



# Medford City Council Meeting

## Agenda

October 4, 2018

6:00 P.M.

Medford City Hall, Council Chambers  
411 West 8<sup>th</sup> Street, Medford, Oregon

10. **Roll Call**

20. **Recognitions, Community Group Reports**

30. **Oral Requests and Communications from the Audience**

Comments will be limited to 4 minutes per individual, group or organization. PLEASE SIGN IN.

40. **Public Hearings**

50. **Approval or Correction of the Minutes of the September 20, 2018 Regular Meeting**

60. **Consent Calendar**

70. **Items Removed from Consent Calendar**

80. **Ordinances and Resolutions**

80.1 COUNCIL BILL 2018-114 (CONTINUED from September 20, 2018) - A resolution adopting a revised investment policy for the City of Medford.

80.2 COUNCIL BILL 2018-117 A resolution initiating annexation to the City of Medford of an approximate 1.65 acre parcel, including an adjacent right-of-way located at the southeast corner of Table Rock Road and Biddle Road (4256 Table Rock Road), and concurrent zone change from County LI (Light Industrial) to City I-L (Light Industrial) and designated within the Limited Industrial (I-00) Overlay District, and withdrawal of said property from Medford Rural Fire Protection District #2, effective pursuant to State Law. (A-18-083)

80.3 COUNCIL BILL 2018-118 A resolution authorizing funding of a grant in the amount of \$30,000.00 for the Continuum of Care Coordinator for fiscal year 2019.

90. **Council Business**

90.1 Proclamations issued:

Fire Prevention Week – October 7-13, 2018

National Community Planning Month – October 2018

90.2 Committee Reports and Communications

100. **City Manager and Staff Reports**

100.1 Further reports from City Manager

110. **Adjournment**



# CITY OF MEDFORD AGENDA ITEM COMMENTARY

Item No: 80.1

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**DEPARTMENT:** Finance **AGENDA SECTION:** Ordinances and Resolutions  
**PHONE:** (541) 774-2030 **MEETING DATE:** October 4, 2018  
**STAFF CONTACT:** Ryan Martin, CFO/Assistant City Manager

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## **COUNCIL BILL 2018-114 (Continued from September 20, 2018)**

A resolution adopting a revised investment policy for the City of Medford.

### **SUMMARY AND BACKGROUND**

Council is requested to consider approval of the City's Investment Policy.

The City's Investment Policy was created in 1986 and later revised in 1992, 2001, 2010, and 2011. The goal of the Investment Policy is to set guidelines for City investments that safeguard the City's assets. The Investment Policy was presented by the Finance Department and the City's investment advisor at the February 8, 2018 Budget Committee meeting. No direction was given at this meeting.

Donna Holtz, former Interim Finance Director, and Mary Donovan of Insight Investments rewrote the Investment Policy to be in accordance with ORS 294.035, 294.040, 294.052, 294.135, 294.145, and 294.810. After the Investment Policy was rewritten, it was sent to the Oregon Short Term Fund Board (OSTF Board) for review. The Board reviewed the policy on July 10, 2018 and concluded that the statutory policy review requirement was satisfied.

### **PREVIOUS COUNCIL ACTIONS**

On June 17, 1982 – Council Bill 4624 was approved authorizing execution of an investment policy for the City of Medford.

On May 16, 1985 – Council Bill 5444 was approved authorizing execution of a new investment policy for the City of Medford and repealing Council Bill 4624.

On July 3, 1986 – Council Bill 5686 was approved authorizing execution of new investment policies and repealing Council Bill 5444.

On October 1, 1992 – Council Bill 7215 was approved authorizing execution of a revised investment policy and portfolio guidelines for the City of Medford and repealing Council Bill 5686.

On June 21, 2001 – Council Bill 2001-118 was approved authorizing execution of a revised investment policy and guidelines for the City of Medford and repealing Council Bill 7215

On February 18, 2010 – Council Bill 2010-30 was approved authorizing execution of a revised investment policy for the City of Medford.

On September 15, 2011 – Council Bill 2011-183 was approved authorizing execution of a revised investment policy for the City of Medford.

On September 20, 2018 – Council tabled the Investment Policy until the October 4, 2018 Council meeting.

### **ANALYSIS**

The comments on the Investment Policy from the OSTF Board, along with the City's responses, can be found below:



# CITY OF MEDFORD AGENDA ITEM COMMENTARY

Item No: 80.1

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## **Investment Advisor Criteria**

The OSTF recommends adding to the Investment Policy specific criteria for selecting an investment advisor. Adding the criteria that broker/dealer firms must be registered with the Financial Industry Regulatory Authority (FINRA) would limit options available to the City and exclude our current advisor from participating in the RFP process.

The City goes through the formal purchasing process to select an investment advisor including a request for proposal and selection process. Current practice for the selection of an investment advisor is prescribed in the Purchasing Policy, and this has satisfied all statutory requirements as well as the City's obligation to protect the taxpayer money.

## **Minimum Credit Ratings and Percentage Allocations to Corporate Indebtedness and Municipal Bonds**

The OSTF recommends stricter requirements for minimum credit ratings and percentage allocations than statutes allow. The City prefers to retain the policy language that reflects the minimum statutory requirements for ratings and the maximum statutory requirements for corporate bond and commercial paper allocations. The City falls within the range of OSTF's recommendations. However, stricter requirements could mean that the City would be out of compliance for a long period of time if a current bond rating is downgraded.

After review by the City's former Interim Finance Director, the City's CFO, the City's investment advisor, and the OSTF Board, staff believes the Investment Policy as presented adequately conforms to required statutes, meets the requirements of the OSTF Board, and safeguards the City's assets while providing Council the most flexibility allowed in state law.

## **FINANCIAL AND/OR RESOURCE CONSIDERATIONS**

None

## **TIMING ISSUES**

None

## **COUNCIL OPTIONS**

Approve the resolution as presented.

Modify the resolution per OSTF recommendations in whole or part

Deny the resolution and provide direction to staff

## **STAFF RECOMMENDATION**

Staff recommends approving the resolution as presented.

## **SUGGESTED MOTION**

I move to approve the resolution accepting the revised Investment Policy as presented.

## **EXHIBITS**

Resolution

OSTF Board Letter

Investment Policy, red-lined version

Investment Policy, accepted version

RESOLUTION NO. 2018-114

A RESOLUTION adopting a revised investment policy for the City of Medford.

WHEREAS, the City last revised its investment policy and portfolio guidelines in 2011 and since that time, legislative and administrative rule changes have modified local government investment practices in Oregon; and

WHEREAS, Insight Investments, the City's investment advisors, have assisted in revising the City's investment policy to comply with the administrative rule changes and the revised policy was submitted to the Oregon Short Term Fund Board for review; and

WHEREAS, the requested policy modifications provide a detailed and comprehensive set of guidelines to achieve the City's principal investment objectives; now therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MEDFORD, OREGON:

That a revised investment policy for the City of Medford, on file in the City Recorder's Office, is hereby adopted.

PASSED by the Council and signed by me in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

ATTEST: \_\_\_\_\_  
City Recorder

\_\_\_\_\_  
Mayor



OREGON SHORT TERM  
FUND BOARD  
16290 SW UPPER BOONES FERRY ROAD  
TIGARD, OR 97224-7220  
(503) 431-7900  
FAX (503) 620-4731

## OREGON SHORT TERM FUND BOARD

8/10/2018

City of Medford  
Donna Holtz  
411 West 8<sup>th</sup> Street  
Medford, OR 97501

**Subject: City of Medford Investment Policy Review**

Dear Ms. Holtz,

The City of Medford policy was submitted by Ryan Martin 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 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 ("Staff") are provided to assist as needed on policy revisions or development.

The Oregon Short-Term Fund Board reviewed the City of Medford investment policy at the OSTF Board meeting on July 10<sup>th</sup>, 2018 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:

- Board Member Sharon Wojda pointed out that most of the Staff' recommendations were included with the exception of three; Investment Advisor Criteria, Minimum Credit Ratings and Allocations for the Corporate Indebtedness, Municipal Bonds and Liquidity Requirements.

Mary Donovan with Insight thanked the board for their thorough review and agreed. She stated that with respect to the investment advisor criteria the City does go through a purchasing process, an RFP for advisory services. It stands to work better for them to maintain criteria for the selection of the advisor and the routine maintenance of that contract under the purchasing office rather than in the investment policy and with respect to the center of registration, it didn't seem applicable to the nondiscretionary relationship that the City currently engages their investment advisor. The minimum credit ratings and allocations for the corporate indebtedness and municipal bonds as well as the liquidity requirements,



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## OREGON SHORT TERM FUND BOARD

they had taken the changes that the prior Finance Director had contemplated to City Council with the City of Medford earlier this year as they kicked off this process and were not contemplating changes to those areas. So those areas of the policy remained unchanged in compliance with State Statute and if there was a recommendation from the Short Term Fund Board they would go back to City Council with them and revisit those sections of the policy.

- Board Member Deanne Woodring' only suggestion was regarding the reference to the ORS limit on the pool. Ms. Woodring recommended removing the date with the maximum amount since that is subject to change; by doing that it allows the policy to stay current. Ms. Woodring also suggested changing the description of "Times Deposits" to "Certificates of Deposit".

Mary Donovan with Insight agreed with Deanne regarding the terminology.

