

**CITY OF COOS BAY CITY COUNCIL**  
**Agenda Staff Report**

<b>MEETING DATE</b> <b>September 16, 2014</b>	<b>AGENDA ITEM NUMBER</b>
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TO: Mayor Shoji and City Councilors

FROM: Susanne Baker, Finance Director

Through: Rodger Craddock, City Manager

ISSUE: Investment Policy

**BACKGROUND:**

A review of internal controls and policies revealed that the City of Coos Bay did not have a formal investment policy and had been complying with a short one page investment guideline (Exhibit A). In an effort to adopt best practices for the City in all areas, research was conducted based on Oregon Revised Statutes, and discussions were held with the Oregon State Treasury and other governmental entities. As a result of this, a template was developed based on a sample Oregon Short Term Fund Board (OSTFB) investment policy. Through this process, ORS 294.135 required the investment policy to be reviewed and approved by the OSTFB because it allowed investments with a maturity date of over 18 months.

The OSTFB, established by statute (ORS 294.885-294.895), is purposed with advising the Oregon Investment Council and the Oregon State Treasury Investment staff in the management of the Oregon Short Term Fund. The OSTFB also assists local governments in developing investment policies concerning funds invested outside of the Oregon Short Term Fund. The OSTFB is comprised of the Oregon State Treasurer or designee, three public members appointed by the Oregon State Treasurer and three local government members appointed by the Governor.

The proposed investment policy (Exhibit B) was developed and submitted to the OSTFB for review in 2013 which resulted in a request to resubmit the policy with suggested changes. The second draft was submitted and approved by the OSTFB in July 2014, attached letter.

The proposed investment policy will implement many best practices which in summary, include setting a policy for transparency to the public highlighting the City's consideration of the safety, liquidity, and yield of public funds when investing. The proposed investment policy sets forth a requirement and process of vetting financial advisors to ensure due diligence of credentials, certifications, references, and ethics when seeking investment advice. The proposed investment policy further develops internal control processes to be used for the day to day management of invested funds and ratifies a reporting method of the balances and yields on a monthly basis (provided in the monthly financial reports). Additionally, the proposed investment policy requires compliance with accounting methods that meet Generally Accepted Accounting Principles (GAAP).

**ADVANTAGES:**

The proposed investment policy is based upon best practices and sets forth policies that are used at the State level regarding due diligence and financial ethics.

**DISADVANTAGES:**

None.

**BUDGET:**

None at this time.

**RELATED CITY GOAL:**

Finance: Ongoing Activities Aimed at Achieving Goal Priorities - Exercise fiscal responsibility and keep the City Council actively involved in monitoring the financial health of the City. Adopting the proposed investment policy meets one of the 2014 City Council goals.

**RECOMMENDATION:**

If it pleases the Council, adopt the OSTFB approved Investment Policy.

Attachments  
Exhibit A – Existing Investment Guidelines  
Exhibit B – Proposed Investment Policy  
OSTFB Approval Letter

Exhibit A  
Existing Investment Policy

CITY OF COOS BAY  
INVESTMENT GUIDELINES

POLICY - The City of Coos Bay will invest all available surplus funds with a goal to protect the City's principal sums and enable the City to earn a fair rate of return on all investments. Investment decisions regarding funds to be invested for periods of up to 18 months, as allowed by ORS 297.135, will be made under the direction of the Finance Director. Cash flow will be closely monitored to provide the maximum surplus funds for investments, with the length of investment determined by both the predicted cash flow and the general trend in interest rates. When interest rates appear to be low, shorter term investments will be made. When the rates are high, investments will be made for as long a period as possible within the cash flow prediction to lock in on the higher rates. The Finance Director will be responsible for administration of these guidelines in compliance with ORS 294.035, 294.040, and 294.135.

