

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

| | | |
|-----------------------------------|---|----------------------|
| FOR THE PURPOSE OF ADOPTING |) | ORDINANCE NO. 87-228 |
| INVESTMENT PROCEDURES, ESTABLISH- |) | |
| ING CHAPTER 2.06 OF THE METRO |) | |
| CODE, AND DECLARING AN EMERGENCY |) | |

WHEREAS, This Ordinance establishes investment procedures; and

WHEREAS, The Council of the Metropolitan Service District finds that these procedures will strengthen control over cash and investments and assign responsibility; and

WHEREAS, The procedures will enable the District to maximize earnings on investments while minimizing risk of the loss of principal; and

WHEREAS, The Metro Council's Management Committee and Citizen Investment Advisory Committee have recommended approval of the investment policies used as a basis for these procedures; now, therefore,

THE COUNCIL OF THE METROPOLITAN SERVICE DISTRICT HEREBY ORDAINS:

Section 1. Metro Code Section 2.06.020 to 2.06.100 are hereby established.

Section 2. The following provisions are added to the Metro Code as Chapter 2.06:

Section 3. Under the provisions of ORS 198.550(3) an emergency is declared in order to allow the District to maximize earnings on bond proceeds investments and allow flexibility in meeting convention center drawdown schedules by September 30, 1987.

2.06.020 Investment Officer:

(a) Investment Officer: The Executive Officer is the Investment Officer of the District.

(b) Responsibilities of the Investment Officer:

(1) The Investment Officer is responsible for investment decisions and activities of the District. This

Officer shall comply with ORS 294.035 through 294.048 and ORS 294.125 through 294.155 and other applicable provisions of law as mandated by the State of Oregon in meeting this responsibility.

- (2) The Investment Officer shall comply with all applicable federal and state tax law requirements for the investment of any tax-exempt borrowing proceeds and of any debt service funds or accounts.
- (3) The Investment Officer shall comply with ordinances adopted by the Council for the investment of surplus cash.
- (4) The Investment Officer shall recommend to the Council for confirmation, the names of persons for appointment to an Investment Advisory Board.
- (5) The Investment Officer may select a trustee bank to perform activities related to investments. In this case, the activities of the trustee shall be set forth in a trustee agreement consistent with this Code.

(c) Prudence:

(1) The standard of prudence to be applied by the Investment Officer shall be the "prudent investor" rule: "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 prudent investor rule shall be applied in the context of managing the overall portfolio.

(2) The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported to the Council as soon as practicable.

2.06.030 Investment Advisory Board: There shall be an Investment Advisory Board composed of three members who will propose, review, discuss and advise, at least quarterly, the Investment Officer on investment policy and procedures.

(a) Terms of Service: The term of service for citizens appointed to the Investment Advisory Board shall be three calendar years. The term of appointment shall be staggered so that only one member's term expires in any calendar year.

(b) Appointment: The Investment Officer shall recommend to the Council for confirmation, the names of persons for appointment to the Investment Advisory Board.

2.06.040 Investment Diversification:

(a) Diversification by Instrument

| | Percent of Portfolio (Maximum) |
|---|--------------------------------------|
| (1) U.S. Treasury Bills, Notes, Bonds, Strips and/or State and Local Government Series (SLGS) | 100% |
| (2) U.S. Government Agencies | 100% |
| (3) Certificates of Deposit Commercial Banks | 100% |
| (4) Certificates of Deposit Savings and Loan Associations | 30% |
| (5) Repurchase Agreements | 25% |
| (6) Banker's Acceptances | 100% |
| (7) Commercial Paper | 0% |
| (8) State and Municipal Bonds | 100% |
| (9) State of Oregon Investment Pool | Varies |

Note:, The Investment Officer shall comply with the requirements of ORS 294.810 and limit the investment in the State of Oregon Investment Pool at any time to a maximum of \$20,000,000; \$10,000,000 in each of two accounts.

2.06.045 Investment Maturity: Only investments which can be held to maturity shall be purchased. Investments shall not be planned or made predicated upon selling the security prior to maturity.