- Board Member Darren Bond stated that after the investment advisor criteria, the best practice would be to include investment advisor selection criteria in your investment policy with the expectation that your procurement staff actually look to something like an investment policy when they are procuring these types of services. This will build their procurement solicitation based on those policies rather than the criteria that a procurement shop uses in general services solicitations, which are not going to have this specific kind of investment related selection criteria that we would look to.
- Board Chairman Doug Goe stated that he would like echo the previous comments of the Board. He questioned section 25.3 and the typo in the reference to ORS 294.1356 and recommended the City adopt language similar to the Sample Policy.

Should any member wish to discuss the policy, please call Angela Schaffers at the Office of the State Treasurer. The phone number is (503) 431-7900.

Sincerely,

Darren Q. Bond  
Deputy Treasurer, Oregon State Treasurer

cc: City of Medford Board Member(s)  
Board Representative Ryan Martin  
Ms. Angela Schaffers, Oregon State Treasury

# City of Medford

## Investment Policy

### Section 1. Purpose:

The City of Medford, Oregon (the City) was incorporated in 1885 and operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of a mayor and an eight-member council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. Medford has a population of approximately 78,000 and is located roughly equidistant from Portland to the north and Sacramento to the south.

The average monthly balance of funds invested in the City's general portfolio, excluding proceeds from bond issues, is approximately \$80 million. The highest balances in the portfolio occur in December after the majority of property taxes are collected.

The purpose of this Investment Policy (the Policy) is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the prudent management and investment of the funds of the City. This Investment Policy (the policy) defines the parameters within which funds are to be invested by the City of Medford (the City). This policy formalizes the framework, pursuant to ORS 294.135, for the City's investment activities to ensure effective and judicious management of funds within the scope of this policy.

The Policy dated July 3, 1986 was revised October 1, 1992, June 21, 2001, February 18, 2010, and September 15, 2011. This Policy, adopted by the City Council of the City of Medford, Oregon on December 18, 2014, 2018, replaces all previous versions of the City's Investment Policy.

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### Section 2. Governing Authority

The City's investment program shall be operated in conformance with Oregon Revised Statutes (ORS) and applicable federal law. Specifically, this policy is written in accordance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to laws established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this policy immediately upon being enacted.

### Section 23. Scope

The provisions of this Policy shall apply to all investable funds of the City of Medford and its component units, except for deferred compensation fund assets, pension fund assets, and assets of restricted trust and escrow funds to the extent not under the investment control of the City. Included under the provisions of this Policy are financial assets of general operating funds, enterprise funds, special revenue funds, and any other funds not specifically excluded which are recognized in the City's Comprehensive Annual Financial Report. The average monthly balance invested in the City's general portfolio is approximately \$80 million, excluding proceeds from bond issues.

Except for restricted and excluded funds and special accounts, all excess cash shall be pooled into one account for investment purposes. The net investment income derived from the pooled investment account shall be allocated pro-rata on a monthly basis to the contributing funds based upon their average balances and in accordance with generally accepted accounting principles, ~~on a monthly basis.~~

#### **Section 34. Objectives**

The City's ~~principal~~ primary investment objectives, in priority order, shall be: -are:

~~34.1 Preservation of~~ **Invested Capital** ~~capital, and protection of investment principal~~  
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.

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~~34.2 Liquidity~~ Maintenance of sufficient liquidity to meet operating requirements that are reasonably anticipated  
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 of the portfolio also 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.

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~~3.3 Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.~~

~~34.43~~ **Return** Attainment of a market value rate of return throughout budgetary and economic cycles  
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 excessive active trading and turnover of investments. Investments should generally be held to maturity.

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**Section 45. Delegation of Authority**

**45.1 Governing Body**

The City Council retains 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. The ultimate responsibility and authority for the investment of City funds resides with the City Council.

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**5.2 Delegation of Authority**

The City Manager hereby designates the Finance Director as the Custodial Officer for the City's funds. The Custodial Officer shall invest City funds in accordance with ORS Chapter 294, Public Financial Administration, and with this Investment Policy. This Policy shall constitute a "written order" from City Council per ORS 294.035. The Custodial Officer, with the consent of the City Manager, may further delegate the authority to invest City funds to additional City Finance personnel. 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 by City Council to the City Manager, hereinafter referred to as the Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. The City Manager may appoint the Finance Director as Investment Officer and the Finance Director may further appoint other staff members as Investment Officers with the approval of the City Manager.

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No person 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 investment personnel.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

4.2 In order to optimize total return through active portfolio management, resources shall be allocated to the cash management program. This commitment of resources shall include financial and staffing considerations.

**5.3 Investment Advisers**

4.3

Subject to required procurement procedures, the City may engage the support services of one or more investment managers to assist in the management of the City's investment portfolio in a manner consistent with this investment policy. outside professionals in regard to its investment program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage or necessary financial protection of the City's resources. External service providers shall be

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~~subject to Oregon Revised Statutes and the provisions of this Investment Policy.~~

The investment advisory service firm will function in a non-discretionary role. ~~All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer or designee and must be compliant with this policy. If the City hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of the City. and provide technical market research to help in implementing investment strategies. Non-discretionary management requires that the City maintain control of investments by requiring the firm to obtain approval for all investment transactions.~~

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## Section 56. Prudence and Indemnification

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5.1 ~~6.1~~ The standard of prudence to be used in the context of managing the overall portfolio is the prudent ~~investor person~~ 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.*

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5.2 ~~6.2~~ The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that the investment activities of the City are a matter of public record. ~~Accordingly~~ ~~Although investments are typically held to maturity,~~ the City recognizes that within a diversified portfolio ~~it may be advantageous to realign portfolio holdings to improve portfolio yield, liquidity or credit.~~ ~~losses sometimes occur, and such~~ ~~In such cases any realized gains or~~ losses shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security before maturity is in the best long-term interest of the City.

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5.3 ~~6.3~~ The City's ~~Custodial Officer~~ ~~Investment Officer~~ (ORS 294.004 (2)) and staff acting in accordance with this Investment Policy, written procedures, and Oregon Revised Statutes 294.035 and 294.040 and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change or other loss in accordance with ORS 294.047, provided that these losses are reported as soon as practical to the City Manager and action is taken to control adverse developments. Losses that are sustained in the City's portfolio shall be charged against current investment earnings.

## Section 76. Ethics and Conflicts of Interest

City investment staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or create the appearance of an impairment of their ability to make impartial investment decisions. City investment staff involved in the investment process and investment officials shall disclose in writing to the City Manager any financial interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City.

Employees shall comply with ORS 244.040 (Code of Ethics), ORS 244.120 (Methods of Handling Conflicts), GARS Article 3.15 (Standards of Conduct), any amendments to these provisions, and any Code of Ethics applicable to employees that the City may adopt in the future.

**Section 78. Internal Controls**

The ~~Custodial Officer~~Investment Officer shall establish and maintain a system of written internal controls consistent with this ~~Policy~~policy designed to prevent the loss of public funds due to fraud, error, misrepresentation or imprudent actions by third parties or by employees of the City. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. ~~Written internal~~Internal controls shall be ~~written and shall be reviewed and tested periodically by the Investment Officer, reviewed and tested at least annually by an independent auditor or upon any extraordinary event such as turnover of key personnel or the discovery of inappropriate activity.~~

The policies set forth in this document shall be adhered to and monitored on a quarterly basis. Any instance which is deemed to be out-of-compliance with this investment policy shall be brought back into compliance as soon as prudently feasible.

The concept of reasonable assurance recognizes that the cost of the 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:

- 1) Compliance with investment policy.
- 2) Control of collusion.
- 3) Separation of transaction authority from accounting and record keeping.
- 4) Custodial safekeeping.
- 5) Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary.
- 6) Clear delegation of authority to subordinate staff members.
- 7) Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form.
- 8) Dual authorizations of wire and automated clearing house (ACH) transfers.
- 9) Staff training.
- 10) Review, maintenance and monitoring of security procedures both manual and automated.

**Section 8. Accounting Method**

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~~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).~~

## **Section 9. Safekeeping and Custody**

~~Except for the State of Oregon Local Government Investment Pool, time deposit open accounts, Certificates of Deposit and savings accounts, all investment securities purchased~~

### **9.1 Third Party Safekeeping**

~~All marketable securities bought or sold by the City, and all purchased securities under the terms of a City approved Master Repurchase Agreement, shall be delivered by book entry and purchased securities and repurchase agreement collateral shall be held in third-party safekeeping by a City approved, independent custodian, ~~bank or the Depository Trust Company (DTC).~~~~

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~~Custodian banks shall be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services. The City shall execute a written Safekeeping Agreement with each custodian bank prior to utilizing that bank's safekeeping services. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.~~

### **9.2 Delivery vs. Payment**

~~The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis in accordance with ORS 294.145 (4) and (5). It is the intent of the City that all purchased securities be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.~~

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~~All fed-wireable book entry securities shall be held in the Federal Reserve System in a customer account or trust account at the custodian bank which names the City as the customer. DTC eligible securities shall be held in the custodian bank's participant account at the DTC.~~

## **Section 10. Collateralization**

~~All bank deposits, time deposits, certificates of deposit, and savings accounts held in bank depositories, which exceed the amounts insured by one or more agencies of the United States Government shall be collateralized in accordance with the provisions of ORS 295.~~

~~Collateral for repurchase agreements shall be limited in maturity and priced in compliance with ORS 294.035 (3)(k). See ~~item 8 of the~~ Section 13, Suitable and Authorized Securities and Transactions section of this policy.~~

**Section 11. Selection of Broker/Dealers**

11.1 ~~Custodial Officer~~ Investment Officer on the basis of their expertise in public cash management and their ability to provide service for the City's account. It shall be the policy of the City to purchase securities only from approved institutions and firms. Additions or deletions to the list shall be made at the ~~Custodial Officer~~ Investment Officer's discretion.