TYPES OF INVESTMENTS -

U.S. Treasury Bills	75% maximum
Local Government Investment Pool	100% maximum
Time Certificates of Deposit	75% maximum
Banker's Acceptances	25% maximum

MATURITY OF INVESTMENTS -

Under 30 days	25% minimum
Under 181 days	50% minimum
Under 1 year	75% minimum
Under 3 years	100% minimum **

\*\*Except for specific maturities as provided for by statute

TIME CERTIFICATES OF DEPOSIT – Financial Institutions with deposits of less than \$2,000,000 are permitted TCDs of \$100,000. Financial Institutions with deposits of \$2,000,000 or more are permitted TCDs of up to 10% of deposits, except in the case of the Jurisdictional Exchange Fund reserve. It is the responsibility of the Finance Director to maintain sufficient collateral with each Financial Institution.

RECORD KEEPING AND REPORTING - The Finance Director will keep accurate and detailed records showing dealer name, issue date, maturity date, rate of interest and principal amount for each investment. Reports will be provided to the City Council or Investment Committee on request.



# City of Coos Bay

## ***Finance Dept.***

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EXHIBIT B – Proposed Investment Policy

### **Investment Policy June 19, 2014**

#### **I. Purpose**

This Investment Policy defines the parameters within which funds are to be invested by City of Coos Bay and City of Coos Bay Urban Renewal Agency (Council/Agency). The Council/Agency are a municipality whose purpose is to provide services to the citizens. This policy also formalizes the framework, pursuant to ORS 294.135, for the Council/Agency's investment activities to ensure effective and judicious management of funds within the scope of this policy.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

#### **II. Governing Authority**

The Council/Agency's investment program shall be operated in conformance with Oregon law and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

#### **III. Scope**

This policy applies to activities of Council/Agency with regard to investing the financial assets of operating funds, capital funds, bond proceeds, and bond reserve funds. Investments of employees' retirement funds, deferred compensation plans, and other funds are not covered by this policy.

#### **IV. General Objectives**

The primary objectives, in priority order, of investment activities shall be:

##### **1. Preservation of Invested Capital**

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

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

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion or all of the portfolio may be placed in the Oregon Short Term Fund which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

### **3. Return**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

## **V. Standards of Care**

### **1. Prudence.**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

The "prudent person" 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 probable income to be derived."

### **2. Ethics and Conflicts of Interest.**

Officers and 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Council/Agency. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

### **3. Delegation of Authority and Responsibilities**

#### **i. Governing Body**

The Council/Agency will retain ultimate fiduciary responsibility for invested funds. The governing body will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.

#### **ii. Delegation of Authority**

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to the Finance Director through the City Manager, hereinafter referred to as Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810.

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. The Investment Officer shall be responsible for all transactions undertaken

and shall establish a system of controls to regulate the activities of subordinate officials. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

**iii. Investment Adviser**

The Investment Officer may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. Investment advisers may be hired on a non-discretionary basis. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer and compliant with this Investment Policy. If the Council/Agency hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of the Council/ Agency.

**VI. Transaction Counterparties, Investment Advisers and Depositories**

**1. Broker/Dealers and Investment Advisers**

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purpose 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.

- i. Broker/Dealer firms must meet the following minimum criteria:
  - A. Be registered with the Securities and Exchange Commission (SEC);
  - B. Be registered with the Financial Industry Regulatory Authority (FINRA).
  - C. Provide most recent audited financials.
  - D. Provide FINRA Focus Report filings.
- ii. Approved broker/dealer employees who execute transactions with the Council/Agency must meet the following minimum criteria:
  - A. Be a registered representative with the Financial Industry Regulatory Authority (FINRA).
  - B. Be licensed in the state of Oregon.
  - C. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.
- iii. The Investment Officer may want to establish policy engaging broker/dealer firms and registered representatives that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
  - A. Positive references from other local government clients.
  - B. As part of the periodic due diligence review, inquiries with other local government clients with regard to their recent experiences with broker/dealer firms, or registered representatives and any change in relationship status.
  - C. Requirement that approved registered representatives provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
  - D. Requirement that prospective registered representatives have an established history of advising local governments with similar amounts of assets under management.

- iv. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:
  - A. Pending investigations by securities regulators.
  - B. Significant changes in net capital.
  - C. Pending customer arbitration cases.
  - D. Regulatory enforcement actions.

## **2. Direct Issuers**

Obligations that are permitted for purchase by this policy may be purchased directly from the issuer.