Maturity limitations shall depend upon whether the funds being invested are considered short-term or long-term funds. All funds shall be considered short-term except those reserved for capital projects (e.g., bond sale proceeds).

(a) Short-Term Funds:

- (1) Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs.

- (2) Except for special situations, as identified by the Investment Advisory Board and directed by the Investment Officer, investments shall be limited to maturities not exceeding 18 months.
- (3) Bond reserve funds shall be limited to investment in securities up to 18 months. The maturity of the investment may extend to 18 months only if the debt service account is properly funded and provision has been made in amount and maturity for the first possible draw upon the reserve account. If these conditions are not met, the investment maturity must match the expected draws upon the reserve funds.

(b) Long-Term Funds:

- (1) Maturity scheduling shall be timed according to anticipated need. ORS 294.135 permits investment beyond 18 months for any bond proceeds or funds accumulated for any purpose which the District is permitted by State law to accumulate and hold funds for a period exceeding one year. The maturities may be made to coincide as nearly as practicable with the expected use of the funds.
- (2) Investment of capital project funds shall be timed to meet projected contractor payments. The drawdown schedule used to guide the investment of the funds shall evidence the approval of the Investment Officer and review of the Director of Finance & Administration and the Manager of Accounting.

2.06.050 Investment Limitations: The Investment Officer shall comply with the following limitations:

(a) Total Prohibitions: Purchase of standby or forward commitments of any sort are specifically prohibited.

(b) Limitations by Type of Security:

- (1) U.S. Government and U.S. Agency Securities Authorized for Purchase
 - (a) U.S. Treasury Bills
 - (b) U.S. Treasury Notes
 - (c) U.S. Treasury Bonds
 - (d) U.S. Treasury Strips
 - (e) U.S. Treasury State and Local Government Series
 - (f) Federal National Mortgage Association Notes, Debentures and Discount Notes

(2) U.S. Government Securities not Authorized for Purchase

- (a) Banks for Cooperatives
- (b) Sallie Mae Discount Notes
- (c) Sallie Mae Floating Rate Notes
- (d) Federal Intermediate Credit Banks
- (e) Federal Farm Credit Banks Bonds and Discounts Notes
- (f) Federal Home Loan Mortgage Corporation Mortgage Certificates
- (g) Federal Land Banks
- (h) Farm Credit Consolidated System-wide Discount Notes
- (i) Federal Housing Administration Debentures
- (j) Department of Housing and Urban Development:
 - New Communities Debentures
 - Project Notes
 - Local Authority Bonds
- (k) Export-Import Bank of United States Debentures
- (l) Farmers Home Administration Certificates of Beneficial Ownership
- (m) General Services Administration Participation Certificates
- (n) Government National Mortgage Association:
 - Participation Certificates
 - Pass-Through Securities
 - Mortgage Backed Bonds
- (o) Small Business Administration Debentures
- (p) Tennessee Valley Authority Bonds

- (3) Certificates of Deposit: As required by ORS Chapter 295, the Manager of Accounting will be responsible to ensure that a Certificate of Collateral Participation has been issued by the institution to cover outstanding time certificates of deposit. Under ORS 294.035(7), the financial institutions may be

"banks, mutual savings banks and savings and loan associations which maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank or savings and loan association."

- (4) Repurchase Agreements: All repurchase agreements will be fully collateralized by U.S. Government and U.S. Agency obligations marked to market.

The Investment Officer shall not enter into any reverse repurchase agreements.

- (5) Banker's Acceptances: Under ORS 294.035 the Banker's Acceptance must be guaranteed by a "qualified Oregon financial institution" and must be eligible for discount by the Federal Reserve System. ORS 294.035(11) provides:

"'a qualified financial institution' means a financial institution that is located in the State of Oregon, licensed to do a banking business and not required under ORS Chapter 295.018 to maintain a reserved deposit of collateral having a value not less than 110 percent of its public fund deposits. When an issuing financial institution becomes unqualified, all of its outstanding bankers' acceptances held by political subdivisions must be collateralized at 110 percent through the pool manager as required under ORS Chapter 295.018."

