

RESOLUTION No. 2005-2576

**A RESOLUTION ADOPTING AN INVESTMENT POLICY FOR THE
CITY OF NEWBERG**

RECITALS:

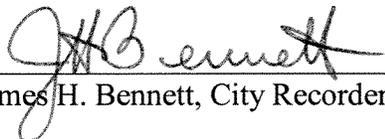
1. The City adopted an investment policy in July 1991.
2. The Finance Committee has reviewed and recommends adoption of an updated Investment Policy.
3. The Oregon Short Term Fund Board has reviewed and approved the City's Investment Policy.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

1. The City of Newberg adopts the attached Investment Policy.
2. The policy has been reviewed and approved by the Oregon Short Term Fund Board.

➤ **EFFECTIVE DATE** of this resolution is the day after the adoption date, which is: May 17, 2005.

ADOPTED by the City Council of the City of Newberg, Oregon, this 16th day of May, 2005.



James H. Bennett, City Recorder

ATTEST by the Mayor this 19th day of May, 2005



Bob Stewart, Mayor

LEGISLATIVE HISTORY

By and through Finance Committee at 4 / 24 /2004 & 1/11/05 meetings

City of Newberg Investment Policy

SCOPE

This policy shall apply to the investment of City of Newberg funds that are reported within the City's Comprehensive Annual Financial Report. Investments included under the provision of this policy are monies reported in general operating funds, enterprise funds, internal service funds, and other unrestricted monies in other governmental funds. This policy excludes investments that relate to City sponsored deferred compensation plans, pension funds, and assets held by the City as a fiscal agent.

The investment portfolio will have seasonal and operational fluctuations, but will typically range between \$10 and \$17 million. Funds will be invested in conformity with all applicable city, state, and federal regulations.

OBJECTIVES

The primary objectives, in order of investment activities, shall be safety, liquidity, and yield.

- A. **Safety** – The primary objective of the City of Newberg investment activities is the preservation and protection of investment principal.
- B. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, securities in the portfolio will be limited to those with active secondary or resale markets. A major portion of the available surplus funds shall be deposited in the Local Government Investment Pool (LGIP) in order to achieve next-day liquidity for short-term needs.
- C. **Yield** – The investment portfolio shall be designed with the objective of attaining a market value rate of return throughout budgetary and economic cycles. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The portfolio shall be limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed.

STANDARDS OF CARE

- A. **Prudence** – The standard of prudence shall be used when managing the City’s assets. This rule states that “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital, as well as the probable income to be derived.”

The 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 risk-free and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasionally measured losses are inevitable in a diversified portfolio and 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.

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 deviations and losses are reported as soon as practical and action is taken to control adverse developments. Losses that are sustained in the City’s portfolio shall be charged against current or future investment earnings.

- B. **Ethics and Conflicts of Interest** – Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose in writing to the City Manager any material interests they have in financial institutions that conduct business with the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees shall, at all times, comply with the Standards of Ethics provided in ORS 244 as applicable.
- C. **Delegation of Authority** – Authority to manage the investment program is granted to the City Finance Director, hereinafter referred to as the Investment Officer. The Investment Officer shall invest funds in accordance with ORS Chapter 294, Public Financial Administration and with this investment policy. The Investment Officer may further delegate authority to invest City funds to additional City finance personnel. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

SAFEKEEPING AND CUSTODY

A. **Authorized Financial Dealers and Institutions** – Investment and safekeeping services shall only be made in qualifying obligations offered through agencies and instrumentalities of the United States as qualified pursuant to ORS 295.005 and 295.165. In addition, all financial institutions and broker/dealers must provide the following, as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Certification of having read and understood the City of Newberg's investment policy
- Certification of agreement to comply with the City of Newberg's investment policy

An annual review of the financial condition and registration of participating financial institutions and brokers/dealers shall be conducted by the Investment Officer.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis in accordance with ORS 294.134 (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.

Except for the State of Oregon Local Governmental Investment Pool, investment securities will be delivered by either book entry or physical delivery and shall be held in third party safekeeping by a City approved custodian bank. The trust department of the custodian bank will be considered to be a third party for the purposes of safekeeping of securities purchased from that bank. The custodian bank will issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent data.