## **3. Investment Advisers**

A list will be maintained of approved advisers selected by conducting a process of due diligence.

- i. The following items are required for all approved Investment Advisers:
  - A. The Investment Adviser firm must be registered with the Securities Exchange Commission (SEC) or licensed by the state of Oregon.
  - B. All Investment Adviser firm representatives conducting investment transactions on behalf of Council/Agency must be registered representatives with FINRA;
  - C. All Investment Adviser firm representatives conducting investment transactions on behalf of Council/Agency must be licensed by the state of Oregon.
  - D. Certification, by all of the adviser representatives conducting investment transactions on behalf of this entity, of having read, understood and agreed to comply with this investment policy.
- ii. A periodic (at least annual) review of all authorized investment advisers will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. Factors to consider would be:
  - A. Pending investigations by securities regulators.
  - B. Significant changes in net capital.
  - C. Pending customer arbitration cases.
  - D. Regulatory enforcement actions.
- iii. The Investment Officer may want to establish guidelines or policy for engaging investment advisers' services that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
  - A. Positive references from at least three other local government clients of a prospective investment adviser firm.
  - B. As part of the periodic due diligence review, inquiries with other local government clients of approved investment advisers with regard to their recent experience with the adviser and any change in the relationship status.
  - C. Requirement that approved investment advisers provide notification within 30 days of a relationship termination by an Oregon based local government.
  - D. Requirement that approved investment adviser provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
  - E. Requirement that prospective investment advisers have an established history of advising local governments with similar amounts of assets under management.

#### **4. Depositories**

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

#### **5. Competitive Transactions**

- i. The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.
- ii. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.
- iii. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. However, the Investment Officer is encouraged to document quotations on comparable securities.
- iv. If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

### **VII. Administration and Operations**

#### **1. Delivery vs. Payment**

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in the Council/Agency's safekeeping institution prior to the release of funds.

#### **2. Third-Party Safekeeping**

Securities will be held by an independent third-party safekeeping institution selected by the Council/Agency. All securities will be evidenced by safekeeping receipts in the Council/Agency name. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

#### **3. Internal Controls.**

The investment officer and Council/Agency are jointly responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of this Investment policy and, protected from loss, theft or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated periodically by the Investment Officer.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- i. Compliance with Investment Policy
- ii. Control of collusion.
- iii. Separation of transaction authority from accounting and record keeping.
- iv. Custodial safekeeping.



- v. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary.
  - vi. Clear delegation of authority to subordinate staff members.
  - vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form.
  - viii. Dual authorizations of wire and automated clearing house (ACH) transfers
  - ix. Staff training
  - x. Review, maintenance and monitoring of security procedures both manual and automated.
4. An external auditor shall provide an annual independent review to assure compliance with Oregon state law and Council/Agency's policies and procedures.

## **VIII. Suitable and Authorized Investments**

### **1. Permitted Investments**

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810.

- US Treasury Obligations: U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest.
- US Agency Obligations: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE).
- Oregon Short Term Fund.
- Corporate Indebtedness
  - Commercial Paper issued under the authority of section 3(a)2 or 3(a)3 of the Securities Act of 1933.
  - Corporate Bonds
- Repurchase Agreements
- Municipal Debt
- Bankers Acceptances
- Qualified Institution Time Deposits/Savings Accounts/Certificates of Deposit.

### **2. Approval of Permitted Investments**

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Policy has been amended and the amended version adopted by the Council/Agency.

### **3. Prohibited Investments**

#### **i. Private Placement or "144A" Securities**

Private placement or "144A" securities are not allowed. For purposes of the policy, SEC Rule 144A securities are defined to include commercial paper issued under section 4(a)(2) of the Securities Act of 1933.

#### **ii. US Agency Mortgage-backed Securities**

US agency mortgage-backed securities such as those securities by FNMA and FHLMC are not allowed.

#### **iii. Securities Lending**

The Council/Agency shall not lend securities nor directly participate in a securities lending program.

