

**CITY OF MONMOUTH  
INVESTMENT POLICY GUIDELINES FOR  
NON-PENSION/DEFERRED COMPENSATION FUNDS**

**PURPOSE:**

To minimize risk associated with investing the City's monies and ensure the availability of cash to meet expenditures, while maximizing earnings opportunities and minimizing idle funds. These policies provide direction for managing the City's investments.

**SCOPE**

This policy applies to activities of the City of Monmouth with regard to investing the financial assets of all funds of the City of Monmouth. The investment of all funds for the City of Monmouth is subject to the regulations established by the State of Oregon. Other than bond proceeds or other unusual situations, the total annual revenue of all funds is approximately \$17 million. The funds available for investment range from \$1 million to \$17 million at any one time.

These funds will be invested in compliance with the provisions of, but not necessarily limited to all current and future applicable Oregon Statutes. 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.

**OBJECTIVES**

The investment objectives for the City of Monmouth are:

- A. Safety: Preservation of capital and the protection of principal.
- B. Legality: Conform with federal, state and other legal requirements.
- C. Liquidity: Maintenance of sufficient liquidity to meet operating requirements.
- D. Return: Attainment of a market rate of return throughout all economic and fiscal cycles by implementing an investment strategy.

**DELEGATION OF AUTHORITY**

The Finance Director is the designated investment officer of the City of Monmouth and is responsible for investment decisions, under the review of the City Council. In the absence of the investment officer, the City Manager shall perform the duties. The investment officer is responsible for setting investment policy and guidelines subject to review and adoption by the City Council and, if required, review and comment by the Oregon Short-Term Fund Board (OSTF). Further, the Finance Director will be responsible for the day-to-day operations of the investment process, which include but are not limited to choosing what to buy or sell, from whom investments will be purchased, executing the buy/sell orders, producing necessary reports, and supervising staff. In addition to the active management of the investment portfolio, the Finance Director is responsible for the maintenance of other written administrative procedures consistent with this policy and the requisite compliance. To further optimize the total return of the investment portfolio, the Finance Director will administer an active cash management program – the goal of which will maintain historical cash flow information, i.e., debt service, payroll, revenue receipts, and any extraordinary expenditures.

## STANDARDS OF CARE

The standard of prudence to be used by the investment officer in the context of managing the financial resources shall be the prudent investor rule, which 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.”

The investment officer and staff, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security’s credit risk, market price changes, or loss of principal if securities are liquidated prior to maturity provided that these deviations and losses are reported as soon as practical and action is taken to control adverse developments.

## SAFEKEEPING AND COLLATERALIZATION

Purchased investment securities will be delivered by either Fed book entry, DTC, or physical delivery, and held in third party safekeeping with a designated custodian. The trust department of a bank may be designated as custodian for safekeeping securities purchased from that bank. The purchase and sale of securities will be on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to the City of Monmouth listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date and other pertinent information. Delivery versus payment will also be required for all repurchase transactions and with the collateral priced and limited in maturity in compliance with ORS 294.135 (2). Demand and time deposits shall be collateralized through the State’s Public Funds Collateralization Program (PFCP) as required by statute for any excess over the amount insured by an agency of the US government. All depositories must be on the State of Oregon’s qualified list. The City will report annually to the Oregon State Treasury the financial institutions that are transacting business with the City as required by ORS.

## ACCOUNTING METHOD

The City of Monmouth 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 American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).

## INTERNAL CONTROLS

The City of Monmouth shall maintain a system of written internal controls which shall be reviewed and tested by the independent auditor at least annually or upon any extraordinary event, i.e., turnover of key personnel or the discovery of any inappropriate activity

## REPORTING REQUIREMENTS

The investment officer shall generate monthly reports for management purposes. In addition, the City Council will be provided quarterly reports which will include but not necessarily be limited to: portfolio activity, instruments held, market valuation, as well as any narrative necessary for adequate clarification.

## QUALIFIED INSTITUTIONS

The investment officer shall maintain a list of all authorized brokers/dealers and financial institutions which are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the City of Monmouth, and upon due consideration and approval, will be added to the list. Additions or deletions to the list will be made at the Finance Director's discretion. At the request of the City of Monmouth, the firms performing investment services shall provide their most recent financial statements or Consolidated Report of Condition (call report) for review. Further, there should be in place proof as to all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with the City of Monmouth as specified by but not necessarily limited to the National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC), etc. The City of Monmouth shall conduct an annual evaluation of each firm's creditworthiness to determine if it should remain on the list. Securities broker/dealers not affiliated with a bank shall be required to have an office located in Oregon and be classified as reporting dealers affiliated with the Federal Reserve as primary dealers.

## INVESTMENT MATURITY

Unless matched to a specific cash flow, the City of Monmouth will not directly invest in securities maturing in more than 18 months. With the approval of the City Council, if the investment is related to a specific cash flow or particular capital project, securities will be held to a maximum of 30 months. Except for funds requiring special handling (bond proceeds subject to arbitrage, etc.), investments beyond 18 months require the express approval of the City Council (ORS 294.135).

Funds considered short-term will be invested to coincide with projected cash needs or with the following serial maturity:

50% minimum to mature less than three months (includes funds in LGIP).

25% maximum to mature three months to one year.

25% maximum to mature over one year out to eighteen months.

## PORTFOLIO DIVERSIFICATION

1.	<u>Diversification by Instrument</u>	<u>Maximum % of Portfolio*</u>
	US Treasury Obligation:	Maximum 40%
	US Government Agency Securities (GSE's):	Maximum 40%

Banker's Acceptances from qualified institutions:	Maximum 30%
Certificates of Deposit from qualified institutions:	Maximum 10%
Repurchase Transactions:	Maximum 0%
Commercial Paper:	Maximum 25%
Corporate Notes:	Maximum 0%

2. Diversification by Institution\*

Local Government Investment Pool:	Maximum 100%
Non-US Treasury/GSE issuer:	Maximum 50%

\* As per limitations under ORS 294.035

COMPETITIVE SELECTION OF BIDS OR OFFERS

Before the investment officer invests funds, or sells securities prior to their maturity, competitive offers of bids will be sought from 3 institutions. The most favorable bid will be awarded the transaction. Due to the competitive nature of Banker's Acceptances, the competitive selection process is waived for purchases of these investments.

MONITORING AND ADJUSTING THE PORTFOLIO

The Finance Director will routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

PERFORMANCE EVALUATION

The performance of the City of Monmouth investment portfolio will be measured against the performance of the LGIP.

INVESTMENT POLICY ADOPTION

This investment policy will be formally adopted by the City Council and will be readopted annually, even if there are no changes. If investments exceeding a maturity of eighteen months are contemplated, further review and comment by the Oregon Short-Term Fund Board will be sought.