- (6) States and Municipalities: In addition to the requirements stated ORS 294.035, (1) through (6), the Investment Officer will further limit purchases of securities to municipalities which have obtained an A rating or better on Revenue Bonds and a Baa-1 rating or better on General Obligation bonds. The rating may be from either Moodys' Investors Service or Standard & Poor's Corporation. If the rating is split, the lower rating will prevail. The Investment Officer may purchase securities from unrated Oregon municipalities upon recommendation from the Investment Advisory Board.

2.06.055 Politico/Socio Limitations:

(a) South Africa: The Investment Officer may not purchase any Banker's Acceptances which involve goods which derive from South Africa. A certificate warranting this shall be obtained from the financial institution from which the Banker's Acceptance was purchased.

2.06.060 Selection of Securities: Before the Investment Officer invests any surplus funds, a competitive bid process shall be conducted orally. Bids will be requested from financial institutions for various options with regards to term and instrument. The Investment Officer will accept the bid which provides the highest rate of return within the maturity required and within the prudent investor rule.

Records will be kept of the bids offered, the bids accepted and a brief explanation of the decision made regarding the investment.

2.06.070 Delivery of Securities: All securities purchased pursuant to this investment policy will be delivered by either book entry or physical delivery to a third party for safekeeping by a bank designated as primary agent. Purchase and sale of all securities will be on a payment versus delivery basis. The trust department of the bank designated as primary agent will be considered to be a third party for the purposes of safekeeping of securities purchased from that bank. The primary agent shall issue a safekeeping receipt to the District listing the specific instrument, rate, maturity and other pertinent information.

Repurchase agreements will not be subject to the safekeeping requirements if purchased from First Interstate Bank of Oregon or from U.S. National Bank of Oregon; repurchase agreements from all other financial institutions shall require safekeeping. In all cases, a master repurchase agreement is required.

2.06.080 Collateralization: Deposit-type securities (i.e., certificates of deposit) shall be collateralized through the State collateral pool as required by Oregon Revised Statute for any amount exceeding FDIC or FSLIC coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

(a) Diversification by Financial Institution

- (1) Qualified Institutions: The Investment Officer shall maintain a listing of financial institutions and securities dealers recommended by the Investment Advisory Board. Any financial institution and/or securities dealers is eligible to make an application to the Investment Officer and upon due consideration and approval hold available funds.

A listing of the eligible institutions shall be held by the Manager of Accounting and provided any fiduciary agent or trustee.

- (2) Diversification Requirements: The combination of investments in Certificates of Deposit and Banker's Acceptances as outlined individually at 2.06.080 (a)(2) A, B and D shall not exceed the 30 percent limitation in any one financial institution.

A. Certificates of Deposit - Commercial Banks

No more than the lesser of 30 percent of the total available funds or 15 percent of the equity of the financial institution may be invested with any one institution.

B. Certificates of Deposit - Savings and Loan Association

No more than the lesser of 30 percent of the total available funds or 15 percent of the equity of the financial institution may be invested with any one institution.

C. Repurchase Agreements

May be purchased from any qualified institution provided the master repurchase agreement is effective and the safekeeping requirements are met.

D. Banker's Acceptances

No more than the lesser of 30 percent of the total available funds or 15 percent of the equity of the financial institution may be invested with any one institution. All banker's acceptances will be purchased from a qualified Oregon financial institution. Under ORS Chapter 294.035(11):

"'a qualified financial institution' means a financial institution that is located in the State of Oregon, licensed to do a banking business and not required under ORS Chapter 295.018 to maintain a reserved deposit of collateral having a value not less than 110 percent of its public fund deposits. When an issuing financial institution becomes unqualified, all of its outstanding bankers' acceptances held by political subdivisions must be collateralized at 110 percent through the pool manager as required under ORS Chapter 295.018."