B. **Internal Controls** – The Investment Officer is responsible for establishing and maintaining an adequate system of internal controls designed to reasonably protect the assets of the City from loss, theft, or misuse. Controls shall be documented and reviewed annually. External auditors shall examine controls each year to assure compliance with policies and procedures.

C. **Accounting** – The City shall comply with all required legal provisions and generally accepted accounting principles (GAAP) relating to investment accounting. 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).

- D. **Annual Audit and Reporting** – The Investment Officer shall establish a process for annual review of investment transaction by external auditors to assure compliance with policies and procedures. The review shall include the following:
- Control of collusion
 - Separation of duties pertaining to the authorization and recording of investment transactions
 - Custodial safekeeping
 - Avoidance of physical delivery of securities whenever possible
 - Clear delegation of authority to subordinate staff members
 - Written confirmation of transactions for investments and wire transfers

In addition, the Investment Officer shall prepare an investment activity and rate of return report for the City Manager and Finance Committee of the City Council on a quarterly basis.

- E. **Pooling of Funds** – Except for cash in certain restricted and special funds, cash balances from all funds shall be consolidated to maximize opportunities for investment and investment earnings. Investment income will be allocated to the various funds based upon their respective participation and in accordance with generally accepted accounting principles.
- F. **Collateralization** – All bank deposits, time deposits, certificates of deposit, and savings accounts, shall be collateralized through the collateral pool for any excess of the amount insured by an agency of the United States government in accordance with ORS 295.015 and ORS 295.018. The Investment Officer is responsible for insuring that a Certificate of Participation has been issued to cover City deposits.

AUTHORIZED INVESTMENTS

- A. **General Guidelines** – Investments of the City are to comply 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)
 - ORS 294.145 (Prohibited conduct for custodial officer)
 - ORS 294.805 (Local Government Investment Pool)

Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

B. **Maturities** – To the extent possible, the Investment Officer shall match investments with anticipated future cash flow requirements. The maximum maturity shall be no longer than 18 months unless:

- This investment policy has been reviewed by the Oregon Short Term Fund Board prior to City Council approval of the policy and the policy is reviewed by Council on an ongoing annual basis, or
- The Investment Officer obtains authorization from City Council to invest specific funds that are being accumulated for uses that will occur more than 18 months in the future.

The investment portfolio maturities must comply with the following guidelines:

- At least 50% of the actual portfolio must mature within 90 days.
- Up to 25% of the actual portfolio may mature in over one year.
- No investment may mature in over three years.
- Only securities that can be held to maturity shall be purchased. Investments shall not be planned or made predicated upon selling the security prior to maturity. This policy allows the sale of securities prior to their maturity to remedy unanticipated liquidity needs. This policy also allows the sale of securities prior to their maturity if there are opportunities to elevate credit quality or to shorten the term of market exposure while maintaining the same yield to maturity.

C. **Diversification** shall be consistent with the following:

- Up to 100% of the portfolio may be invested in the Local Government Investment Pool
- Up to 50 % of the portfolio may be invested in US Treasury or US Government Agency securities
- No more than 30% of the portfolio shall be invested with a single financial institution (except the Local Government Investment Pool)
- No more than 25% of the portfolio may be in Bankers Acceptances or Repurchase Agreements
- No more than 25% of the portfolio may be in time certificates of deposit

D. **Bids/Quotes** – The Investment Officer will receive daily e-mails from all eligible financial institutions detailing securities for sale. Using this technology, the Investment Officer will keep informed of the various products available to invest City funds. The goal of the competitive process shall be to maximize the City's yield while maintaining a low level of investment risk.

OTHER INVESTMENT GUIDELINES

A. **Performance Evaluation** – The performance of the City's portfolio will be measured against the performance of the Oregon Local Government Investment Pool. 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.

B. Investment Policy Review – This investment policy shall be reviewed annually by the Investment Officer, City Manager, and City Council. The policy shall be submitted to the Oregon Short Term Fund Board for review and comment if the City intends to invest in maturities exceeding 18 months or if material changes are made since the last OSTF Board review.