

RESOLUTION NO. 6053

A RESOLUTION ADOPTING AN UPDATED INVESTMENT POLICY  
AND REPEALING RESOLUTION NO. 5947

WHEREAS, ORS Section 294.135 requires cities to periodically review their written investment policies;  
and

WHEREAS, ORS Section 294.135 (1)(a) requires the Oregon Short Term Fund Board (OSTFB) to  
review and comment on major policy revisions; and

WHEREAS, the OSTFB has reviewed and commented on the City of Albany Investment Policy and has  
found that the statutory policy review requirement has been satisfied; and

WHEREAS, the Government Finance Officers Association (GFOA) has drafted a model investment  
policy; and

WHEREAS, the City desires to modify the current policy to incorporate changes suggested by GFOA and  
to make minor wording changes to clarify meaning.

NOW, THEREFORE, BE IT RESOLVED that the City of Albany City Council adopts Exhibit A as the  
Investment Policy for the City of Albany.

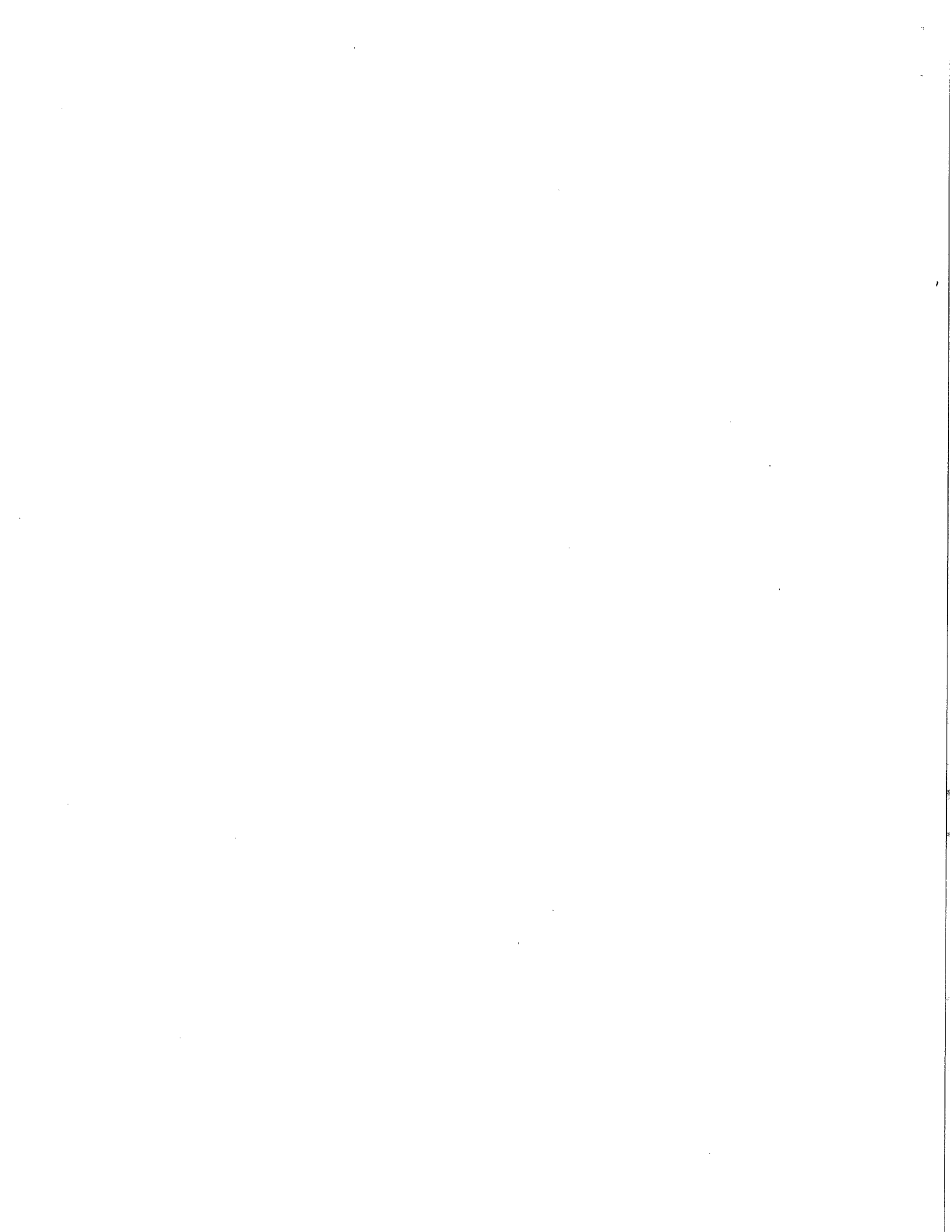
BE IT FURTHER RESOLVED that Resolution No. 5947 is hereby repealed.