#### **4. Demand Deposits and Time Deposits**

- i. All demand deposits and time deposits shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.
- ii. Demand deposits in qualified depository institutions are considered cash vehicles and not investments and are therefore outside the scope and restrictions of this policy. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit and savings accounts are considered investments and within the scope of this policy.

#### **5. Repurchase Agreements**

- i. ORS 294.035 (3)(j) requires repurchase agreement collateral to be 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.
- ii. ORS 294.135 (2) limits the maximum term of any repurchase agreement to 90 days.
- iii. The OSTF Board adopted the following margins:
  - A. US Treasury Securities: 102%
  - B. US Agency Discount and Coupon Securities: 102%
  - C. Mortgage Backed and Other\*: 103%

\*Limited to those securities described in ORS 294.035(1)

### **IX. Investment Parameters**

#### **1. 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. Credit risk will be mitigated by the following guidelines:

- i. **Diversification**  
It is the policy of Council/Agency to diversify its investments. Where appropriate, exposures will be limited by security type; maturity; issuance, issuer, and security type. Allowed security types and Investment exposure limitations are detailed in the table below.
- ii. **Recognized Credit Ratings**  
Investments must have a rating from two nationally recognized statistical ratings organizations (NRSRO): Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.
- iii. **Portfolio Average Credit Rating**  
The minimum weighted average credit rating of the portfolio's rated investments shall be Aa/AA/AA by Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service respectively.
- iv. **Exposure Constraints and Minimum Investment Credit Ratings.**  
The following table limits exposures among investments permitted by this policy.

Issue Type	Maximum % Holdings	Minimum Ratings Moody's / S&P / Fitch
US Treasury Obligations	100%	None
US Agency Securities	100%	-
Per Agency (Senior Obligations Only)	33%	-
Oregon Short Term Fund	Maximum allowed per ORS 294.810	-
Bankers' Acceptances	25% <sup>1</sup>	A1+/P1/F1+
Time Deposits/Savings	50%	-
Accounts/Certificates of Deposit <sup>2</sup>		
Per Institution	25%	
Repurchase Agreements	5%	-
Corporate Debt (Total)	15% <sup>3</sup>	-
Corporate Commercial Paper	15% <sup>3</sup>	
Per Issuer	5% <sup>4</sup>	A1/P1/F1
Corporate Bonds	10% <sup>3</sup>	
Per Issuer	5% <sup>4</sup>	Aa/AA/AA
Municipal Debt (Total)	10%	-
Municipal Commercial Paper	10%	A1/P1/F1
Municipal Bonds	10%	Aa/AA/A

<sup>1</sup> 25% Maximum per ORS 294.035(D); <sup>2</sup> As authorized by ORS 294.035(3)(d); <sup>3</sup> 35% Maximum per ORS 294.035(D); <sup>4</sup> 5% Maximum per ORS 294.035(D)

**v. Restriction on Issuers With Prior Default History**

Per ORS 294.040, the bonds of issuers listed in ORS 294.035 (3)(a) to (c) may be purchased only if there has been no default in payment of either the principal or of the interest on the obligations of the issuing county, port, school district or city, for a period of five years next preceding the date of the investment.

**2. Liquidity Risk**

Liquidity risk is the risk that an investment may not be easily marketable or redeemable. The following strategies will be employed to mitigate liquidity risks:

- i. The value of at least 10% of funds available for investing will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than 90 days to provide sufficient liquidity for expected disbursements.
- ii. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. Portfolio investment maturities will be limited as follows:

Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total
Under 90 days	25%
Under 1 year	50%
3 years and under	100%

- iii. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.
- iv. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.
- v. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance.

Issue Type	Maximum % of Issuance* (Par)
US Agency Securities	50%
Corporate Debt (Total)	-
Corporate Commercial Paper	100%
Corporate Bonds	25%
Municipal Bonds	50%

\*The par amount issued under a single CUSIP.

### 3. Interest Rate Risk

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated 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. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

- i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
- ii. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk.
- iii. 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.
- iv. The maximum percent of callable securities in the portfolio shall be 25%.
- v. The maximum stated final maturity of individual securities in the portfolio shall be three years and under, except as otherwise stated in this policy.

