generate a market rate of return from its investment activities. The addition of corporate securities may increase investment earnings on the portfolio and provide additional funds for the budget.

Community impacts and community involvement:

There may be an indirect community impact by allowing the City Treasurer to invest in Corporate Securities. These investments would likely result in increased investment earnings, providing additional money for bureaus to fund their services to the community.

The Temporary Socially Responsible Investments Committee (2014) and the more recent Socially Responsible Investments Committee (2016) provided recommendations related to the City's corporate securities investments. Both committees were composed of community members and both had time during their meetings dedicated to public input. Much was learned from both committees, and their work was considered and impacted the City Treasurer's recommendations in this resolution.

100% Renewable Goal:

Not applicable.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES: Please complete the information below.
- NO: Skip this section

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



37400

CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

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Tom Rinehart, Chief Administrative Officer
Jennifer Cooperman, Chief Financial Officer

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Date: December 13, 2018

To: City Council

From: Brigid O'Callaghan, City Treasurer
OMF, Bureau of Revenue and Financial Services

RE: Reconsideration request for Council Agenda Item #1263
Adopt City of Portland Investment Policy (Resolution)

Due to an oversight, the amended Exhibits were not presented and voted on at Yesterday's Council Meeting.

Corrections needed to me made to Exhibit A-1: Redline Investment Policy Section XIII, Item G on Page 9. The original version of this document *incorrectly* reflected redline changes to the third paragraph of this item.

The correct version of the language should read:

Allowable Corporate Securities Issuers must meet the policy guidelines set forth in Appendix "A".

- From time to time City Council, may add or remove a specific company from Appendix "A", at which point investment officers are not permitted to purchase securities of the companies that have been removed; any existing positions of the removed company need not be sold.

Corresponding changes have been made to Exhibit A-2: Investment Policy. We request that Council accept and approve the amendments.

The amendment will be presented at the Council meeting on December 13, 2018.

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City of Portland Investment Policy (IP)

November 2018 Updates

An investment policy (IP) describes the parameters for investing funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored. The document itself serves as a communication tool for the staff, elected officials, the public, rating agencies, bondholders, and any other stakeholders on investment guidelines and priorities. An investment policy enhances the quality of decision making and demonstrates a commitment to the fiduciary care of public funds, making it the most important element in a public funds investment program.

What's Changed and Why: Reorganization of IP and Policy Adjustments

Section	What's Changed	Why
I. Scope and Objectives	New section: I. Purpose. Reorganized to improve clarity and readability of the IP.	Housekeeping.
II. Responsibilities, Governing Authority, Standards of Care, Indemnification, Conflicts of Interest and Ethics	New sections: II. Governing Authority; III. Scope; IV. Pooling of Investments; V. Objectives; VI. Responsibilities. Reorganized to improve clarity and readability of the IP.	Housekeeping.
New: VII. Investment Advisory Committee	Reorganized to improve clarity and readability of the IP. Previous IP had scattered references to the IAC and its role.	Housekeeping. Calls specific attention to the important advisory role the Investment Advisory Committee (IAC) plays.
New: XI. Standard of Care	Reorganized to improve clarity and readability of the IP. Previous IP discusses Prudent Person standard in Section II. Responsibilities, Governing Authority, Standards of Care, Indemnification, Conflicts of Interest and Ethics.	Housekeeping.

Section	What's Changed	Why
New: X. Conflict of Interest and Ethics	Reorganized to improve clarity and readability of the IP. Previous IP discusses this in Section II. Responsibilities, Governing Authority, Standards of Care, Indemnification, Conflicts of Interest and Ethics.	Housekeeping.
New: XII. Safekeeping and Custody	Reorganized to improve clarity and readability of the IP. Previous IP discusses this in Section IX. Internal Controls	Housekeeping.
Original: III. Types of Investment and Diversification	New Section XIII. Renamed "Permitted Investments and Diversification". Reorganized to improve clarity and readability of the IP.	Housekeeping.
New Section: XIII, Item G. Item G.1. Item G.2.	<p>Corporate Indebtedness: (Commercial Paper [CP] and Corporate Bonds) Issued by United States Corporations in Compliance with the Provisions of ORS 294.035.</p> <p>CP: Maximum % of Portfolio: 35%; Maximum % of Portfolio Per Issuer: 5%; Maximum Maturity: 270 days; Credit Ratings: A1, P1, or F1 (or better).</p> <p>Corporate Bonds: Maximum % of Portfolio: 35%; Maximum % of Portfolio Per Issuer: 5%; Maximum Maturity: 3 Years; Credit Ratings: AA- or Aa3 (or better).</p>	Adding back a select list of high rated Issuers. Issuer names are listed in Appendix "A".
New Section: XIII, Item I.	Securities Lending	Identifying Securities Lending specifically as an investment option in the permitted investments section, instead of its own section. Created policy guidelines and set forth in Appendix "B".
IV. Policy Compliance	New section: XIV. Diversification and Credit Ratings. Reorganized to improve clarity and readability of the IP.	Housekeeping.

Section	What's Changed	Why
V. Distribution of Portfolio Maturities	New section: XV. Portfolio Maturities. Reorganized to improve clarity and readability of the IP.	Housekeeping.
VI. Qualified Financial Depositories and Broker/Dealer Counterparties	New section: XI. Qualified Financial Depositories and Broker/Dealer Counterparties. Reorganized to improve clarity and readability of the IP.	Housekeeping.
VII. Method of Accounting	New section: XVI. Method of Accounting. Reorganized to improve clarity and readability of the IP.	Housekeeping.
VIII. Reporting Requirements	New section: XVII. Reporting Requirements. Reorganized to improve clarity and readability of the IP.	Housekeeping.
IX. Internal Controls	New section: VIII. Internal Controls. Reorganized to improve clarity and readability of the IP.	Housekeeping.
X. Performance Evaluation	New section: XVIII. Performance Evaluation. Reorganized to improve clarity and readability of the IP.	Housekeeping.
XI. Analysis of Investment Risks	Reorganized to improve clarity and readability of the IP. Analysis and risks addressed throughout other sections of the IP and its objectives.	Housekeeping.
New: Appendix "A"	Allowable Corporate Securities Issuers	Adding back a select list of high rated Issuers. Issuer names are listed in Appendix "A".
Appendix "B"	New appendix.	Identifying Securities Lending specifically as an investment option in the permitted investments section, instead of its own section. Created policy guidelines and set forth in Appendix "B". Other Housekeeping items.