DATED AND EFFECTIVE THIS 26<sup>TH</sup> DAY OF OCTOBER, 2011.

  
Mayor

ATTEST:

  
  
City Clerk



	<p><b>City of Albany</b>  Finance Policy  Policy #: F-06-08-004  Title: Investment Policy</p>	
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**I. INTRODUCTION**

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

The average monthly balance of funds invested in the City's general portfolio, excluding proceeds from bond issues, is approximately \$60,000,000.00. The highest balances occur when taxes are collected.

**II. GOVERNING BODY**

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

**III. SCOPE**

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

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

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

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

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

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

##### **1. Safety of Principal**

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

##### **2. Liquidity**

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

##### **3. Yield-Return**

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

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

## V. STANDARDS OF CARE

### 1. Delegation of Investment Authority

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

The Investment Officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy, and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio

- b. *Investment Advisor:* The City of Albany may enter into contracts with external investment management firms on a non-discretionary basis. These services will apply to the investment of the City's short-term operating funds and capital funds including bond proceeds and bond reserve funds.

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

Factors to be considered when hiring an investment advisory firm may include, but are not limited to:

- a. The firm's major business
- b. Ownership and organization of the firm
- c. The background and experience of key members of the firm, including the portfolio manager expected to be responsible for the City's account
- d. The size of the firm's assets base, and the portion of that base which would be made up by the City's portfolio if the firm were hired
- e. Management fees
- f. Cost analysis of the advisor
- g. Performance of the investment advisory firm, net of all fees, versus the Local Government Investment Pool over a given period of time

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

**2. Prudence**

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This standard states:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

**3. Ethics and Conflict of Interest**

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

**VI. AUTHORIZED FINANCIAL INSTITUTIONS**

**1. Broker/Dealer Approval Process**

The Investment Officer shall maintain a list of all authorized brokers/dealers and financial institutions that are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the City of Albany and upon due consideration and approval will be added to the list. Additions and deletions to the list will be made at the discretion of the Investment Officer. At the request of the City of Albany, the firms performing investment services shall provide their most recent financial statements or Consolidated Report of Condition for review. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of the brokers/dealers who will have contact with the City of Albany as specified by, but not necessarily limited to the Financial Industry Regulatory Authority (FINRA), Securities and Exchange Commission (SEC), etc. The Investment Officer shall conduct an annual evaluation of each firm’s credit worthiness to determine if it should remain on the list.

All dealers with whom the City transacts business will be provided a copy of this Investment Policy to ensure that they are familiar with the goals and objectives of the investment program.

If the City hires an investment advisor to provide investment management services, the advisor is authorized to transact with its direct dealer relationships on behalf of the City. A list of approved dealers must be submitted to the Investment Officer prior to transacting business.

**2. Competitive Transactions**

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

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

**VII. SAFEKEEPING AND CUSTODY**

**1. Safekeeping and Custody of Securities**

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

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

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

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

**3. Accounting Methods**

The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).



**4. Pooling of Funds**

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

**5. Internal Controls**

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

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

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the Council.