A list will be maintained of approved broker/dealer firms and affiliated representatives.

i) Approved broker/dealer firms must:

- A) Be registered with the Securities and Exchange Commission (SEC);
- B) Be registered with the Financial Industry Regulatory Authority (FINRA);
- C) Provide recent audited financials;
- D) Provide FINRA Focus Report filings.

ii) Approved broker/dealer employees who execute transactions with the City must:

- A) Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
- B) Be licensed by the State of Oregon;
- C) Provide written certification of having read, understood and agreed to comply with the most current version of this investment policy.

iii) The Investment Officer may establish policy for engaging broker/dealer firms and registered representatives more restrictive than stated above. Additional considerations may include:

- A) Positive references from at least three other local government clients;
- B) 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 with 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) On at least an annual basis the Investment Officer shall review all authorized broker/dealers and their respective authorized registered representatives. Factors to consider include the following:

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- A) Pending investigations by securities regulators;
- B) Significant changes in net capital;
- C) Pending customer arbitration cases;
- D) Regulatory enforcement actions.

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To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure; or
2. Report voluntarily to the Federal Reserve Bank of New York; or
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule.)

Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Oregon and, as such, are subject to the provisions of the Oregon Revised Statutes. Approved broker/dealers shall submit proof of registration in the State of Oregon, both for the firm and for the designated representative. Further, the broker/dealer representative shall submit evidence of holding the National Association of Security Dealers (NASD) Series 7 license, or the designation of Chartered Financial Analyst. Evidence of one of the following NASD licenses must also be submitted: Series 63, Series 65, or Series 66. License requirements are per the Oregon Division of Finance and Corporate Securities.

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In the event that an external investment advisor is not used in the process of recommending a particular transaction for the City's portfolio, authorized broker/dealers shall attest in writing that they have received a copy of this Policy and shall submit and annually update a City approved Broker/Dealer Information Request form, including the firm's most recent financial statements. The Custodial Officer shall maintain these documents on file.

- 11.2 The City may purchase Commercial Paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in item 12.1.3 of the Authorized Securities and Transactions section of this pPolicy.

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**Section 12. Investment Adviser**

The City may engage the services of one or more external investment managers to assist in the management of the City'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 or designated personnel and must be compliant with this investment policy. Approved investment advisers are authorized to transact with its direct dealer relationships on behalf of the City.

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Approved investment advisers shall meet the following criteria:

- A) The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) if the firm has assets under management greater than \$100 million. Alternatively, if the investment adviser firm has assets under management less than \$100 million then the firm must be licensed by the state of Oregon.
- B) All adviser representatives recommending investment transactions on behalf of the City must provide written certification of having read, understood and agreed to comply with the most current version of this investment policy.

## **Section 1213. Authorized Securities and Transactions**

### **13.142.1 Permitted 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 294.135 (Investment maturity dates), and ORS 294.810, ORS 294.145 (Prohibited conduct for Custodial Officer), ORS 294.805 to 294.895 (Local Government Investment Pool), ORS 294.052 (Investment of Bond Proceeds).~~ Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

~~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:~~

- ~~12.1.1i) U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding five years from the date of trade settlement. The maximum ownership of U.S. Treasury Obligations is 100%.~~
- ~~12.1.2ii) Federal Agency and Instrumentality Securities: Debentures, discount notes, step-up securities, callable securities and stripped principal or coupons with final maturities not exceeding five years from the date of trade settlement, issued by the following only: Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Resolution Funding Corporation (REFCORP), Financing Corporation (FICO), and Tennessee Valley Authority (TVA). Subordinated debt may not be purchased. The maximum ownership of Federal Agency or Instrumentality Securities is 75100% with no more than 25% of the portfolio held in any one issuer.~~
- ~~12.1.3 iii) Commercial Paper issued by a commercial, industrial or utility business or issued by or on behalf of a financial institution with maturities not exceeding 270 days from the date of trade settlement. Commercial paper must be rated at least A-1, or the equivalent, by~~

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~~Standard and Poor's, P-1 by Moody's or F1 by Fitch~~ at the time of purchase by each service which rates the commercial paper. ~~If the commercial paper issuer has senior debt outstanding, the senior debt must be rated at least A by Standard and Poor's or A2 by Moody's Investors Service or the equivalent.~~ Ownership of commercial paper and corporate bonds shall be limited to a combined total of 35% of the portfolio, with no more than 5% of the portfolio held in any one issuer or its affiliates or subsidiaries.

12.1.4 ~~iv) Corporate Bonds subject to a valid registration statement on file with the Securities and Exchange Commission~~ issued by a commercial, industrial or utility business or issued by or on behalf of a financial institution with final maturities not exceeding three years from the date of trade settlement. Authorized corporate bonds shall be limited to obligations of United States dollar denominated corporations organized and operating within the United States. At the time of purchase, the debt must be rated at least AA- by Standard and Poor's or Aa3 by Moody's or AA- by Fitch, as required by ORS 294.035. Furthermore, split ratings are acceptable to no less than A by Standard and Poor's or A2 by Moody's or A by Fitch. Ownership of corporate bonds and commercial paper shall be limited to a combined total of 35% of the portfolio, with no more than 5% of the portfolio held in any one issuer or its affiliates or subsidiaries.

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12.1.5v) ~~Bankers Acceptances~~ which are (a) guaranteed by and carried on the books of a financial institution located and licensed to do banking business in the ~~s~~State of Oregon; or a financial institution located in the ~~S~~states of California, Idaho or Washington that is wholly owned by a bank holding company that owns a financial institution that is located and licensed to do banking business in the ~~s~~State of Oregon. (b) Banker's acceptances shall be eligible for discount by the Federal Reserve System; and (c) the institution issuing a letter of credit shall have a short-term rating that is the highest category by one or more nationally recognized statistical rating organizations at the time of purchase. Maturities shall be limited to 180 days from the date of trade settlement and ownership of bankers acceptances shall not exceed 25% of the portfolio, with no more than ~~10%~~5% of the portfolio held in any one issuer.

12.1.6vi) ~~State of Oregon Local Government Investment Pool~~ organized pursuant to ORS 294.805 through 294.895. Participation in the Pool shall not exceed the maximum limit annually set by ORS 294.810. This amount is indexed semi-annually to inflation (the Portland All-urban consumer CPI) pursuant to statute. The limit may temporarily be exceeded by local governments for 10 business days due to pass-through funds. ~~As of 8/31/14, the maximum investment was \$46,801,588.~~

12.1.7vii)

~~Time Deposits and Demand Deposits: Open Accounts, Certificates of Deposit, and Savings Accounts All time deposits and demand deposits shall be held in qualified Oregon depositories in accordance with ORS Chapter 295. Examples of time deposits are certificates of deposit and~~

savings accounts. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit, and savings accounts are considered investments and are within the scope of this policy. Demand deposits in qualified depository institutions are considered cash vehicles and are not investments and are therefore outside the scope and restrictions of this policy.

in insured institutions as defined in ORS 706.008 that maintain an office in Oregon. Certificates of Deposit that are purchased by the City shall be FDIC insured or collateralized through the state collateral pool in accordance with ORS 295.015 and ORS 295.018. Ownership of time certificates of deposits shall be limited to 35% of the portfolio, with no more than 10% with any one financial institution at the time of purchase, and maturities shall not exceed five years.

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12.1.8(viii) Repurchase Agreements with maturities of 90 days or less collateralized by U.S. Treasury securities with the maturity of the collateral not exceeding three years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City approved Master Repurchase Agreement. The purchased securities shall have an original minimum market value including accrued interest of 102% of the dollar value of the transaction, as prescribed by written policy of the Oregon Short Term Fund Board. Collateral shall be held delivery versus payment in the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily. Broker/dealers and Financial institutions must have an executed Master Repurchase Agreement with the City. Ownership of repurchase agreements shall be limited to 50% of the portfolio and 10% per issuer.

Repurchase Agreements shall be entered into only with City approved Primary Dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York or firms that have a Primary Dealer within their holding company structure.

12.1.9(ix) Obligations of the States of Oregon: ~~California, Idaho, and Washington~~: Lawfully issued debt obligations of ~~these states~~the state of Oregon and their its political subdivisions that have a long-term rating of at the time of purchase are rated at least A- by Standard and Poor's or A3 by Moody's or A- by Fitch AA or an equivalent rating or better or are rated in the highest category for short-term municipal debt by a nationally recognized rating agency. ~~Such obligations are authorized only if there has been no default in payment of either the principal or the interest of obligations of the issuing entity within five years preceding investment, ORS 294.040.~~ Ownership of such obligations shall be limited to 25% of the portfolio, with no more than 10% of the portfolio held in any one issuer. Maturities for these obligations shall not exceed three years.

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x) Obligations of the States of California, Idaho, and Washington: Lawfully issued debt obligations of these states and their political subdivisions that at the time of purchase are rated at least AA- by Standard and Poor's or Aa3 by Moody's or AA- by Fitch or are rated in the highest category for short-term municipal debt by a nationally recognized rating agency.

Ownership of such obligations shall be limited to 15% of the portfolio, with no more than 5% of the portfolio held in any one issuer. Maturities for these obligations shall not exceed three years.

