SECTION:	**Financial Management**			**POLICY #:**	**496**
TITLE:	**Investment of Public Funds**			**PROCEDURE #:**	
				ORDER #:	**12-63**
DEPT:	**Treasurer's Office**			**DIVISION:**	**NA**
ADOPTED:	**12/10**	**REVISED:**	**09/14**	**READOPTED:**	**09/14**

PURPOSE: Provide mandatory rules and guidelines for the treasurer to follow in managing, investing and making available the monies of Marion County.

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.

Maximum investment maturities under this policy are 60 months. As required, this investment policy has been submitted to the Oregon Short Term Fund Board for comment prior to approval by the Marion County Board of Commissioners.

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.

The Marion County Board of Commissioners expresses the governing body's formal, organizational position of fundamental issues or specific repetitive situations through formally adopted, written policy statements. The policy statements serve as guides to decision making for both elected and appointed officials on the conduct of county business.

The Marion County Administrative Policies and Procedures manual of the board of commissioners outlines the forms and process through which the board takes official action on administrative policy, and is the official record of county administrative policy.

APPLICABILITY: Marion County Treasurer, treasury staff, finance department and external auditors.

SUBJECT: INVESTMENT OF PUBLIC FUNDS

GENERAL POLICY: It is the policy of the Marion County Treasurer's Office 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. This policy conforms to federal, state and local statutes, regulations and standards governing the investment of public funds.

POLICY GUIDELINES:

1. Scope: This investment policy applies to portfolio activities of Marion County with regards to investing the financial assets of all funds, including but not limited to the following:

   1.1. General funds
   1.2. Special revenue funds
   1.3. Internal service funds
   1.4. Capital project funds
   1.5. Enterprise funds
   1.6. Debt service funds
   1.7. Unsegregated tax funds
   1.8. Trust and agency funds
   1.9. Development agency funds
   1.10. Taxing districts
   1.11. Special district funds

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

   2.1. Compliance: 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).

   2.2. 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.

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

   2.4. Diversification: Specific investments will be selected to maintain defined levels of credit quality and diversification by issuers, by security type, and by maturity date.

   2.5. 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.

3. Standards of Care:

3.1. Prudence: The standard of prudence to be used by the treasurer and treasury 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 treasury staff, acting in accordance with written procedures and this 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 this investment policy.

3.1. 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.

3.2. 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 policy and procedures established by the investment officer. The treasurer may authorize treasury staff to act as his/her designee.

3.3. Internal Controls: The treasurer 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, the treasurer shall establish a process for an annual review by an external auditor to assure compliance with policies and procedures. This audit will generally coincide with the annual external financial audit.

4. Safekeeping and Custody: Purchased investment securities will be delivered by Fed book entry, DTC, or physical delivery, and to the extent feasible, held in third party safekeeping with a designated custodian. The trust department of a bank may be designated as custodian for safekeeping specific securities.

5. Broker/Dealer Services: The treasurer will maintain a list of all authorized broker/dealers and financial institutions to provide investment services. All financial institutions and broker/dealers who desire to become qualified providers of investment services must supply the treasurer with

the following information, audited financial statement, proof of Financial Industry Regulatory Authority certification, and proof of state registration. The treasurer will review the list of authorized broker/dealers annually.

6. <u>Investment Parameters:</u>

6.1. Mitigating credit risk

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. Marion County will mitigate credit risk by adopting the following: ORS Chapters 294.035, 294.052 and 294.810:

6.1.1. 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.

Diversification by Investment Type	**Maximum % Holdings**
US Treasury Obligations	100%
US Agency (GSE) Securities	75%
Bankers' Acceptances	25%
Commercial Paper/Corporate Indebtedness	35%
Certificates of Deposit	50%
Repurchase Agreements	25%
State and Local Government Securities	25%
Local Government Investment Pool (LGIP)	Per ORS Chapter 294.810

Diversification by Issuer

US Treasury Obligations	100%
US Agency per issuer	50%
Bankers' Acceptances	10%
Commercial Paper/Corporate Indebtedness	5%
Certificates of Deposit	20%

6.2. Mitigating market risk

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The investment officer recognizes that, over time, longer-term/core portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The investment officer shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The investment officer adopts the following strategies to control and mitigate its exposure to market risk:

- The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy; and,
- 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 years.
- The weighted average maturity of the portfolio should not exceed 36 months.

Total Portfolio Maturity Constraints:

	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
WAM (weighted average maturity)	3 years

Due to fluctuations in the combined surplus funds balance, maximum percentages for a particular issuer, investment type or maturity may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio.

6.3. Collateralization: All bank deposits, time deposits and savings accounts, shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

Certificates of Deposit are considered investments under this policy, and are subject to the collateral requirements of ORS Chapter 295.

6.4. Performance Indicators: The performance of the county's portfolio shall be measured against the performance the Local Government Investment Pool and compared to other available indices which most accurately reflect the composition of the investment portfolio. This process is performed and reported to the board of commissioners' in the monthly investment reports created by the Treasurer.

6.5. Accounting Standards: The treasurer shall comply with the 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.

6.6. 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.

7. <u>Reporting Requirements and Adoption:</u>

7.1. Reports to Governing Body: 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.

7.2. Policy Review and Adoption: This policy and any amendments to this policy are to be reviewed annually by the Marion County Board of Commissioners.

Maximum investment maturity under this policy exceeds 18 months. As required, this investment policy has been submitted to the Oregon Short Term Fund Board for comment prior to its approval by the Marion County Board of Commissioners, and complies with the requirements of ORS Chapter 294.135.

Adopted: 12/10

Revised: 11/11, 09/14

Readopted: 6/12, 09/14