**VIII. AUTHORIZED AND SUITABLE INVESTMENTS**

**1. Authorized Investments**

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.052 (Definitions; investment by municipality of proceeds of bonds), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

**2. Suitable Investments**

The City will diversify investments across maturities, security types and institutions to avoid incurring unreasonable risks. The City has further defined the eligible types of securities and transactions as follows:

<b>TYPE</b>	<b>DEFINITION</b>
U. S Treasury Obligation	Direct obligations of the United States Treasury whose payment is guaranteed by the United States. [ORS Section 294.035(3)(a)]
GSE- Agency Obligations	US Government Agencies, Government Sponsored Enterprises ( <i>GSEs</i> ), Corporations or Instrumentalities of the US Government – Federal Instrumentality Securities include, but are not limited to Federal National Mortgage Association ( <i>FNMA</i> ), the Federal Home Loan Mortgage Corporation ( <i>FHLMC</i> ), Federal Home Loan Banks ( <i>FHLB</i> ), and the Federal Farm Credit Bureau (FFCB). [ORS Section 294.035(3)(a)]
TLGP Debt Obligations	Senior unsecured debt obligations guaranteed by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program (TLGP)
Commercial Paper	Commercial Paper* that is rated A1/P1 and has long term bonds which have a minimum rating of AA- by Standard and Poor's and Aa3 by Moody's
Corporate Indebtedness	Corporate Indebtedness* that has a minimum long term debt rating of AA- rated by Standard and Poor's and a Aa3 rating by Moody's and must be rated on the settlement date P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard & Poor's Corporation. [ORS Section 294.035(3)(i)]

TYPE	DEFINITION
Local Government Investment Pool	State treasurer's local short-term investment fund up to the statutory limit per ORS Section 294.810
Certificates of Deposit/Bank Deposit/Savings Accounts	Time deposit open accounts, certificates of deposit and 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)]
State Obligations	<p>Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date by S&amp;P, Moody's or Fitch. [ORS Section 294.035(3)(b)]</p> <p>Lawfully issued debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date by S&amp;P, Moody's or Fitch . [ORS Section 294.035(3)(c)]</p>

\*As determined on any date that the security is held within the portfolio. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Officer will apply the general objectives of safety, liquidity, yield and legality to make the determination.

**3. Collateralization**

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS Section 295.018. All depositories must be on the State of Oregon's qualified list. Additional collateral requirements may be required if the Investment Officer deems increased collateral is beneficial to the protection of the monies under the City's management.

## IX. INVESTMENT PARAMETERS

### 1. Diversification

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

#### Diversification Constraints on Total Holdings: Liquidity and Core Funds\*

Issuer Type	Maximum % Holdings
US Treasury Obligations	100%
FDIC – TLGP Securities	30%
US Agency (GSE) Securities	100%
- FHLB	33%
- FFCB	33%
- FHLMC	33%
- FNMA	33%
- Other GSE's	10%
Bankers Acceptance	10%
Commercial Paper	10%
Corporate Indebtedness	20%
Certificates of Deposit/Bank Deposits/Savings	10%
Obligations of States and political municipals	10% - 5% per issuer limit
LGIP – (Oregon Short-Term Fund)	ORS 294 Limit

### 2. Investment Maturity

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

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

Total Portfolio Maturity Constraints:

<b>Maturity Constraints</b>	<b>Minimum % of Total Portfolio</b>
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
WAM (weighted average maturity)	1.5 years

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

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 subsequent to the purchase of a particular issuer or investment type may be exceeded. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future reinvestments occur.

**3. Prohibited Investments**

- The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- The purchase of derivatives and use of reverse repurchase agreements are specifically prohibited by this policy.

**X. PERFORMANCE EVALUATION**

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

Additionally, a market benchmark will be determined that is appropriate for longer term investments based on the City's risk and return profile. The investment advisor will provide return comparisons of the portfolio to the benchmark on a monthly basis. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return. This would include any in-house management of the funds, as well as outside management.

## **XI. REPORTING**

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

Minimum quarterly reporting requirements for total portfolio:

### **SPECIFIC REQUIREMENTS**

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

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

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

Supersedes: Res No. 5947	Created/Amended by/date: 09/22/10; 10/26/11	Effective Date: 10/26/2011
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