**Summary Table**

**Suitable and Authorized Securities and Transactions**

<u>Security Type</u>	<u>Maximum Portfolio %</u>	<u>Maximum Issuer %</u>	<u>Maturity Restrictions</u>	<u>Rating Restrictions (S&amp;P, Moody's, Fitch)</u>
<u>U.S. Treasury Obligations</u>	100%	100%	5 years	N/A
<u>Federal Agency and Instrumentality Obligations</u>	100%	25%	5 years	N/A
<u>Commercial Paper</u>	35% combined with corporate bonds	5% combined with corporate bonds	270 Days	A-1, P-1, or F1
<u>Corporate Bonds</u>	35% combined with commercial paper	5% combined with commercial paper	3 years	AA-, Aa3, or AA-
<u>Banker's Acceptance</u>	25%	5%	180 Days	Highest Rating for Letter of Credit
<u>Oregon LGIP</u>	ORS 294.810 balance limitation	ORS 294.810 balance limitation	N/A	N/A
<u>Time Deposits</u>	35%	10%	5 Years	N/A
<u>Repurchase Agreements</u>	5%	5%	90 Days	N/A
<u>Municipal Obligations of Oregon Issuers</u>	15%	5%	3 years	A-, A3, or A- (Long-term) Highest Municipal Debt (Short-term)
<u>Municipal Obligations of California, Washington, or Idaho Issuers</u>	15%	5%	3 years	AA-, Aa3, or AA- (Long-term) Highest Municipal Debt (Short-term)

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**13.2 Approval of Permitted Investments**

As of the date of this Policy, all of the above securities, deposits and transactions have been approved by the State Treasurer pursuant to ORS 294.046. Any amendments to ORS 294.046 or the State Treasurer's statement of permitted investments for governmental entities shall be assumed to be a part of this Investment Policy immediately upon being enacted. It is the intent of the City that the foregoing list of authorized securities is strictly interpreted. If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this investment policy has been amended and the amended version adopted by the City.

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All diversification requirements shall be calculated based on the cost value of the holdings at the time of purchase. Specific diversification requirements shall be applied to the aggregate holdings of an institution as of the date of trade settlement. Any deviation from this list must be pre-approved in writing by the City Manager.

### 13.3 Prohibited Investments

The following securities and transactions are expressly prohibited:

- i) Private Placement or "144A" Securities. For purposes of this policy, SEC Rule 144A securities are defined to include commercial paper, privately placed under Section 4(a)(2) of the Securities Act of 1933. Corporate indebtedness shall be subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of Section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended.
- ii) US Agency Mortgage-backed Securities.
- iii) Securities Lending Agreements.

## Section 1314. Credit Quality Requirements

The minimum credit quality requirements of the portfolio shall be AA or the equivalent. Commercial Paper shall be rated no less than A-1 or the equivalent. 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:

### 14.1 Diversification

The City shall diversify its investments. Where appropriate, exposure will be limited by security type, maturity, and issuer.

### 14.2 Recognized Credit Ratings

Investments must have a rating from at least one of the following nationally recognized statistical rating organizations (NRSRO): Moody's Investors Service, Standard & Poor's or Fitch Ratings. Ratings used to apply the guidelines in the policy should be investment level ratings and not issuer level ratings.

### 14.3 Portfolio Average Credit Rating

The target weighted average credit quality of the portfolio shall not be greater than a value of three (3) using the table below, or Aa/AA/AA by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

### 14.4 Determining a Security's Rating

A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

### 14.5 Restriction in Issuers with Prior Default History

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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 of or the interest on the obligations of the issuing county, port, school district or city for a period of five years preceding the date of investment.

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Value	Moody's Ratings		S&P Ratings		Fitch Ratings	
	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term
1	U.S. Treasury		U.S. Treasury		U.S. Treasury	
<u>1</u>	<u>Federal Agency</u>		<u>Federal Agency</u>		<u>Federal Agency</u>	
1	Federal Instrumentality		Federal Instrumentality		Federal Instrumentality	
1	Aaa	P-1	AAA	A-1	AAA	F1
2	Aa1		AA+		AA+	
3	Aa2		AA		AA	
4	Aa3		AA-		AA-	
<u>5</u>	<u>A1</u>		<u>A+</u>		<u>A+</u>	
<u>6</u>	<u>A2</u>		<u>A</u>		<u>A</u>	
<u>7</u>	<u>A3</u>		<u>A-</u>		<u>A-</u>	

~~Securities that have been downgraded to below the minimum ratings will be sold or held at the custodial officer's discretion. The custodial officer is responsible for bringing the portfolio back into compliance as soon as practicable.~~

**Section 1415. Portfolio Diversification Standards**

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. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the City's anticipated cash flow needs. Maximum portfolio allocations and diversification limits are detailed in the Summary Table in Section 13.

**Instruments:**

U.S. Treasury Obligations

**Maximum %  
of Portfolio**  
100%

Federal Instrumentality Securities	-75%
Local Government Investment Pools (up to Statutory limit)	-100%
Repurchase Agreements	-50%
Commercial Paper/Corporate Indebtedness	-35%
Banker's Acceptances	-25%
Time Certificates of Deposit	-35%
Obligations of the States of Oregon, California, Idaho, and Washington	-25%

**Section 4517. Maturity Limits and Liquidity Requirements**

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the City shall not invest in securities maturing more than five years from the date of settlement. The weighted average final maturity of the City's portfolio shall at no time exceed two and a half years. 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:

1. The value of at least 10% of funds available for investing will be invested in the Oregon Short Term Fund or in deposits or securities maturing in less than 30 days to provide sufficient liquidity for expected disbursements.
2. Funds in excess of liquidity requirements are allowed for investments maturing in greater than 30 days. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

At all times, the City shall maintain the following investment amounts with regard to maturities in the portfolio.

<u>Length of Maturity</u>	<u>Investment Amounts</u>
Under 30 days	10% minimum
Under 1 year	25% minimum
Over Under three years	25% maximum minimum
Under five years	100%

3. 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.
4. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporation or municipal bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.
5. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance. Ownership of any one agency or instrumentality issue shall not exceed 50% of the issuance and

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ownership of any one corporate or municipal issue shall not exceed 25% of the issuance.

### Section 18. 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 an investment. 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:

1. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
2. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate reinvestment risk.
3. 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.
4. The maximum percent of callable securities in the portfolio shall be 20%.
5. The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy.
6. The maximum portfolio average maturity (measured by stated final maturity) shall be 2.5 years.

### Section 1619. Competitive Transactions

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the City. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded. A record shall be maintained by the City of all bids and offerings for security transactions in order to ensure that the City receives competitive pricing.

If the City is offered a security for which there is no other readily available competitive offering, then the ~~Custodial Officer~~ Investment Officer shall document quotations for comparable or alternative securities. 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 may document quotations on comparable securities.

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If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

**Section 17. Prohibited Conduct**

~~Oregon State Statutes have addressed several areas of prohibited conduct for the Custodial Officer when making investments, ORS 294.145. Specifically, the custodial officer shall not:~~

- ~~17.1 Make a commitment to invest funds or sell securities more than 14 business days prior to the anticipated date of trade settlement of the purchase or sale transaction; or~~
- ~~17.2 Enter into any agreement to invest funds or sell securities for future delivery for a fee other than interest; or~~
- ~~17.3 Lend securities to any person or institution, except on a fully collateralized basis, and except when such lending is specifically permitted under an investment policy adopted pursuant to ORS 294.135 (1)(a); or~~
- ~~17.4 Pay for any securities purchased by the custodial officer until the officer has received sufficient evidence of title thereof. Evidence of title shall be consistent with modern investment, banking and commercial practices and may include physical possession, book entry and automated recordation of such title. However, the Custodial Officer may instruct one or more custodian banks, as defined in ORS 295.001, to accept or release securities as the Custodial Officer considers advisable to be held in safekeeping for collection of principal and interest or other income; or~~
- ~~17.5 Deliver securities to the purchaser upon sale prior to receiving payment in full. However, the Custodial Officer may deliver the securities to any custodian bank, defined in ORS 295.001 upon instructions to hold the same pending receipt by the institution of full payment thereof.~~

**Section 1820. Investing Bond Proceeds**

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.

Funds from bond proceeds and amounts held in a bond payment reserve or bond 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 expected spending needs. Consequently, funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints.

**Section 21. 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

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are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

## Section 22. Guideline Measurement and Compliance

### 22.1 Guideline Measurements

Guideline measurements will be based on the market value of the investments.

### 22.2 Guideline Compliance

- i) If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the portfolio shall be brought back into compliance in a prudent manner and as soon as is 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 City Manager.
- 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.
- iv) Securities that have been downgraded below the minimum ratings will be sold or held at the Investment Officer's discretion and the portfolio should be brought back into compliance as soon as practicable.

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## Section 1923. Reporting Requirements

On an annual basis, quarterly basis and as requested by the City Manager, the Custodial Officer shall provide an investment report to the City Manager listing the cost, current fair value, credit ratings and duration of investments held by the City, average interest rate and the interest rate earned by the Local Government Investment Pool, all in accordance with GASB Statements 31 and 40. The report shall include a summary of investment earnings and performance results for the period and will be used to ensure adequate portfolio diversification, both by type and maturity dates, and certify that the portfolio is currently structured according to the terms of this policy.

### 23.1 Quarterly Report

The Investment Officer or designee shall prepare a quarterly report to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to City Council and will include the following:

- i) A listing of all investments held during the reporting period showing the following for each security: Par/face value; accounting book value;

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- 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 at period-end.
- v) Weighted average yield to maturity of the portfolio, with yield to worst for callable securities.
- vi) Distribution by type of investment.
- vii) Transactions since the 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 period or that are outstanding from prior periods. This report should note actions taken or planned to bring the portfolio back into compliance.