2.06.090 Reporting Requirements:

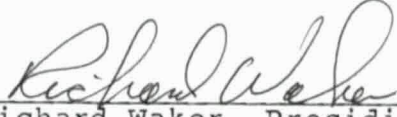
(a) A transaction report shall be prepared by the District's Department of Finance & Administration not later than one business day after the transaction, unless a trustee, operating under a trust agreement, has executed the transaction. The trustee agreement shall provide for a report of transactions to be submitted by the trustee on a monthly basis.

(b) Monthly reports prepared by the District's Department of Finance & Administration shall report on the entire portfolio and be submitted to the Investment Officer, Investment Advisory Board and the Council in a timely manner.

(c) Quarterly Reports will be prepared for each regular meeting of the Investment Advisory Board to present historical investment information for the past 12-month period. Copies shall be provided to the Executive Officer and the Metro Council.

2.06.100 Indemnity Clause: Metro shall indemnify the Investment Officer, staff and the Investment Advisory Board members from personal liability for losses that might occur pursuant to administering this investment policy.

ADOPTED by the Council of the Metropolitan Service District
this 22nd day of Sept., 1987.


Richard Waker, Presiding Officer

ATTEST:


Clerk of the Council

DRC/gl
8152C/513-09/15/873

STAFF REPORT

Agenda Item No. 10.1

Meeting Date Sept. 22, 1987

CONSIDERATION OF ADOPTING INVESTMENT PROCEDURES,
ESTABLISHING CHAPTER 2.60 OF THE METRO CODE, AND
DECLARING AN EMERGENCY

Date: September 22, 1987

Presented by: Ray Phelps

FACTUAL BACKGROUND AND ANALYSIS

Metro's current investment policies were adopted by Council in Resolution No. 83-391 on March 24, 1983. The policies currently in place do not provide the ability to maximize return on convention center bond proceeds monies as maturities are limited to six months or less. In light of this, the Department of Finance & Administration set out to update the policies to conform with current tax law and new state requirements, as well as strengthen and clarify the current policies. Rebecca Marshall of Government Finance Associates worked with staff to draft the policy proposal.

In addition, staff met with the Investment Advisory Board (Rebecca Marshall, Bonnie Kraft and Sue McGrath) to solicit their input for the proposed policy. The policy was placed before the Management Committee on August 20, 1987, for their input. The Committee recommends approval of the policies. The policy is the culmination of those efforts.

The topic areas noted below are those where significant changes were incorporated:

- Reducing the maximum percentage of investable funds placed with savings and loans to 30 percent (previously 100 percent).
- Increasing the allowable percentage of investable funds in any financial institution to 15 percent of the equity (previously 10 percent) of the institution -- not to include the equity of any holding company.
- Allowing investments with the Local Government Investment Pool up to \$20 million (\$10 million in each of two accounts).
- Designating the Executive Officer as Investment Officer (previously the Manager of Accounting).

- Increasing the detail to be reported (on investment activity) to the Executive Officer, Council and Investment Advisory Board.

The term of investments (maturity) are categorized as short- and long-term, with long-term maturities allowed to be greater than 18 months in special circumstances.

The policy document was then drafted in the form of an ordinance to be made a part of the Metro Code.

As this Code section (and the resulting policies) allows the District greater ability to maximize earnings on investments by investing for longer terms and, as the District has a need to invest bond proceeds to the maximum extent possible while allowing for flexibility in meeting drawdown schedules, an emergency exists so that staff can invest these funds by September 30, 1987, in the manner prescribed by ordinance.

DRC/gl
8152C/513
09/15/87

Motion: Councilor Knowles moved, seconded by Councilor Collier, to approve the contract with Sun Roof and Gutters, Inc.

Vote: A vote on the motion to approve the contract resulted in:

Ayes: Bonner, Collier, DeJardin, Gardner, Hansen, Kelley, Kirkpatrick, Knowles, Van Bergen and Waker

Absent: Councilors Cooper and Ragsdale

The motion carried and the contract was approved.

9.5 Consideration of a Contract with Forest Grove Industries for Phase II Modifications to the Zoo's Pachyderm House

Mr. Allan Goff, Manager, Facilities Management Division, requested replacement of the four concrete doors, reinforcing specific structural walls and the crush room door trolley system. The improvements would address potential keeper and animal safety concerns. Staff recommended a contract with Forest Grove Industries (the contractor for Phase I improvements) because they knew the process and submitted the low bid on this project.