## X. Investment of Proceeds from Debt Issuance

- 1. Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.
- 2. 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 are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints within section IX (2).

## **XI. Investment of Reserve or Capital Improvement Funds**

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding three 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, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

## **XII. Guideline Measurement and Adherence**

**1. Guideline Measurement** will use market value of investments.

**2. Guideline Compliance:**

- 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 Council/Agency.
- 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.

## **XIII. Reporting and Disclosure**

**1. Compliance**

The Investment Officer shall prepare a report at least quarterly that allows the Council/Agency to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment oversight body. The report will include, at a minimum, the following:

- i. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- ii. Average maturity of the portfolio at period-end.
- iii. Maturity distribution of the portfolio at period-end.
- iv. Average portfolio credit quality of the portfolio at period-end.
- v. Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio.
- vi. Distribution by type of investment.
- vii. Transactions since last report.
- viii. Distribution of transactions among financial counterparties such as broker/dealers.
- ix. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

## **2. Performance Standards/ Evaluation**

At least annually, the Investment Officer shall compare investments to the performance of alternative investments such as available certificates of deposit; the Oregon Short Term Fund; US Treasury rates; or against other available indices with a similar risk profile.

When comparing performance, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

## **3. Audits**

Management shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

# **XIV. Policy Maintenance and Considerations**

## **1. Review**

The investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

## **2. Exemptions**

Any investment held prior to the adoption of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested as provided by this policy.

## **3. Policy Review, Adoption, and Amendments**

The investment officer will provide a monthly report to the Council/Agency 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.

This policy and any amendments to this policy are to be reviewed and readopted or revised annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends. As required, this investment policy has been submitted to the Oregon Short Term Fund Board for comment prior to its approval by the Council/Agency, and complies with the requirements of ORS 294.135.

This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

- i. This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the Council/Agency, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)). And either:
  - A. This policy has never been submitted to the OSTF Board for comment;

Or

  - B. Material changes have been made since the last review by the OSTF Board.



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## OREGON SHORT TERM FUND BOARD

RECEIVED  
AUG 20 2014  
City of Coos Bay

July 31, 2014

City Council  
City of Coos Bay  
500 Central Ave.  
Coos Bay, OR 97420

**SUBJECT: City of Coos Bay Investment Policy Review**

Dear City Council,

The City of Coos Bay's investment policy was submitted by Susanne Baker to the Oregon Short Term Fund ("OSTF") Board (the "Board") for review.

The OSTF Board's statutory obligation is to "review and comment to the governing body" (ORS 294.135(a)) on the written investment policy submitted to the Board. To assist in the policy revision process, the Board developed a model policy laying out the elements that it believes are important in policies. These are also the elements against which submitted policies are reviewed. As part of the local government investment policy review process, resources of the Office of the State Treasurer's staff are provided to assist as needed on policy revisions or development.

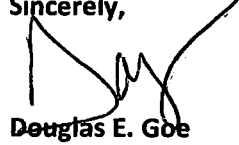
The Oregon Short Term Fund Board reviewed the City of Coos Bay's investment policy at the OSTF Board meeting on July 8, 2014, and the Board is pleased to inform you that the statutory policy review requirement has been satisfied.

During the review, the OSTF Board offered the following comments:

- The Board agreed that it is an excellent, well-written investment policy and they thanked Susanne Baker for her efforts.

Should any member of the City of Coos Bay's City Council wish to discuss the policy or the Board's comments, please call Tom Lofton or Garrett Cudahey at the Office of the State Treasurer. The phone number is (503) 378-4155.

Sincerely,



**Douglas E. Goe**

**Oregon Short Term Fund Board Chair  
(503) 943-4810**

cc: Crystal Shoji, Mayor ✓  
Mark Daily, Councilor  
Jennifer Groth, Councilor  
Stephanie Kramer, Councilor  
Thomas Leahy, Councilor  
Mike Vaughan, Councilor  
Brian Bowers, Councilor  
Susanne Baker, Finance Director  
Tom Lofton, Oregon State Treasury  
Garrett Cudahey, Oregon State Treasury