**23.2 Marking to Market**

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

**23.3 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.

**Section 2024. Performance Evaluation**

The ~~Custodial Officer~~Investment Officer shall periodically establish a benchmark yield for the City's investments. Considerations for establishing the benchmark yield shall include the current yield on the State of Oregon Local Government Investment Pool, the average yield on the 1-year U. S. Treasury, and the average return on the 1-3 year U. S. Treasury Index. 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.

**Section 2425. Policy RevisionsMaintenance and Considerations**

~~This Investment Policy shall be reviewed by the Custodial Officer and submitted to the City Council for adoption on an annual basis in accordance with ORS 294.135(a). If at anytime, significant changes are made to the policy it will be submitted to the Oregon Short-Term Fund Board prior to being submitted to the City Council for adoption.~~

**25.1 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 the policy's relevance to current law and financial and economic trends. The annual review should also serve as a venue to suggest policies and improvements to the investment program and may include an investment plan for the coming year.

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**25.2 Exemptions**

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

**25.3 Policy Adoption and Amendments**

This investment policy and any modifications of this policy must be formally approved in writing by the City Council of the City of Medford.

This policy must be submitted to the Oregon Short Term Fund 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 City Council, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)).

ii) And either:

A. This policy has never been submitted to the Oregon Short Term Fund Board for comment; or

B. Material changes have been made since the last review by the Oregon Short Term Fund Board.

Regardless of whether this policy is submitted to the Oregon Short Term Fund Board for comment, this Policy shall be submitted not less than annually to the City Council of the City of Medford for approval.

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# City of Medford

## Investment Policy

### **Section 1. Purpose**

This Investment Policy (the policy) defines the parameters within which funds are to be invested by the City of Medford (the City). This policy formalizes the framework, pursuant to ORS 294.135, for the City's investment activities to ensure effective and judicious management of funds within the scope of this policy.

This policy, adopted by the City Council of the City of Medford on \_\_\_\_\_, 2018, replaces all previous versions of the City's Investment Policy.

### **Section 2. Governing Authority**

The City's investment program shall be operated in conformance with Oregon Revised Statutes (ORS) and applicable federal law. Specifically, this policy is written in accordance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to laws established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this policy immediately upon being enacted.

### **Section 3. Scope**

The provisions of this policy shall apply to all investable funds of the City and its component units, except for deferred compensation fund assets, pension fund assets, and assets of restricted trust and escrow funds to the extent not under the investment control of the City. Included under the provisions of this policy are financial assets of general operating funds, enterprise funds, special revenue funds, and any other funds not specifically excluded which are recognized in the City's Comprehensive Annual Financial Report. The average monthly balance invested in the City's general portfolio is approximately \$80 million, excluding proceeds from bond issues.

Except for restricted and excluded funds and special accounts, all excess cash shall be pooled into one account for investment purposes. The net investment income derived from the pooled investment account shall be allocated pro-rata on a monthly basis to the contributing funds based upon their average balances and in accordance with generally accepted accounting principles.

## **Section 4. Objectives**

The City's primary investment objectives, in priority order, shall be:

### **4.1 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.

### **4.2 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 of the portfolio also 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.

### **4.3 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 excessive active trading and turnover of investments. Investments should generally be held to maturity.

## **Section 5. Delegation of Authority**

### **5.1 Governing Body**

The City Council retains 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.

### **5.2 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 by City Council to the City Manager, hereinafter referred to as the Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. The City Manager may appoint the Finance Director as Investment Officer and the Finance Director may further appoint other staff members as Investment Officers with the approval of the City Manager.

No person 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 investment personnel.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

**5.3 Investment Advisers**

Subject to required procurement procedures, the City may engage the support services of one or more investment managers to assist in the management of the City's investment portfolio in a manner consistent with this investment policy.

The investment advisory service firm will function in a non-discretionary role. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer or designee and must be compliant with this policy. If the City hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of the City.

**Section 6. Prudence and Indemnification**

- 6.1 The standard of prudence to be used in the context of managing the overall portfolio is the prudent person 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.*
- 6.2 The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that the investment activities of the City are a matter of public record. Although investments are typically held to maturity, the City recognizes that within a diversified portfolio it may be advantageous to realign portfolio holdings to improve portfolio yield, liquidity or credit. In such cases any realized gains or losses shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security before maturity is in the best long-term interest of the City.
- 6.3 The City's Investment Officer (ORS 294.004 (2)) and staff acting in accordance with this Investment Policy, written procedures, and Oregon Revised Statutes 294.035 and 294.040 and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change or other loss in accordance with ORS 294.047, provided that these losses are reported as soon as practical to the City Manager and action is taken to control adverse developments. Losses that are sustained in the City's portfolio shall be charged against current investment earnings.

## **Section 7. Ethics and Conflicts of Interest**

City investment staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or create the appearance of an impairment of their ability to make impartial investment decisions. City investment staff involved in the investment process and investment officials shall disclose in writing to the City Manager any financial interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City.

Employees shall comply with ORS 244.040 (Code of Ethics), ORS 244.120 (Methods of Handling Conflicts), GARS Article 3.15 (Standards of Conduct), any amendments to these provisions, and any Code of Ethics applicable to employees that the City may adopt in the future.

## **Section 8. Internal Controls**

The Investment Officer shall establish and maintain a system of written internal controls consistent with this policy designed to prevent the loss of public funds due to fraud, error, misrepresentation or imprudent actions by third parties or by employees of the City. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Internal controls shall be written and shall be reviewed and tested periodically by the Investment Officer.

The policies set forth in this document shall be adhered to and monitored on a quarterly basis. Any instance which is deemed to be out-of-compliance with this investment policy shall be brought back into compliance as soon as prudently feasible.

The concept of reasonable assurance recognizes that the cost of the 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:

- 1) Compliance with investment policy.
- 2) Control of collusion.
- 3) Separation of transaction authority from accounting and record keeping.
- 4) Custodial safekeeping.
- 5) Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary.
- 6) Clear delegation of authority to subordinate staff members.
- 7) Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form.
- 8) Dual authorizations of wire and automated clearing house (ACH) transfers.
- 9) Staff training.
- 10) Review, maintenance and monitoring of security procedures both manual and automated.

## **Section 9. Safekeeping and Custody**

### **9.1 Third Party Safekeeping**

All marketable securities bought or sold by the City, and all purchased securities under the terms of a City approved Master Repurchase Agreement, shall be delivered by book entry and purchased securities and repurchase agreement collateral shall be held in third-party safekeeping by a City approved, independent custodian.

Custodian banks shall be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services. The City shall execute a written Safekeeping Agreement with each custodian bank prior to utilizing that bank's safekeeping services. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

### **9.2 Delivery vs. Payment**

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis in accordance with ORS 294.145 (4) and (5). It is the intent of the City that all purchased securities be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

## **Section 10. Collateralization**

All bank deposits, time deposits, certificates of deposit, and savings accounts held in bank depositories which exceed the amounts insured by one or more agencies of the United States Government shall be collateralized in accordance with the provisions of ORS 295.

Collateral for repurchase agreements shall be limited in maturity and priced in compliance with ORS 294.035 (3)(k). See Section 13, Suitable and Authorized Securities and Transactions section of this policy.

## **Section 11. Selection of Broker/Dealers**

11.1 Broker/dealers and other financial institutions shall be selected by the Investment Officer on the basis of their expertise in public cash management and their ability to provide service for the City's account. It shall be the policy of the City to purchase securities only from approved institutions and firms. Additions or deletions to the list shall be made at the Investment Officer's discretion.

A list will be maintained of approved broker/dealer firms and affiliated representatives.

- i) Approved broker/dealer firms must:
  - A) Be registered with the Securities and Exchange Commission (SEC);
  - B) Be registered with the Financial Industry Regulatory Authority (FINRA);
  - C) Provide recent audited financials;
  - D) Provide FINRA Focus Report filings.
  
- ii) Approved broker/dealer employees who execute transactions with the City must:
  - A) Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
  - B) Be licensed by the State of Oregon;
  - C) Provide written certification of having read, understood and agreed to comply with the most current version of this investment policy.
  
- iii) The Investment Officer may establish policy for engaging broker/dealer firms and registered representatives more restrictive than stated above. Additional considerations may include:
  - A) Positive references from at least three other local government clients;
  - B) 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 with 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) On at least an annual basis the Investment Officer shall review all authorized broker/dealers and their respective authorized registered representatives. Factors to consider include the following:
  - A) Pending investigations by securities regulators;
  - B) Significant changes in net capital;
  - C) Pending customer arbitration cases;
  - D) Regulatory enforcement actions.
  
- 11.2 The City may purchase Commercial Paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in the Authorized Securities and Transactions section of this policy.

## **Section 12. Investment Adviser**

The City may engage the services of one or more external investment managers to assist in the management of the City'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 or designated personnel and must be compliant with this investment policy. Approved investment advisers are authorized to transact with its direct dealer relationships on behalf of the City.

Approved investment advisers shall meet the following criteria:

- A) The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) if the firm has assets under management greater than \$100 million. Alternatively, if the investment adviser firm has assets under management less than \$100 million then the firm must be licensed by the state of Oregon.
- B) All adviser representatives recommending investment transactions on behalf of the City must provide written certification of having read, understood and agreed to comply with the most current version of this investment policy.

## **Section 13. Authorized Securities and Transactions**

### **13.1 Permitted Investments**

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035, ORS 294.040, and ORS 294.810.