Motion: Councilor Kirkpatrick moved, seconded by Councilor Collier, to approve the contract for modifications in the Zoo's Pachyderm House -- Phase II.

Vote: A vote on the motion to approve the contract resulted in:

Ayes: Bonner, Collier, DeJardin, Gardner, Hansen, Kelley, Kirkpatrick, Knowles, Van Bergen and Waker

Absent: Councilors Cooper and Ragsdale

The motion carried and the contract was approved.

10. ORDINANCES

10.1 Consideration of Ordinance No. 87-228, Adopting Investment Procedures, Establishing Chapter 2.06 of the Metro Code, and Declaring an Emergency (Public Hearing)

The Clerk read the ordinance a first time by title only.

Mr. Ray Phelps, Director of Finance & Administration, stated that he was before the Council to ask that the investment policies of Metro

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Absent: Councilors Cooper and Ragsdale

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10. ORDINANCES

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Mr. Ray Phelps, Director of Finance & Administration, stated that he was before the Council to ask that the investment policies of Metro



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

September 28, 1987

Mr. Charles D. Cameron
County Administrator
Washington County Courthouse
150 North First Avenue
Hillsboro, Oregon 97123

Metro Council

Richard Waker
Presiding Officer
District 2

Jim Gardner
Deputy Presiding
Officer
District 3

Mike Ragsdale
District 1

Corky Kirkpatrick
District 4

Tom DeJardin
District 5

George Van Bergen
District 6

Sharron Kelley
District 7

Mike Bonner
District 8

Tanya Collier
District 9

Larry Cooper
District 10

David Knowles
District 11

Gary Hansen
District 12

Executive Officer
Rena Cusma

Dear Mr. Cameron:

Enclosed is a true copy of the following ordinance adopted by the Metro Council. Please file this ordinance in the Metro files maintained by your county.

Ordinance No. 87-228 For the Purpose of Adopting Investment Procedures, Establishing Chapter 2.06 of the Metro Code, and Declaring an Emergency.

Sincerely,

A. Marie Nelson
Clerk of the Council

AMN:pea

Enclosure



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

September 28, 1987

Ms. Jane McGarvin
Clerk of the Board
Multnomah County Courthouse
1021 SW Fourth Avenue
Portland, Oregon 97204

Dear Jane:

Enclosed is a true copy of the following ordinance adopted by the Metro Council. Please file this ordinance in the Metro files maintained by your county.

Ordinance No. 87-228 For the Purpose of Adopting Investment Procedures, Establishing Chapter 2.06 of the Metro Code, and Declaring an Emergency.

Sincerely,

Marie

A. Marie Nelson
Clerk of the Council

AMN:pea

Enclosure

Metro Council

Richard Waker
Presiding Officer
District 2

Jim Gardner
Deputy Presiding
Officer
District 3

Mike Ragsdale
District 1

Corky Kirkpatrick
District 4

Tom DeJardin
District 5

George Van Bergen
District 6

Sharron Kelley
District 7

Mike Bonner
District 8

Tanya Collier
District 9

Larry Cooper
District 10

David Knowles
District 11

Gary Hansen
District 12

Executive Officer
Rena Cusma



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

September 28, 1987

Ms. Juanita Orr
County Clerk
Clackamas County Courthouse
8th and Main
Oregon City, Oregon 97045

Dear Ms. Orr:

Enclosed is a true copy of the following ordinance adopted by the Metro Council. Please file this ordinance in the Metro files maintained by your county.

Ordinance No. 87-228 For the Purpose of Adopting Investment Procedures, Establishing Chapter 2.06 of the Metro Code, and Declaring an Emergency.

Sincerely,

A. Marie Nelson
Clerk of the Council

AMN:pea

Enclosure

Metro Council

Richard Waker
Presiding Officer
District 2

Jim Gardner
Deputy Presiding
Officer
District 3

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Gary Hansen
District 12

Executive Officer
Rena Cusma