The City has further defined the eligible types of securities and transactions as follows:

- i) U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding five years from the date of trade settlement. The maximum ownership of U.S. Treasury Obligations is 100%.
- ii) Federal Agency and Instrumentality Securities: Debentures, discount notes, step-up securities, callable securities and stripped principal or coupons with final maturities not exceeding five years from the date of trade settlement. Subordinated debt may not be purchased. The maximum ownership of Federal Agency or Instrumentality Securities is 100% with no more than 25% of the portfolio held in any one issuer.
- iii) Commercial Paper issued by a commercial, industrial or utility business or issued by or on behalf of a financial institution with maturities not exceeding 270 days from the date of trade settlement. Commercial paper must be rated at least A-1 by Standard and Poor's, P-1 by Moody's or F1 by Fitch at the time of purchase by each service which rates the commercial paper. Ownership of commercial paper and corporate bonds

shall be limited to a combined total of 35% of the portfolio, with no more than 5% of the portfolio held in any one issuer or its affiliates or subsidiaries.

- iv) Corporate Bonds issued by a commercial, industrial or utility business or issued by or on behalf of a financial institution with final maturities not exceeding three years from the date of trade settlement. Authorized corporate bonds shall be limited to obligations of United States dollar denominated corporations organized and operating within the United States. At the time of purchase, the debt must be rated at least AA- by Standard and Poor's or Aa3 by Moody's or AA- by Fitch, as required by ORS 294.035. Furthermore, split ratings are acceptable to no less than A by Standard and Poor's or A2 by Moody's or A by Fitch. Ownership of corporate bonds and commercial paper shall be limited to a combined total of 35% of the portfolio, with no more than 5% of the portfolio held in any one issuer or its affiliates or subsidiaries.
- v) Bankers Acceptances which are (a) guaranteed by and carried on the books of a financial institution located and licensed to do banking business in the state of Oregon; or a financial institution located in the states of California, Idaho or Washington that is wholly owned by a bank holding company that owns a financial institution that is located and licensed to do banking business in the state of Oregon. (b) Banker's acceptances shall be eligible for discount by the Federal Reserve System; and (c) the institution issuing a letter of credit shall have a short-term rating that is the highest category by one or more nationally recognized statistical rating organizations at the time of purchase. Maturities shall be limited to 180 days from the date of trade settlement and ownership of bankers acceptances shall not exceed 25% of the portfolio, with no more than 5% of the portfolio held in any one issuer.
- vi) State of Oregon Local Government Investment Pool organized pursuant to ORS 294.805 through 294.895. Participation in the Pool shall not exceed the maximum limit annually set by ORS 294.810. This amount is indexed semi-annually to inflation (the Portland All-urban consumer CPI) pursuant to statute. The limit may temporarily be exceeded by local governments for 10 business days due to pass-through funds.
- vii) Time Deposits and Demand Deposits: All time deposits and demand deposits shall be held in qualified Oregon depositories in accordance with ORS Chapter 295. Examples of time deposits are certificates of deposit and savings accounts. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit, and savings accounts are considered investments and are within the scope of this policy. Demand deposits in qualified depository institutions are considered cash vehicles and are not investments and are therefore outside the scope and restrictions of this policy. Ownership of time deposits shall be limited to 35% of the portfolio, with no more than 10% with any one financial institution at the time of purchase, and maturities shall not exceed five years.

- viii) Repurchase Agreements with maturities of 90 days or less collateralized by U.S. Treasury securities with the maturity of the collateral not exceeding three years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City approved Master Repurchase Agreement. The purchased securities shall have an original minimum market value including accrued interest of 102% of the dollar value of the transaction, as prescribed by written policy of the Oregon Short Term Fund Board. Collateral shall be held delivery versus payment in the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily. Broker/dealers and financial institutions must have an executed Master Repurchase Agreement with the City. Ownership of repurchase agreements shall be limited to 5% of the portfolio and 5% per issuer.

Repurchase Agreements shall be entered into only with City approved Primary Dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York or firms that have a Primary Dealer within their holding company structure.

- ix) Obligations of the State of Oregon: Lawfully issued debt obligations of the state of Oregon and its political subdivisions that at the time of purchase are rated at least A- by Standard and Poor's or A3 by Moody's or A- by Fitch or are rated in the highest category for short-term municipal debt by a nationally recognized rating agency. Ownership of such obligations shall be limited to 15% of the portfolio, with no more than 5% of the portfolio held in any one issuer. Maturities for these obligations shall not exceed three years.
- x) Obligations of the States of California, Idaho, and Washington: Lawfully issued debt obligations of these states and their political subdivisions that at the time of purchase are rated at least AA- by Standard and Poor's or Aa3 by Moody's or AA- by Fitch or are rated in the highest category for short-term municipal debt by a nationally recognized rating agency. Ownership of such obligations shall be limited to 15% of the portfolio, with no more than 5% of the portfolio held in any one issuer. Maturities for these obligations shall not exceed three years.

## Summary Table

### Suitable and Authorized Securities and Transactions

Security Type	Maximum Portfolio %	Maximum Issuer %	Maturity Restrictions	Rating Restrictions (S&P, Moody's, Fitch)
U.S. Treasury Obligations	100%	100%	5 years	N/A
Federal Agency and Instrumentality Obligations	100%	25%	5 years	N/A
Commercial Paper	35% combined with corporate bonds	5% combined with corporate bonds	270 Days	A-1, P-1, or F1
Corporate Bonds	35% combined with commercial paper	5% combined with commercial paper	3 years	AA-, Aa3, or AA-
Banker's Acceptance	25%	5%	180 Days	Highest Rating for Letter of Credit
Oregon LGIP	ORS 294.810 balance limitation	ORS 294.810 balance limitation	N/A	N/A
Time Deposits	35%	10%	5 Years	N/A
Repurchase Agreements	5%	5%	90 Days	N/A
Municipal Obligations of Oregon Issuers	15%	5%	3 years	A-, A3, or A- (Long-term) Highest Municipal Debt (Short-term)
Municipal Obligations of California, Washington, or Idaho Issuers	15%	5%	3 years	AA-, Aa3, or AA- (Long-term) Highest Municipal Debt (Short-term)

### 13.2 Approval of Permitted Investments

It is the intent of the City that the foregoing list of authorized securities is strictly interpreted. If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this investment policy has been amended and the amended version adopted by the City.

### 13.3 Prohibited Investments

The following securities and transactions are expressly prohibited:

- i) Private Placement or "144A" Securities. For purposes of this policy, SEC Rule 144A securities are defined to include commercial paper privately placed under Section 4(a)(2) of the Securities Act of 1933. Corporate indebtedness shall be subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of Section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended.

- ii) US Agency Mortgage-backed Securities.
- iii) Securities Lending Agreements.

#### **Section 14. Credit Quality Requirements**

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:

##### **14.1 Diversification**

The City shall diversify its investments. Where appropriate, exposure will be limited by security type, maturity, and issuer.

##### **14.2 Recognized Credit Ratings**

Investments must have a rating from at least one of the following nationally recognized statistical rating organizations (NRSRO): Moody's Investors Service, Standard & Poor's or Fitch Ratings. Ratings used to apply the guidelines in the policy should be investment level ratings and not issuer level ratings.

##### **14.3 Portfolio Average Credit Rating**

The target weighted average credit quality of the portfolio shall not be greater than a value of three (3) using the table below, or Aa/AA/AA by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

##### **14.4 Determining a Security's Rating**

A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

##### **14.5 Restriction in 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 of or the interest on the obligations of the issuing county, port, school district or city for a period of five years preceding the date of investment.

Value	Moody's Ratings		S&P Ratings		Fitch Ratings	
	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term
1	U.S. Treasury		U.S. Treasury		U.S. Treasury	
1	Federal Agency		Federal Agency		Federal Agency	
1	Federal Instrumentality		Federal Instrumentality		Federal Instrumentality	
1	Aaa	P-1	AAA	A-1	AAA	F1
2	Aa1		AA+		AA+	
3	Aa2		AA		AA	
4	Aa3		AA-		AA-	
5	A1		A+		A+	
6	A2		A		A	
7	A3		A-		A-	

**Section 15. Portfolio Diversification Standards**

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. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the City's anticipated cash flow needs. Maximum portfolio allocations and diversification limits are detailed in the Summary Table in Section 13.

**Section 17. Maturity Limits and Liquidity Requirements**

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

1. The value of at least 10% of funds available for investing will be invested in the Oregon Short Term Fund or in deposits or securities maturing in less than 30 days to provide sufficient liquidity for expected disbursements.
2. Funds in excess of liquidity requirements are allowed for investments maturing in greater than 30 days. However, longer-term investments tend

to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

<u>Length of Maturity</u>	<u>Investment Amounts</u>
Under 30 days	10% minimum
Under 1 year	25% minimum
Under three years	75% minimum
Under five years	100%

3. 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.
4. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporation or municipal bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.
5. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance. Ownership of any one agency or instrumentality issue shall not exceed 50% of the issuance and ownership of any one corporate or municipal issue shall not exceed 25% of the issuance.

#### **Section 18. 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 an investment. 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:

1. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
2. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate reinvestment risk.

3. 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.
4. The maximum percent of callable securities in the portfolio shall be 20%.
5. The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy.
6. The maximum portfolio average maturity (measured by stated final maturity) shall be 2.5 years.

### **Section 19. Competitive Transactions**

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the City. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded. A record shall be maintained by the City of all bids and offerings for security transactions in order to ensure that the City receives competitive pricing.

If the City is offered a security for which there is no other readily available competitive offering, then the Investment Officer shall document quotations for comparable or alternative securities. 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 may document quotations on comparable securities.

If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

### **Section 20. Investing Bond Proceeds**

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.

Funds from bond proceeds and amounts held in a bond payment reserve or bond 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 expected spending needs. Consequently, funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints.

## **Section 21. 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 of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

## **Section 22. Guideline Measurement and Compliance**

### **22.1 Guideline Measurements**

Guideline measurements will be based on the market value of the investments.

#### **22.1.1 Guideline Compliance**

- i) If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the portfolio shall be brought back into compliance in a prudent manner and as soon as is 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 City Manager.
- 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.
- iv) Securities that have been downgraded below the minimum ratings will be sold or held at the Investment Officer's discretion and the portfolio should be brought back into compliance as soon as practicable.

## **Section 23. Reporting Requirements**

### **23.1 Quarterly Report**

The Investment Officer or designee shall prepare a quarterly report to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to City Council and will include the following:

- i) A listing of all investments held during the reporting period showing the following for each security: 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 at period-end.
- v) Weighted average yield to maturity of the portfolio, with yield to worst for callable securities.
- vi) Distribution by type of investment.
- vii) Transactions since the 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 period or that are outstanding from prior periods. This report should note actions taken or planned to bring the portfolio back into compliance.

### **23.2 Marking to Market**

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

### **23.3 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.

## **Section 24. Performance Evaluation**

The Investment Officer shall periodically establish a benchmark yield for the City's investments. Considerations for establishing the benchmark yield shall include the current yield on the State of Oregon Local Government Investment Pool, the average yield on the 1-year U. S. Treasury, and the average return on the 1-3 year U. S. Treasury Index. 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.

## **Section 25. Policy Maintenance and Considerations**

### **25.1 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 the policy's relevance to current law and financial and economic trends. The annual review should also serve as a venue to suggest policies and improvements to the investment program and may include an investment plan for the coming year.

### **25.2 Exemptions**

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

### **25.3 Policy Adoption and Amendments**

This investment policy and any modifications of this policy must be formally approved in writing by the City Council of the City of Medford.

This policy must be submitted to the Oregon Short Term Fund 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 City Council, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)).
- ii) And either:
  - A. This policy has never been submitted to the Oregon Short Term Fund Board for comment; or
  - B. Material changes have been made since the last review by the Oregon Short Term Fund Board.

Regardless of whether this policy is submitted to the Oregon Short Term Fund Board for comment, this Policy shall be submitted not less than annually to the City Council of the City of Medford for approval.



# CITY OF MEDFORD AGENDA ITEM COMMENTARY

Item No: 80.2

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**DEPARTMENT:** Planning Department

**PHONE:** (541) 774-2380

**STAFF CONTACT:** Matt Brinkley, AICP, Planning Department

**AGENDA SECTION:** Ordinances and Resolutions

**MEETING DATE:** October 4, 2018

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## **COUNCIL BILL 2018-117**

A resolution initiating annexation to the City of Medford of an approximate 1.65 acre parcel, including an adjacent right-of-way located at the southeast corner of Table Rock Road and Biddle Road (4256 Table Rock Road), and concurrent zone change from County LI (Light Industrial) to City I-L (Light Industrial) and designated within the Limited Industrial (I-00) Overlay District, and withdrawal of said property from Medford Rural Fire Protection District #2, effective pursuant to State Law.

## **SUMMARY AND BACKGROUND**

Council is requested to consider a request to initiate the annexation of an approximate 1.65 acre parcel located at the southeast corner of Table Rock Road and Biddle Road (address: 4256 Table Rock Road). The current County zoning designation of Light Industrial will be changed to the City I-L/I-00 (Light Industrial/Limited Industrial Overlay) zoning district. The property will be removed from Medford Rural Fire Protection District #2. (A-18-083)

The subject property previously contained a single-family home, which was recently demolished after the home was destroyed by a fire. Permits have been issued by Jackson County for the construction of a new single-family home on the property, and pre-construction has begun. It is the applicant's intent to connect the new development to City water via the 30-inch water main running under Table Rock Road, which abuts the parcel's westerly property line.

## **PREVIOUS COUNCIL ACTIONS**

None.

## **ANALYSIS**

The applicant/owner, JBR-TABLEROCK, LLC, submitted the request for annexation and consented in writing. The property is located within the City's Urban Growth Boundary and is contiguous with the city limits along the parcel's easterly property line. The property has a General Land Use Plan (GLUP) map designation of General Industrial (GI), which is compatible with the Light Industrial (I-L) City zoning designation. The property is currently zoned by Jackson County as Light Industrial (LI).

## **FINANCIAL AND/OR RESOURCE CONSIDERATIONS**

The property's assessed (land) value is \$221,140. The property is currently in the pre-construction phase for the construction of a new single-family home on the property, which will increase the property's contribution total to the City once the value of the new improvements has been assessed.

## **TIMING ISSUES**

The final hearing for this matter is tentatively scheduled before the City Council on Thursday, November 1, 2018.

## **COUNCIL OPTIONS**

- Approve the resolution as presented
- Modify the resolution as presented
- Deny the resolution as presented and direct staff regarding further action

## **STAFF RECOMMENDATION**

Staff recommends approving the request to initiate the annexation.



**CITY OF MEDFORD**  
**AGENDA ITEM COMMENTARY**

Item No: 80.2

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**SUGGESTED MOTION**

I move to approve the resolution to initiate the annexation and set a public hearing date of November 1, 2018.

**EXHIBITS**

Resolution

Legal description and exhibit map

Vicinity map

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RESOLUTION NO. 2018-117

A RESOLUTION initiating annexation to the City of Medford of an approximate 1.65 acre parcel, including an adjacent right-of-way located at the southeast corner of Table Rock Road and Biddle Road (4256 Table Rock Road), and concurrent zone change from County LI (Light Industrial) to City I-L (Light Industrial) and designated within the Limited Industrial (I-00) Overlay District, and withdrawal of said property from Medford Rural Fire Protection District #2, effective pursuant to State Law.

WHEREAS, the area situated in Jackson County, Oregon, described in Exhibit A attached hereto and incorporated herein, is contiguous to the City of Medford; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MEDFORD, OREGON:

SECTION 1. The City Council elects to dispense with submitting the question of the proposed annexation to the electors of the City.

SECTION 2. A public hearing on the annexation and zone change shall be held at the hour of 6:00 p.m. on the 1<sup>st</sup> day of November, 2018, before the City Council of the City of Medford, Oregon, in City Hall Council Chambers, 411 W. 8<sup>th</sup> Street, of said city. Following the hearing, the council will consider a proposed ordinance annexing the territory, changing the zoning and withdrawing the area from Medford Rural Fire Protection District #2.

SECTION 3. The City Recorder is directed to give notice of the time, place and purpose of the public hearing provided for in Section 2 hereof by publishing notice thereof once each week for two consecutive weeks prior to the date of said hearing in a newspaper of general circulation in the City of Medford and by causing notices thereof to be posted in four (4) public places in the city for the said period of time.

PASSED by the Council and signed by me in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

ATTEST: \_\_\_\_\_  
City Recorder

\_\_\_\_\_  
Mayor

EXHIBIT "A"

Commencing at the Northwest corner for Donation Land Claim No. 57 in Township 37 South, Range 2 West of the Willamette Meridian in Jackson County, Oregon; thence South 55°55'36" East, 785.71 feet; thence North 89°29'20" East, 20.11 feet to a point on the Easterly right-of-way line for Table Rock Road. Said additional twenty-foot (20) right-of-way width acquired by Jackson County and described in Document 2017-004069, point also being on the Southerly right-of-way line for Biddle road, said point marked with a 5/8-inch diameter iron pin, the Point of Beginning of this description; thence along said right-of-way for Biddle Road North 89°29'20" East, 86.50 feet to a 5/8-inch diameter iron pin marking the southerly 80 foot offset at Engineers Station 66+50.00 as shown on Highway Right-of-Way Map 9B-11-8; thence continue along said Biddle Road right-of-way along a 600 ft spiral curve to the right 60.85 feet, the long chord of which bears South 72°48'00" East, 60.08 feet to a 5/8-inch diameter iron pin marking the westerly boundary line of the area annexed to the City of Medford by Ordinance Number 9468 passed August 23, 1966; thence leaving said Biddle Road right-of-way South 00°19'40" East, 8.61 feet along said westerly annexed line to a 2-inch diameter iron pipe marking the northwest corner of the area annexed to the City of Medford by Ordinance Number 1999-201; thence South 00°19'40" East, 475.96 feet along the westerly annexation line to a 5/8-inch diameter iron pin; thence South 89°51'00" West, 144.24 feet leaving said annexation line to a point on the Easterly right-of-way for Table Rock Road, said point marked with a 5/8-inch diameter iron pin; thence along said right-of-way line North 00°16'37" West, 501.94 feet to a 5/8-inch diameter iron pin, the Point of Beginning of this description.

End of Description.

372W01D-0600 (1-042694-1)

Refer to Jackson County filed survey No. 22280 dated July 7, 2017. Basis of Bearing is grid, Oregon Coordinate Reference System (OCRS), Grants Pass-Ashland Zone.

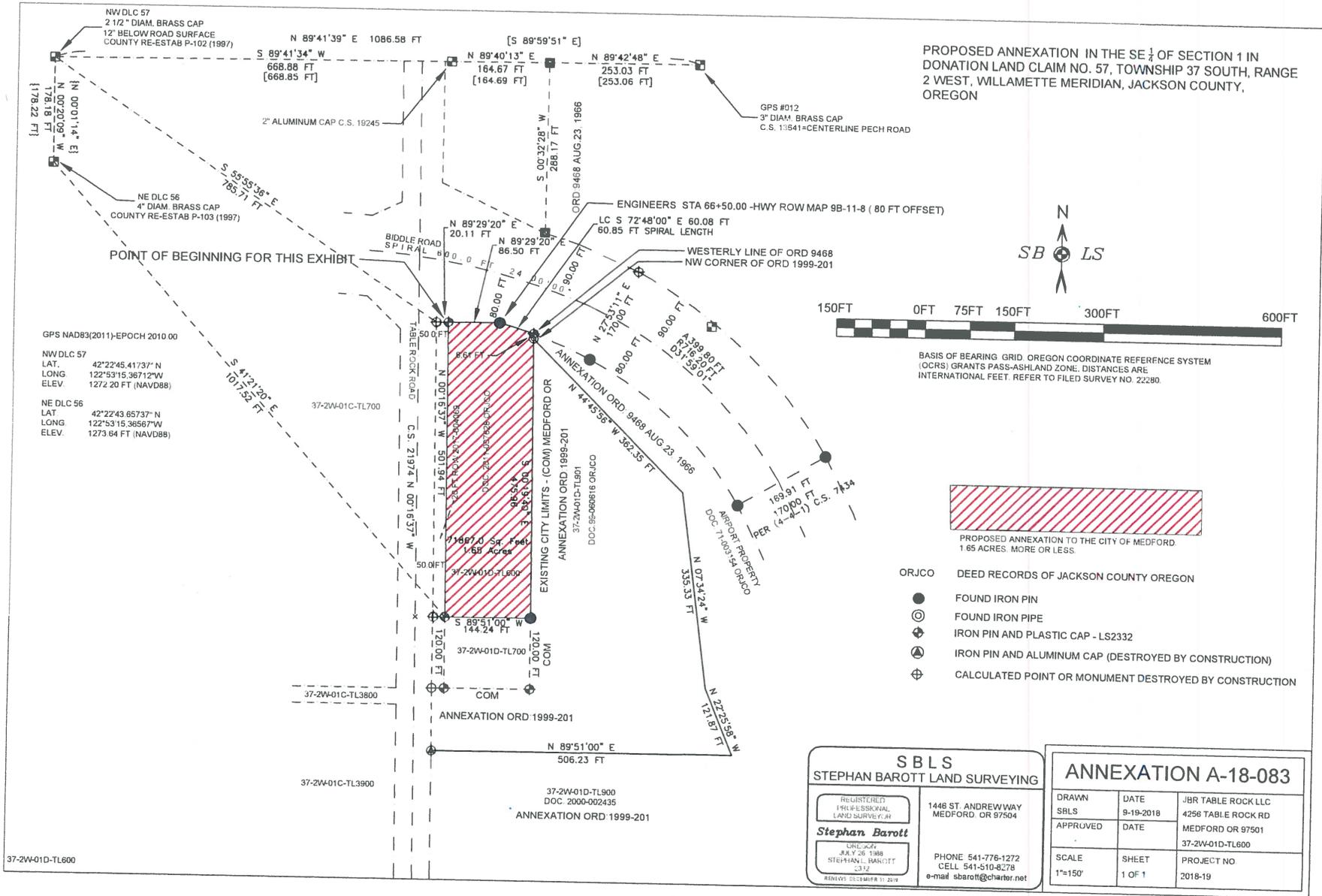
STEPHAN L. BAROTT  
OREGON LS2332  
CERTIFICATED RENEWS 12-31-2019

REGISTERED  
PROFESSIONAL  
LAND SURVEYOR

*Stephan Barott*

OREGON  
JULY 26, 1988  
STEPHAN L. BAROTT  
2332

RENEWS: DECEMBER 31, 2019





Project Name:

**JBR-TableRock LLC**

Map/Taxlot:

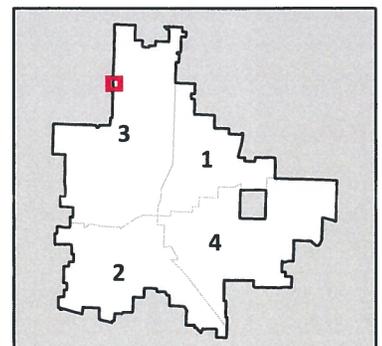
**372W01D TL 600**



06/25/2018

**Legend**

-  Subject Area
-  Zoning Districts
-  Tax Lots
-  City Limits





# CITY OF MEDFORD AGENDA ITEM COMMENTARY

Item No: 80.3

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**DEPARTMENT:** City Manager's Office  
**PHONE:** (541) 774-2000  
**STAFF CONTACT:** Brian Sjothun, City Manager

**AGENDA SECTION:** Ordinances and Resolutions  
**MEETING DATE:** October 4, 2018

## **COUNCIL BILL 2018-118**

A resolution authorizing funding of a grant in the amount of \$30,000.00 for the Continuum of Care Coordinator for fiscal year 2019.

## **SUMMARY AND BACKGROUND**

Council is asked to consider a resolution to continue grant funding for the Continuum of Care (CoC) Coordinator for fiscal year 2019. The purpose of the CoC is to reduce homelessness in Jackson County through the collaborative efforts and resources of all sectors of the community. Upon secured funding from the City of Medford and other listed partners, the Coordinator will continue to assist the community and the CoC in promoting the following initiatives to end homelessness:

1. Conduct an annual assessment of the state of homelessness in Jackson County, including a Point-in-time Count, housing inventory count, and evaluation of changes in overall homeless conditions by subpopulation;
2. Identify comprehensive strategies to quickly re-house homeless individuals, families, persons fleeing domestic violence, and youth while minimizing the trauma and dislocation caused by homelessness;
3. Build a robust person-centered program with coordinated entry, assessment, and referral policies;
4. Promote permanent affordable housing solutions to specifically address the needs of chronically homeless individuals and families, as well as others at risk of homelessness, including permanent supportive housing and rapid re-housing;
5. Utilize broad strategies for effective utilization of programs by homeless individuals and families and optimize self-sufficiency.

## **PREVIOUS COUNCIL ACTIONS**

On November 2, 2017, Council directed staff under the City Manager's Report agenda item 100.2 to fund the Continuum of Care Coordinator grant application from ACCESS in the amount of \$30,000 for fiscal year 2018.

## **ANALYSIS**

The main goal for this project is to meet the HUD expectations, through a dedicated CoC Coordinator, for being a Continuum of Care in Jackson County managing all aspects of the implementation and oversight of the CoC such as:

- Collaboration from government, businesses, education and non-profits to find solutions to reduce homelessness.
- Meet the minimum requirements of HUD to ensure that we continue to hit benchmarks that are connected with future funding.
- Streamline social services to increase effectiveness by using a Homeless Information Management System (HMIS) for coordinated entry to aid in targeting homeless populations that meet their program eligibility requirements.

## **FINANCIAL AND/OR RESOURCE CONSIDERATIONS**

Although funding being sought is based on local population rates which equals \$38,400 for the City of Medford, the CoC is asking the City of Medford for a \$30,000 grant based on the amount granted for fiscal year 2018. Funds secured or pending from other municipalities for the 2019 fiscal year as follows:



**CITY OF MEDFORD**  
**AGENDA ITEM COMMENTARY**

Item No: 80.3

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<b>Municipality</b>	<b>Amount of Funding Sought (on Percentage Basis)</b>	<b>Amount Requested</b>	<b>Amount Funded for FY 2018-2019</b>
City of Ashland	(10.2% of population*)	\$ 10,200	**
City of Central Point	(8.6% of population)	\$ 8,600	\$ 8,600 (pending)
City of Medford	(38.4% of population)	\$ 38,400	\$30,000 (pending)
City of Phoenix	(2.1% of population)	\$ 2,100	\$ 2,100 (committed)
City of Talent	(2.9% of population)	\$ 2,900	\$ 2,900 (committed)
Jackson County (with the populations of Medford, Ashland, Central Point, Phoenix and Talent removed)	(37.8% of population)	\$ 37,800	\$ 30,000 (committed)
	Total	\$100,000	\$ 73,600 (committed and pending)
*Jackson County Population used for calculation: 212,567.			
**To date, Ashland has not responded to the request.			

The Mayor & Council budget has funding available as follows:

- \$10,000 from opportunity costs
- \$20,000 from contracted services that were not utilized in the first year of the biennium.

**TIMING ISSUES**

No timing issues.

**COUNCIL OPTIONS**

Approve the resolution as presented.

Modify the resolution as presented.

Deny the resolution or motion and provide direction to staff.

**STAFF RECOMMENDATION**

Staff recommends approval of the resolution to continue funding for the Continuum of Care Coordinator.

**SUGGESTED MOTION**

I move to approve the resolution authorizing the grant funding for the Continuum of Care Coordinator in the amount of \$30,000 from the Mayor & Council budget.

**EXHIBITS**

Resolution

RESOLUTION NO. 2018-118

A RESOLUTION authorizing funding of a grant in the amount of \$30,000.00 for the Continuum of Care Coordinator for fiscal year 2019.

WHEREAS, the purpose of Continuum of Care is to reduce homelessness in Jackson County through collaborative efforts and resources of all sectors of the community; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MEDFORD, OREGON:

That funding of a grant for the Continuum of Care Coordinator for fiscal year 2019, in the amount of \$30,000.00, which agreement is on file in the office of the City Recorder, is hereby authorized.

PASSED by the Council and signed by me in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

ATTEST: \_\_\_\_\_  
City Recorder

\_\_\_\_\_  
Mayor